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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE
2008 GENERAL RATE APPLICATION

Before Board Panel:

- Graham Lane - Board Chairman
- Alain Molgat - Board Member
- Len Evans - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 3rd, 2007
Pages 1 to 295
Volume 1

APPEARANCES

1
2 Walter Saranchuk, Q.C.) Board Counsel
3 Candace Everard)
4
5 Kevin McCulloch) Manitoba Public Insurance
6
7 Raymond Oakes) CMMG
8
9 Byron Williams) CAC/MSOS
10
11 Nick Roberts) Manitoba Used Car Dealers
12) Association (MUCDA)
13
14 Donna Wankling) CAA Manitoba
15 Michael Mager)
16
17 Robert Dawson) CBA/MBA
18
19 Peter Miller (np)) RCM/TREE
20
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3	PUB-1	Notice of Public Hearing and Pre-	
4		Hearing Conference dated June	
5		7, 2007 - also entered at PHC	
6	PUB-2	Rules of Practice and Procedure -	
7		also entered at PHC	
8	PUB-3	Proposed Timetable - also entered	
9		at PHC	
10	PUB-4	Transcript of Pre-Hearing Conference	
11		held June 22, 2007	
12	PUB-5	The Public Utilities Board	
13		Procedural Order No. 85/07 dated	
14		July 3, 2007	
15	PUB-6	Reminder Notice of Public Hearing	
16		dated August 16, 2007	
17	PUB/MPI-7-1	The Public Utilities Board's	
18		Information Requests and Manitoba	
19		Public Insurance's Responses - 1st	
20		Round - Premium increase-sensitivity	
21	PUB/MPI-7-2	The Public Utilities Board's	
22		Information Requests and Manitoba	
23		Public Insurance's Responses - 1st	
24		Round - Vehicle upgrade factor	
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6		Round - actual results 2006-07	
7	PUB/MPI-7-4	The Public Utilities Board's	
8		Information Requests and Manitoba	
9		Public Insurance's Responses - 1st	
10		Round - Driver licensing premiums	
11	PUB/MPI-7-5	The Public Utilities Board's	
12		Information Requests and Manitoba	
13		Public Insurance's Responses - 1st	
14		Round - Investments	
15	PUB/MPI-7-6	The Public Utilities Board's	
16		Information Requests and Manitoba	
17		Public Insurance's Responses - 1st	
18		Round - Investment policy	
19	PUB/MPI-7-7	The Public Utilities Board's	
20		Information Requests and Manitoba	
21		Public Insurance's Responses - 1st	
22		Round - Investment portfolio	
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5		Public Insurance's Responses - 1st	
6		Round - Investment allocation	
7		methodology	
8	PUB/MPI-7-9	The Public Utilities Board's	
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10		Public Insurance's Responses - 1st	
11		Round - Investment policy changes	
12	PUB/MPI-7-10	The Public Utilities Board's	
13		Information Requests and Manitoba	
14		Public Insurance's Responses - 1st	
15		Round - Investments - benchmarks	
16	PUB/MPI-7-11	The Public Utilities Board's	
17		Information Requests and Manitoba	
18		Public Insurance's Responses - 1st	
19		Round - Investments - yield	
20		assumptions	
21	PUB/MPI-7-12	The Public Utilities Board's	
22		Information Requests and Manitoba	
23		Public Insurance's Responses - 1st	
24		Round - Inv Income decrease 2008-09	
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3	PUB/MPI-7-13	The Public Utilities Board's	
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5		Public Insurance's Responses - 1st	
6		Round - Inv Inc-sensitivity	
7	PUB/MPI-7-14	The Public Utilities Board's	
8		Information Requests and Manitoba	
9		Public Insurance's Responses - 1st	
10		Round - Coverages history	
11	PUB/MPI-7-15	The Public Utilities Board's	
12		Information Requests and Manitoba	
13		Public Insurance's Responses - 1st	
14		Round - Frequencies, severities and	
15		loss costs	
16	PUB/MPI-7-16	The Public Utilities Board's	
17		Information Requests and Manitoba	
18		Public Insurance's Responses - 1st	
19		Round - Experience indicators	
20	PUB/MPI-7-17	The Public Utilities Board's	
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23		Round - PIPP costs	
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6		Round - Claims Variance analysis	
7	PUB/MPI-7-19	The Public Utilities Board's	
8		Information Requests and Manitoba	
9		Public Insurance's Responses - 1st	
10		Round - Claims cost allocation to	
11		all vehicle classes	
12	PUB/MPI-7-20	The Public Utilities Board's	
13		Information Requests and Manitoba	
14		Public Insurance's Responses - 1st	
15		Round - alternate parts	
16	PUB/MPI-7-21	The Public Utilities Board's	
17		Information Requests and Manitoba	
18		Public Insurance's Responses - 1st	
19		Round - Compliance audit product	
20	PUB/MPI-7-22	The Public Utilities Board's	
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5		Public Insurance's Responses - 1st	
6		Round - Expense projections	
7	PUB/MPI-7-24	The Public Utilities Board's	
8		Information Requests and Manitoba	
9		Public Insurance's Responses - 1st	
10		Round - Expenses vs CPI	
11	PUB/MPI-7-25	The Public Utilities Board's	
12		Information Requests and Manitoba	
13		Public Insurance's Responses - 1st	
14		Round - Staffing levels	
15	PUB/MPI-7-26	The Public Utilities Board's	
16		Information Requests and Manitoba	
17		Public Insurance's Responses - 1st	
18		Round - Allocation formulae	
19	PUB/MPI-7-27	The Public Utilities Board's	
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21		Public Insurance's Responses - 1st	
22		Round - DVL allocation to basic	
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4		Information Requests and Manitoba	
5		Public Insurance's Responses - 1st	
6		Round - Loss and prevention	
7		expenses	
8	PUB/MPI-7-29	The Public Utilities Board's	
9		Information Requests and Manitoba	
10		Public Insurance's Responses - 1st	
11		Round - Public relation expenses	
12	PUB/MPI-7-30	The Public Utilities Board's	
13		Information Requests and Manitoba	
14		Public Insurance's Responses - 1st	
15		Round - Land and land improvements	
16	PUB/MPI-7-31	The Public Utilities Board's	
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18		Public Insurance's Responses - 1st	
19		Round - capital expenditures	
20	PUB/MPI-7-32	The Public Utilities Board's	
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6		Round - Driver safety rating	
7	PUB/MPI-7-34	The Public Utilities Board's	
8		Information Requests and Manitoba	
9		Public Insurance's Responses - 1st	
10		Round - Costs for loss transfer	
11		hearing	
12	PUB/MPI-7-35	The Public Utilities Board's	
13		Information Requests and Manitoba	
14		Public Insurance's Responses - 1st	
15		Round - Risk profile	
16	PUB/MPI-7-36	The Public Utilities Board's	
17		Information Requests and Manitoba	
18		Public Insurance's Responses - 1st	
19		Round - Rebate	
20	PUB/MPI-7-37	The Public Utilities Board's	
21		Information Requests and Manitoba	
22		Public Insurance's Responses - 1st	
23		Round - Claims forecasting method	
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4		Information Requests and Manitoba	
5		Public Insurance's Responses - 1st	
6		Round - Method change for	
7		treatment of serious loss	
8	PUB/MPI-7-39	The Public Utilities Board's	
9		Information Requests and Manitoba	
10		Public Insurance's Responses - 1st	
11		Round - Vehicle upgrade factors	
12	PUB/MPI-7-40	The Public Utilities Board's	
13		Information Requests and Manitoba	
14		Public Insurance's Responses - 1st	
15		Round - Rate percent changes and	
16		number of vehicles	
17	PUB/MPI-7-41	The Public Utilities Board's	
18		Information Requests and Manitoba	
19		Public Insurance's Responses - 1st	
20		Round - Off road vehicles	
21	PUB/MPI-7-42	The Public Utilities Board's	
22		Information Requests and Manitoba	
23		Public Insurance's Responses - 1st	
24		Round - Territories	
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5		Public Insurance's Responses - 1st	
6		Round - CPI indexation	
7	PUB/MPI-7-44	The Public Utilities Board's	
8		Information Requests and Manitoba	
9		Public Insurance's Responses - 1st	
10		Round - Reinsurance - Catastrophe	
11		program	
12	PUB/MPI-7-45	The Public Utilities Board's	
13		Information Requests and Manitoba	
14		Public Insurance's Responses - 1st	
15		Round - Fleet program	
16	PUB/MPI-7-46	The Public Utilities Board's	
17		Information Requests and Manitoba	
18		Public Insurance's Responses - 1st	
19		Round - Immobilizers - costs of	
20		program expansion	
21	PUB/MPI-7-47	The Public Utilities Board's	
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23		Public Insurance's Responses - 1st	
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6		Round - Imm - statistics	
7	PUB/MPI-7-49	The Public Utilities Board's	
8		Information Requests and Manitoba	
9		Public Insurance's Responses - 1st	
10		Round - WATSS	
11	PUB/MPI-7-50	The Public Utilities Board's	
12		Information Requests and Manitoba	
13		Public Insurance's Responses - 1st	
14		Round - Deductibles - theft vs	
15		vandalism	
16	PUB/MPI-7-51	The Public Utilities Board's	
17		Information Requests and Manitoba	
18		Public Insurance's Responses - 1st	
19		Round - Financing options	
20	PUB/MPI-7-52	The Public Utilities Board's	
21		Information Requests and Manitoba	
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6		Round - Defeated immobilizers	
7	PUB/MPI-7-54	The Public Utilities Board's	
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9		Public Insurance's Responses - 1st	
10		Round - Crown Corp Council	
11	PUB/MPI-7-55	The Public Utilities Board's	
12		Information Requests and Manitoba	
13		Public Insurance's Responses - 1st	
14		Round - Seatbelt usage	
15	PUB/MPI-7-56	The Public Utilities Board's	
16		Information Requests and Manitoba	
17		Public Insurance's Responses - 1st	
18		Round - PAYD	
19	PUB/MPI-7-57	The Public Utilities Board's	
20		Information Requests and Manitoba	
21		Public Insurance's Responses - 1st	
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5		Public Insurance's Responses - 1st	
6		Round - Stats Cda - MPI rating	
7	PUB/MPI-7-59	The Public Utilities Board's	
8		Information Requests and Manitoba	
9		Public Insurance's Responses - 1st	
10		Round - Rebate - 2007 - unusual	
11		circumstances	
12	PUB/MPI-7-60	The Public Utilities Board's	
13		Information Requests and Manitoba	
14		Public Insurance's Responses - 1st	
15		Round - Driver safety rating	
16	PUB/MPI-7-61	The Public Utilities Board's	
17		Information Requests and Manitoba	
18		Public Insurance's Responses - 1st	
19		Round - Uncashed rebate cheques	
20	PUB/MPI-7-62	The Public Utilities Board's	
21		Information Requests and Manitoba	
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6		Round - 3-year: financial outlook	
7	PUB/MPI-7-64	The Public Utilities Board's	
8		Information Requests and Manitoba	
9		Public Insurance's Responses - 1st	
10		Round - 3-year - two year GRA	
11	PUB/MPI-7-65	The Public Utilities Board's	
12		Information Requests and Manitoba	
13		Public Insurance's Responses - 1st	
14		Round - 3-year: addressing board	
15		issues	
16	PUB/MPI-7-66	The Public Utilities Board's	
17		Information Requests and Manitoba	
18		Public Insurance's Responses - 1st	
19		Round - 3-year: actuarial indicators	
20	PUB/MPI-7-67	The Public Utilities Board's	
21		Information Requests and Manitoba	
22		Public Insurance's Responses - 1st	
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24		intervening years	
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7		approvals	
8	PUB/MPI-7-69	The Public Utilities Board's	
9		Information Requests and Manitoba	
10		Public Insurance's Responses - 1st	
11		Round - 3-year: regulatory costs	
12	PUB/MPI-7-70	The Public Utilities Board's	
13		Information Requests and Manitoba	
14		Public Insurance's Responses - 1st	
15		Round - 3-year: trigger points	
16	PUB/MPI-7-71	The Public Utilities Board's	
17		Information Requests and Manitoba	
18		Public Insurance's Responses - 1st	
19		Round - 3-year: other jurisdictions	
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7	PUB/MPI-7-74	The Public Utilities Board's	
8		Information Requests and Manitoba	
9		Public Insurance's Responses - 1st	
10		Round - 3-year: timelines	
11	PUB/MPI-7-75	The Public Utilities Board's	
12		Information Requests and Manitoba	
13		Public Insurance's Responses - 1st	
14		Round - 3-year: motions	
15	PUB/MPI-8-1	The Public Utilities Board's	
16		Information Requests and Manitoba	
17		Public Insurance's Responses - 2nd	
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9		Public Insurance's Responses - 2nd	
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11		benchmarks	
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16		for non marketable bonds	
17	PUB/MPI-8-6	The Public Utilities Board's	
18		Information Requests and Manitoba	
19		Public Insurance's Responses - 2nd	
20		Round - investments-forecasts	
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23		Public Insurance's Responses - 2nd	
24		Round - Investments-conflicts in	
25		reported results	

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8		Information Requests and Manitoba	
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11	PUB/MPI-8-10	The Public Utilities Board's	
12		Information Requests and Manitoba	
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16		Information Requests and Manitoba	
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21		Public Insurance's Responses - 2nd	
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9		Information Requests and Manitoba	
10		Public Insurance's Responses - 2nd	
11		Round - Sponsorships grants and	
12		donations	
13	PUB/MPI-8-15	The Public Utilities Board's	
14		Information Requests and Manitoba	
15		Public Insurance's Responses - 2nd	
16		Round - Land acquisition	
17	PUB/MPI-8-16	The Public Utilities Board's	
18		Information Requests and Manitoba	
19		Public Insurance's Responses - 2nd	
20		Round - capital expenditures	
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8		Information Requests and Manitoba	
9		Public Insurance's Responses - 2nd	
10		Round - driver safety rating	
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14		Round - driver safety rating	
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17		Public Insurance's Responses - 2nd	
18		Round - compensation disclosure	
19	PUB/MPI-8-22	The Public Utilities Board's	
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10		Round - variability in rate groups	
11	PUB/MPI-8-25	The Public Utilities Board's	
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15	PUB/MPI-8-26	The Public Utilities Board's	
16		Information Requests and Manitoba	
17		Public Insurance's Responses - 2nd	
18		Round - comprehensive claims	
19	PUB/MPI-8-27	The Public Utilities Board's	
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21		Public Insurance's Responses - 2nd	
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9		Public Insurance's Responses - 2nd	
10		Round - deductibles-theft	
11	PUB/MPI-8-30	The Public Utilities Board's	
12		Information Requests and Manitoba	
13		Public Insurance's Responses - 2nd	
14		Round - Imm- related financing	
15	PUB/MPI-8-31	The Public Utilities Board's	
16		Information Requests and Manitoba	
17		Public Insurance's Responses - 2nd	
18		Round - At-risk vehicle listing	
19	PUB/MPI-8-32	The Public Utilities Board's	
20		Information Requests and Manitoba	
21		Public Insurance's Responses - 2nd	
22		Round - rebate cheques	
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2	EXHIBIT NO.	DESCRIPTION	PAGE
3	PUB/MPI-8-33	The Public Utilities Board's	
4		Information Requests and Manitoba	
5		Public Insurance's Responses - 2nd	
6		Round - Impact of future trends	
7		on 3-year process	
8	PUB/MPI-8-34	The Public Utilities Board's	
9		Information Requests and Manitoba	
10		Public Insurance's Responses - 2nd	
11		Round - 3 year: filing details	
12	MPI-1	Affidavit of Sherry Komadowski sworn	
13		September 28, 2007 with attached	
14		exhibits stating that all	
15		interested parties were served	
16		Notice of Public Hearing and rate	
17		application.	
18	MPI-2	Affidavit of Zdenka Melnyk sworn	
19		September 19, 2007 with attached	
20		exhibits of Notice of Public	
21		Hearing and Pre-Hearing Conference	
22		dated June 7, 2007 published in the	
23		required newspapers.	
24			
25			

	LIST OF EXHIBITS	
1		
2	MPI-3	Affidavit of Zdenka Melnyk sworn
3		September 19, 2007, with attached
4		exhibits of Reminder Notice
5		of Public Hearing dated August 16, 2007
6		published in the required newspapers.
7	MPI-4	MPI 2008 Rate Application - Volume
8		I, filed June 13, 2007
9	MPI-5	MPI 2008 Rate Application - Volume
10		II, filed June 13, 2007
11	MPI-6	MPI 2008 Rate Application - Volume
12		III, filed June 13, 2007
13	MPI-7	MPI Pay-As-You-Drive study, filed
14		August 31, 2007
15	MPI-8	MPI Witness Panel - Ottmar Kramer,
16		C.A.
17	MPI-9	MPI Witness Panel - Ward A. Keith
18	MPI-10	Quarterly report 255
19	MPI-11	News release that accompanied the
20		quarterly report 255
21	CAC/MSOS/MPI-1-1	Consumers' Association of Canada
22		(Manitoba) Inc./Manitoba Society
23		of Senior's Information Requests
24		and Manitoba Public Insurance's
25		Responses - 1st Round. Collective

- 1 LIST OF EXHIBITS
- 2 bargaining results.
- 3 CAC/MSOS/MPI-1-2 Consumers' Association of Canada
4 (Manitoba) Inc./Manitoba Society
5 of Senior's Information Requests
6 and Manitoba Public Insurance's
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8 reports to May 31
- 9 CAC/MSOS/MPI-1-3 Consumers' Association of Canada
10 (Manitoba) Inc./Manitoba Society
11 of Senior's Information Requests
12 and Manitoba Public Insurance's
13 Responses - 1st Round. Budget
14 matters
- 15 CAC/MSOS/MPI-1-4 Consumers' Association of Canada
16 (Manitoba) Inc./Manitoba Society
17 of Senior's Information Requests
18 and Manitoba Public Insurance's
19 Responses - 1st Round. 2007 GRA-
20 1-16
- 21 CAC/MSOS/MPI-1-5 Consumers' Association of Canada
22 (Manitoba) Inc./Manitoba Society
23 of Senior's Information Requests
24 and Manitoba Public Insurance's
25 Responses - 1st Round. 2007 GRA-1-17

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4		(Manitoba) Inc./Manitoba Society	
5		of Senior's Information Requests	
6		and Manitoba Public Insurance's	
7		Responses - 1st Round. 2007 GRA- 1-18	
8	CAC/MSOS/MPI-1-7	Consumers' Association of Canada	
9		(Manitoba) Inc./Manitoba Society	
10		of Senior's Information Requests	
11		and Manitoba Public Insurance's	
12		Responses - 1st Round. Seatbelt usage	
13	CAC/MSOS/MPI-1-8	Consumers' Association of Canada	
14		(Manitoba) Inc./Manitoba Society	
15		of Senior's Information Requests	
16		and Manitoba Public Insurance's	
17		Responses - 1st Round. 2007 GRA- 1-20	
18	CAC/MSOS/MPI-1-9	Consumers' Association of Canada	
19		(Manitoba) Inc./Manitoba Society	
20		of Senior's Information Requests	
21		and Manitoba Public Insurance's	
22		Responses - 1st Round. 2007 GRA- 1-21	
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4		(Manitoba) Inc./Manitoba Society	
5		of Senior's Information Requests	
6		and Manitoba Public Insurance's	
7		Responses - 1st Round. 2007 GRA-	1-22
8	CAC/MSOS/MPI-1-11	Consumers' Association of Canada	
9		(Manitoba) Inc./Manitoba Society	
10		of Senior's Information Requests	
11		and Manitoba Public Insurance's	
12		Responses - 1st Round. 2007 GRA-	1-23
13	CAC/MSOS/MPI-1-12	Consumers' Association of Canada	
14		(Manitoba) Inc./Manitoba Society	
15		of Senior's Information Requests	
16		and Manitoba Public Insurance's	
17		Responses - 1st Round. 2007 GRA-	1-24
18	CAC/MSOS/MPI-1-13	Consumers' Association of Canada	
19		(Manitoba) Inc./Manitoba Society	
20		of Senior's Information Requests	
21		and Manitoba Public Insurance's	
22		Responses - 1st Round. 3-year	
23		proposal: various	
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- CAC/MSOS/MPI-1-14 Consumers' Association of Canada
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- CAC/MSOS/MPI-1-15 Consumers' Association of Canada
(Manitoba) Inc./Manitoba Society
of Senior's Information Requests
and Manitoba Public Insurance's
Responses - 1st Round. Strategic
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- CAC/MSOS/MPI-1-16 Consumers' Association of Canada
(Manitoba) Inc./Manitoba Society
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- CAC/MSOS/MPI-1-17 Consumers' Association of Canada
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6		and Manitoba Public Insurance's	
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8	CAC/MSOS/MPI-1-19	Consumers' Association of Canada	
9		(Manitoba) Inc./Manitoba Society	
10		of Senior's Information Requests	
11		and Manitoba Public Insurance's	
12		Responses - 1st Round. Auto theft	
13	CAC/MSOS/MPI-1-20	Consumers' Association of Canada	
14		(Manitoba) Inc./Manitoba Society	
15		of Senior's Information Requests	
16		and Manitoba Public Insurance's	
17		Responses - 1st Round. Auto theft	
18	CAC/MSOS/MPI-1-21	Consumers' Association of Canada	
19		(Manitoba) Inc./Manitoba Society	
20		of Senior's Information Requests	
21		and Manitoba Public Insurance's	
22		Responses - 1st Round. Staff	
23		responsibilities	
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3	CAC/MSOS/MPI-1-22	Consumers' Association of Canada
4		(Manitoba) Inc./Manitoba Society
5		of Senior's Information Requests
6		and Manitoba Public Insurance's
7		Responses - 1st Round. Net income.
8	CAC/MSOS/MPI-1-23	Consumers' Association of Canada
9		(Manitoba) Inc./Manitoba Society
10		of Senior's Information Requests
11		and Manitoba Public Insurance's
12		Responses - 1st Round. Immobilizer
13		costs
14	CAC/MSOS/MPI-1-24	Consumers' Association of Canada
15		(Manitoba) Inc./Manitoba Society
16		of Senior's Information Requests
17		and Manitoba Public Insurance's
18		Responses - 1st Round. Net income
19		and immobilizers
20	CAC/MSOS/MPI-1-25	Consumers' Association of Canada
21		(Manitoba) Inc./Manitoba Society
22		of Senior's Information Requests
23		and Manitoba Public Insurance's
24		Responses - 1st Round. 2008-09
25		Net income

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE
3	CAC/MSOS/MPI-1-26	Consumers' Association of Canada	
4		(Manitoba) Inc./Manitoba Society	
5		of Senior's Information Requests	
6		and Manitoba Public Insurance's	
7		Responses - 1st Round. Imm project	
8	CAC/MSOS/MPI-1-27	Consumers' Association of Canada	
9		(Manitoba) Inc./Manitoba Society	
10		of Senior's Information Requests	
11		and Manitoba Public Insurance's	
12		Responses - 1st Round. Investment	
13		income	
14	CAC/MSOS/MPI-1-28	Consumers' Association of Canada	
15		(Manitoba) Inc./Manitoba Society	
16		of Senior's Information Requests	
17		and Manitoba Public Insurance's	
18		Responses - 1st Round. RSR targets	
19	CAC/MSOS/MPI-1-29	Consumers' Association of Canada	
20		(Manitoba) Inc./Manitoba Society	
21		of Senior's Information Requests	
22		and Manitoba Public Insurance's	
23		Responses - 1st Round. IIF proposals	
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3	CAC/MSOS/MPI-1-30	Consumers' Association of Canada	
4		(Manitoba) Inc./Manitoba Society	
5		of Senior's Information Requests	
6		and Manitoba Public Insurance's	
7		Responses - 1st Round. ATA/MMDA	
8	CAC/MSOS/MPI-1-31	Consumers' Association of Canada	
9		(Manitoba) Inc./Manitoba Society	
10		of Senior's Information Requests	
11		and Manitoba Public Insurance's	
12		Responses - 1st Round. Customer	
13		satisfaction	
14	CAC/MSOS/MPI-1-32	Consumers' Association of Canada	
15		(Manitoba) Inc./Manitoba Society	
16		of Senior's Information Requests	
17		and Manitoba Public Insurance's	
18		Responses - 1st Round. PIPP	
19	CAC/MSOS/MPI-1-33	Consumers' Association of Canada	
20		(Manitoba) Inc./Manitoba Society	
21		of Senior's Information Requests	
22		and Manitoba Public Insurance's	
23		Responses - 1st Round. Ratemaking	
24		methodology	
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6		and Manitoba Public Insurance's	
7		Responses - 1st Round. Ratemaking	
8		methodology	
9	CAC/MSOS/MPI-1-35	Consumers' Association of Canada	
10		(Manitoba) Inc./Manitoba Society	
11		of Senior's Information Requests	
12		and Manitoba Public Insurance's	
13		Responses - 1st Round. Actuarial	
14		indicator	
15	CAC/MSOS/MPI-1-36	Consumers' Association of Canada	
16		(Manitoba) Inc./Manitoba Society	
17		of Senior's Information Requests	
18		and Manitoba Public Insurance's	
19		Responses - 1st Round. Claims	
20		incurred	
21	CAC/MSOS/MPI-1-37	Consumers' Association of Canada	
22		(Manitoba) Inc./Manitoba Society	
23		of Senior's Information Requests	
24		and Manitoba Public Insurance's	
25		Responses - 1st Round. Auto theft.	

1	LIST OF EXHIBITS		
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3	CAC/MSOS/MPI-1-38	Consumers' Association of Canada	
4		(Manitoba) Inc./Manitoba Society	
5		of Senior's Information Requests	
6		and Manitoba Public Insurance's	
7		Responses - 1st Round. Youth at	
8		risk	
9	CAC/MSOS/MPI-1-39	Consumers' Association of Canada	
10		(Manitoba) Inc./Manitoba Society	
11		of Senior's Information Requests	
12		and Manitoba Public Insurance's	
13		Responses - 1st Round. Awareness	
14		program	
15	CAC/MSOS/MPI-1-40	Consumers' Association of Canada	
16		(Manitoba) Inc./Manitoba Society	
17		of Senior's Information Requests	
18		and Manitoba Public Insurance's	
19		Responses - 1st Round. Offender	
20		programs	
21	CAC/MSOS/MPI-1-41	Consumers' Association of Canada	
22		(Manitoba) Inc./Manitoba Society	
23		of Senior's Information Requests	
24		and Manitoba Public Insurance's	
25		Responses - 1st Round. WATSS	

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2	EXHIBIT NO.	DESCRIPTION	PAGE
3	CAC/MSOS/MPI-1-42	Consumers' Association of Canada	
4		(Manitoba) Inc./Manitoba Society	
5		of Senior's Information Requests	
6		and Manitoba Public Insurance's	
7		Responses - 1st Round. Imm program	
8	CAC/MSOS/MPI-1-43	Consumers' Association of Canada	
9		(Manitoba) Inc./Manitoba Society	
10		of Senior's Information Requests	
11		and Manitoba Public Insurance's	
12		Responses - 1st Round. Auto theft	
13		suppression	
14	CAC/MSOS/MPI-1-44	Consumers' Association of Canada	
15		(Manitoba) Inc./Manitoba Society	
16		of Senior's Information Requests	
17		and Manitoba Public Insurance's	
18		Responses - 1st Round. Imm program	
19	CAC/MSOS/MPI-1-45	Consumers' Association of Canada	
20		(Manitoba) Inc./Manitoba Society	
21		of Senior's Information Requests	
22		and Manitoba Public Insurance's	
23		Responses - 1st Round.	
24		Recommendation 3	
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- CAC/MSOS/MPI-1-46 Consumers' Association of Canada
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- CAC/MSOS/MPI-1-47 Consumers' Association of Canada
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- CAC/MSOS/MPI-1-48 Consumers' Association of Canada
(Manitoba) Inc./Manitoba Society
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- CAC/MSOS/MPI-1-49 Consumers' Association of Canada
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- CAC/MSOS/MPI-1-50 Consumers' Association of Canada
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- CAC/MSOS/MPI-1-51 Consumers' Association of Canada
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- CAC/MSOS/MPI-1-52 Consumers' Association of Canada
(Manitoba) Inc./Manitoba Society
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- CAC/MSOS/MPI-1-53 Consumers' Association of Canada
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7		Responses - 1st Round. Basic	
8		expenses	
9	CAC/MSOS/MPI-1-55	Consumers' Association of Canada	
10		(Manitoba) Inc./Manitoba Society	
11		of Senior's Information Requests	
12		and Manitoba Public Insurance's	
13		Responses - 1st Round. Staffing	
14	CAC/MSOS/MPI-1-56	Consumers' Association of Canada	
15		(Manitoba) Inc./Manitoba Society	
16		of Senior's Information Requests	
17		and Manitoba Public Insurance's	
18		Responses - 1st Round. Capital	
19		expenditures	
20	CAC/MSOS/MPI-1-57	Consumers' Association of Canada	
21		(Manitoba) Inc./Manitoba Society	
22		of Senior's Information Requests	
23		and Manitoba Public Insurance's	
24		Responses - 1st Round. Statement	
25		of Operations	

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3	CAC/MSOS/MPI-1-58	Consumers' Association of Canada
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9	CAC/MSOS/MPI-1-59	Consumers' Association of Canada
10		(Manitoba) Inc./Manitoba Society
11		of Senior's Information Requests
12		and Manitoba Public Insurance's
13		Responses - 1st Round. Investment
14		allocation
15	CAC/MSOS/MPI-1-60	Consumers' Association of Canada
16		(Manitoba) Inc./Manitoba Society
17		of Senior's Information Requests
18		and Manitoba Public Insurance's
19		Responses - 1st Round. Investment
20		policy
21	CAC/MSOS/MPI-1-61	Consumers' Association of Canada
22		(Manitoba) Inc./Manitoba Society
23		of Senior's Information Requests
24		and Manitoba Public Insurance's
25		Responses - 1st Round. Investments

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3	CAC/MSOS/MPI-1-62	Consumers' Association of Canada	
4		(Manitoba) Inc./Manitoba Society	
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6		and Manitoba Public Insurance's	
7		Responses - 1st Round. Investment	
8		income	
9	CAC/MSOS/MPI-1-63	Consumers' Association of Canada	
10		(Manitoba) Inc./Manitoba Society	
11		of Senior's Information Requests	
12		and Manitoba Public Insurance's	
13		Responses - 1st Round. PFADS	
14	CAC/MSOS/MPI-1-64	Consumers' Association of Canada	
15		(Manitoba) Inc./Manitoba Society	
16		of Senior's Information Requests	
17		and Manitoba Public Insurance's	
18		Responses - 1st Round. Volume and	
19		upgrade factors	
20	CAC/MSOS/MPI-2-1	Consumers' Association of Canada	
21		(Manitoba) Inc./Manitoba Society	
22		of Senior's Information Requests	
23		and Manitoba Public Insurance's	
24		Responses - 2nd Round. Budget	
25		matters	

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4		(Manitoba) Inc./Manitoba Society	
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6		and Manitoba Public Insurance's	
7		Responses - 2nd Round. Internal	
8		indicators	
9	CAC/MSOS/MPI-2-3	Consumers' Association of Canada	
10		(Manitoba) Inc./Manitoba Society	
11		of Senior's Information Requests	
12		and Manitoba Public Insurance's	
13		Responses - 2nd Round. Seat belts	
14	CAC/MSOS/MPI-2-4	Consumers' Association of Canada	
15		(Manitoba) Inc./Manitoba Society	
16		of Senior's Information Requests	
17		and Manitoba Public Insurance's	
18		Responses - 2nd Round. Departmental	
19		expenses	
20	CAC/MSOS/MPI-2-5	Consumers' Association of Canada	
21		(Manitoba) Inc./Manitoba Society	
22		of Senior's Information Requests	
23		and Manitoba Public Insurance's	
24		Responses - 2nd Round.	
25		Immobilizers	

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3	CAC/MSOS/MPI-2-6	Consumers' Association of Canada	
4		(Manitoba) Inc./Manitoba Society	
5		of Senior's Information Requests	
6		and Manitoba Public Insurance's	
7		Responses - 2nd Round. 2007 GRA	
8		1-23	
9	CAC/MSOS/MPI-2-7	Consumers' Association of Canada	
10		(Manitoba) Inc./Manitoba Society	
11		of Senior's Information Requests	
12		and Manitoba Public Insurance's	
13		Responses - 2nd Round. Auto crime	
14		prevention strategies	
15	CAC/MSOS/MPI-2-8	Consumers' Association of Canada	
16		(Manitoba) Inc./Manitoba Society	
17		of Senior's Information Requests	
18		and Manitoba Public Insurance's	
19		Responses - 2nd Round. Driver	
20		safety rating	
21	CAC/MSOS/MPI-2-9	Consumers' Association of Canada	
22		(Manitoba) Inc./Manitoba Society	
23		of Senior's Information Requests	
24		and Manitoba Public Insurance's	
25		Responses -2nd Round. Business plans	

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- CAC/MSOS/MPI-2-10 Consumers' Association of Canada
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re CAC/MSOS round 1-1-16 and 1-17
- CAC/MSOS/MPI-2-11 Consumers' Association of Canada
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- CAC/MSOS/MPI-2-12 Consumers' Association of Canada
(Manitoba) Inc./Manitoba Society
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and Manitoba Public Insurance's
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- CAC/MSOS/MPI-2-13 Consumers' Association of Canada
(Manitoba) Inc./Manitoba Society
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4		(Manitoba) Inc./Manitoba Society	
5		of Senior's Information Requests	
6		and Manitoba Public Insurance's	
7		Responses - 2nd Round. Customer	
8		service standards	
9	CAC/MSOS/MPI-2-15	Consumers' Association of Canada	
10		(Manitoba) Inc./Manitoba Society	
11		of Senior's Information Requests	
12		and Manitoba Public Insurance's	
13		Responses - 2nd Round. PIPP	
14	CAC/MSOS/MPI-2-16	Consumers' Association of Canada	
15		(Manitoba) Inc./Manitoba Society	
16		of Senior's Information Requests	
17		and Manitoba Public Insurance's	
18		Responses - 2nd Round. 3 year	
19		application	
20	CAC/MSOS/MPI-2-17	Consumers' Association of Canada	
21		(Manitoba) Inc./Manitoba Society	
22		of Senior's Information Requests	
23		and Manitoba Public Insurance's	
24		Responses - 2nd Round. Theft	
25		experience	

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3 (Manitoba) Inc./Manitoba Society
4 of Senior's Information Requests
5 and Manitoba Public Insurance's
6 Responses - 2nd Round. Offenders
7 program
- 8 CAC/MSOS/MPI-2-19 Consumers' Association of Canada
9 (Manitoba) Inc./Manitoba Society
10 of Senior's Information Requests
11 and Manitoba Public Insurance's
12 Responses - 2nd Round.
13 Immobilizer program
- 14 CAC/MSOS/MPI-2-20 Consumers' Association of Canada
15 (Manitoba) Inc./Manitoba Society
16 of Senior's Information Requests
17 and Manitoba Public Insurance's
18 Responses - 2nd Round. Budget
19 matters
- 20 CAC/MSOS/MPI-2-21 Consumers' Association of Canada
21 (Manitoba) Inc./Manitoba Society
22 of Senior's Information Requests
23 and Manitoba Public Insurance's
24 Responses - 2nd Round. Driver
25 safety rating

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LIST OF EXHIBITS

- CAC/MSOS/MPI-2-22 Consumers' Association of Canada
(Manitoba) Inc./Manitoba Society
of Senior's Information Requests
and Manitoba Public Insurance's
Responses - 2nd Round. 3-year:
consumer info in interval years
- CAC/MSOS/MPI-2-23 Consumers' Association of Canada
(Manitoba) Inc./Manitoba Society
of Senior's Information Requests
and Manitoba Public Insurance's
Responses - 2nd Round. 3 year
application CAC/MSOS 1-50
- CAC/MSOS/MPI-2-24 Consumers' Association of Canada
(Manitoba) Inc./Manitoba Society
of Senior's Information Requests
and Manitoba Public Insurance's
Responses - 2nd Round. Capital
spending
- CAC/MSOS/MPI-2-25 Consumers' Association of Canada
(Manitoba) Inc./Manitoba Society
of Senior's Information Requests
and Manitoba Public Insurance's
Responses - 2nd Round. 3 year
application

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE
3	CAC/MSOS/MPI-2-26	Consumers' Association of Canada	
4		(Manitoba) Inc./Manitoba Society	
5		of Senior's Information Requests	
6		and Manitoba Public Insurance's	
7		Responses - 2nd Round. Rebates	
8	CAC/MSOS/MPI-2-27	Consumers' Association of Canada	
9		(Manitoba) Inc./Manitoba Society	
10		of Senior's Information Requests	
11		and Manitoba Public Insurance's	
12		Responses - 2nd Round. Regulatory	
13		costs.	
14	CMMG/MPI-1-1	Coalition of Manitoba Motorcycle	
15		of Groups' Information Requests and	
16		Manitoba Public Insurance's Responses	
17		- 1st Round. Bonus/Malus	
18	CMMG/MPI-1-2	Coalition of Manitoba Motorcycle	
19		of Groups' Information Requests and	
20		Manitoba Public Insurance's Responses	
21		- 1st Round. Driver safety rating	
22	CMMG/MPI-1-3	Coalition of Manitoba Motorcycle	
23		of Groups' Information Requests and	
24		Manitoba Public Insurance's Responses	
25		- 1st Round. Driver safety rating	

1	LIST OF EXHIBITS		
2	EXHIBIT NUMBER	DESCRIPTION	PAGE NO.
3	CMMG/MPI-1-4	Coalition of Manitoba Motorcycle	
4		of Groups' Information Requests and	
5		Manitoba Public Insurance's Responses	
6		- 1st Round. Immobilizer program	
7	CMMG/MPI-1-5	Coalition of Manitoba Motorcycle	
8		of Groups' Information Requests and	
9		Manitoba Public Insurance's Responses	
10		- 1st Round. Motorcycle accidents	
11	CMMG/MPI-1-6	Coalition of Manitoba Motorcycle	
12		of Groups' Information Requests and	
13		Manitoba Public Insurance's Responses	
14		- 1st Round. PIPP	
15	CMMG/MPI-1-7	Coalition of Manitoba Motorcycle	
16		of Groups' Information Requests and	
17		Manitoba Public Insurance's Responses	
18		- 1st Round. Minimum bias method	
19	CMMG/MPI-1-8	Coalition of Manitoba Motorcycle	
20		of Groups' Information Requests and	
21		Manitoba Public Insurance's Responses	
22		- 1st Round. Comparisons to private	
23		insurers	
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1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	CMMG/MPI-1-9	Coalition of Manitoba Motorcycle	
4		of Groups' Information Requests and	
5		Manitoba Public Insurance's Responses	
6		- 1st Round. Comparisons to SGI	
7		and ICBC	
8	CMMG/MPI-1-10	Coalition of Manitoba Motorcycle	
9		of Groups' Information Requests and	
10		Manitoba Public Insurance's Responses	
11		- 1st Round. PIPP claims	
12	CMMG/MPI-1-11	Coalition of Manitoba Motorcycle	
13		of Groups' Information Requests and	
14		Manitoba Public Insurance's Responses	
15		- 1st Round. MC's versus private	
16		passenger	
17	CMMG/MPI-1-12	Coalition of Manitoba Motorcycle	
18		of Groups' Information Requests and	
19		Manitoba Public Insurance's Responses	
20		- 1st Round. Full payment v partial	
21		payment plans	
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1	LIST OF EXHIBITS		
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4		of Groups' Information Requests and	
5		Manitoba Public Insurance's Responses	
6		- 1st Round. Horsepower to weight	
7		ratios	
8	CMMG/MPI-1-14	Coalition of Manitoba Motorcycle	
9		of Groups' Information Requests and	
10		Manitoba Public Insurance's Responses	
11		- 1st Round. Rate group changes	
12	CMMG/MPI-1-15	Coalition of Manitoba Motorcycle	
13		of Groups' Information Requests and	
14		Manitoba Public Insurance's Responses	
15		- 1st Round. Relativity adjustments	
16	CMMG/MPI-1-16	Coalition of Manitoba Motorcycle	
17		of Groups' Information Requests and	
18		Manitoba Public Insurance's Responses	
19		- 1st Round. Basic coverage on	
20		driver's license	
21	CMMG/MPI-1-17	Coalition of Manitoba Motorcycle	
22		of Groups' Information Requests and	
23		Manitoba Public Insurance's Responses	
24		- 1st Round. Trailers	
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3	CMMG/MPI-1-18	Coalition of Manitoba Motorcycle	
4		of Groups' Information Requests and	
5		Manitoba Public Insurance's Responses	
6		- 1st Round. Prolonged recovery unit.	
7	CMMG/MPI-1-19	Coalition of Manitoba Motorcycle	
8		of Groups' Information Requests and	
9		Manitoba Public Insurance's Responses	
10		- 1st Round. Operating expenses	
11	CMMG/MPI-1-20	Coalition of Manitoba Motorcycle	
12		of Groups' Information Requests and	
13		Manitoba Public Insurance's Responses	
14		- 1st Round. Forecast methods	
15	CMMG/MPI-1-21	Coalition of Manitoba Motorcycle	
16		of Groups' Information Requests and	
17		Manitoba Public Insurance's Responses	
18		- 1st Round. Passenger light trucks	
19		v motorhomes	
20	CMMG/MPI-1-22	Coalition of Manitoba Motorcycle	
21		of Groups' Information Requests and	
22		Manitoba Public Insurance's Responses	
23		- 1st Round. PUB recommendations	
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3	CMMG/MPI-1-23	Coalition of Manitoba Motorcycle	
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5		Manitoba Public Insurance's Responses	
6		- 1st Round. Number of motorcycles	
7	CMMG/MPI-1-24	Coalition of Manitoba Motorcycle	
8		of Groups' Information Requests and	
9		Manitoba Public Insurance's Responses	
10		- 1st Round. No filing.	
11	CMMG/MPI-1-25	Coalition of Manitoba Motorcycle	
12		of Groups' Information Requests and	
13		Manitoba Public Insurance's Responses	
14		- 1st Round. Various graphs	
15	CMMG/MPI-1-26	Coalition of Manitoba Motorcycle	
16		of Groups' Information Requests and	
17		Manitoba Public Insurance's Responses	
18		- 1st Round. Compensation expenses	
19	CMMG/MPI-1-27	Coalition of Manitoba Motorcycle	
20		of Groups' Information Requests and	
21		Manitoba Public Insurance's Responses	
22		- 1st Round. Expense allocation	
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3	CMMG/MPI-1-28	Coalition of Manitoba Motorcycle	
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5		Manitoba Public Insurance's Responses	
6		- 1st Round. Staffing levels	
7	CMMG/MPI-1-29	Coalition of Manitoba Motorcycle	
8		of Groups' Information Requests and	
9		Manitoba Public Insurance's Responses	
10		- 1st Round. Capital expenditures	
11	CMMG/MPI-1-30	Coalition of Manitoba Motorcycle	
12		of Groups' Information Requests and	
13		Manitoba Public Insurance's Responses	
14		- 1st Round. Road safety and loss	
15		prevention	
16	CMMG/MPI-1-31	Coalition of Manitoba Motorcycle	
17		of Groups' Information Requests and	
18		Manitoba Public Insurance's Responses	
19		- 1st Round. Road safety and loss	
20		prevention	
21	CMMG/MPI-1-32	Coalition of Manitoba Motorcycle	
22		of Groups' Information Requests and	
23		Manitoba Public Insurance's Responses	
24		- 1st Round. Volume and upgrade	
25		factors.	

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2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	CMMG/MPI-1-33	Coalition of Manitoba Motorcycle	
4		of Groups' Information Requests and	
5		Manitoba Public Insurance's Responses	
6		- 1st Round. Claims costs	
7	CMMG/MPI-1-34	Coalition of Manitoba Motorcycle	
8		of Groups' Information Requests and	
9		Manitoba Public Insurance's Responses	
10		- 1st Round. Retained earnings	
11	CMMG/MPI-1-35	Coalition of Manitoba Motorcycle	
12		of Groups' Information Requests and	
13		Manitoba Public Insurance's Responses	
14		- 1st Round. Premium increases- M/C's	
15	CMMG/MPI-1-36	Coalition of Manitoba Motorcycle	
16		of Groups' Information Requests and	
17		Manitoba Public Insurance's Responses	
18		- 1st Round. PFAD	
19	CMMG/MPI-1-37	Coalition of Manitoba Motorcycle	
20		of Groups' Information Requests and	
21		Manitoba Public Insurance's Responses	
22		- 1st Round. PFAD v claims costs	
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1	LIST OF EXHIBITS		
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3	CMMG/MPI-1-38	Coalition of Manitoba Motorcycle	
4		of Groups' Information Requests and	
5		Manitoba Public Insurance's Responses	
6		- 1st Round. PFAD for PIPP	
7	CMMG/MPI-1-39	Coalition of Manitoba Motorcycle	
8		of Groups' Information Requests and	
9		Manitoba Public Insurance's Responses	
10		- 1st Round. IBNR	
11	CMMG/MPI-1-40	Coalition of Manitoba Motorcycle	
12		of Groups' Information Requests and	
13		Manitoba Public Insurance's Responses	
14		- 1st Round. Investments - MUSH	
15	CMMG/MPI-1-41	Coalition of Manitoba Motorcycle	
16		of Groups' Information Requests and	
17		Manitoba Public Insurance's Responses	
18		- 1st Round. Accident benefits	
19	CMMG/MPI-1-42	Coalition of Manitoba Motorcycle	
20		of Groups' Information Requests and	
21		Manitoba Public Insurance's Responses	
22		- 1st Round. Loss development	
23		factors	
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1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	CMMG/MPI-1-43	Coalition of Manitoba Motorcycle	
4		of Groups' Information Requests and	
5		Manitoba Public Insurance's Responses	
6		- 1st Round. Territories	
7	CMMG/MPI-1-44	Coalition of Manitoba Motorcycle	
8		of Groups' Information Requests and	
9		Manitoba Public Insurance's Responses	
10		- 1st Round. Misrepresentation	
11		over use	
12	CMMG/MPI-1-45	Coalition of Manitoba Motorcycle	
13		of Groups' Information Requests and	
14		Manitoba Public Insurance's Responses	
15		- 1st Round. Relativities	
16	CMMG/MPI-1-46	Coalition of Manitoba Motorcycle	
17		of Groups' Information Requests and	
18		Manitoba Public Insurance's Responses	
19		- 1st Round. Employee future	
20		benefits	
21	CMMG/MPI-1-47	Coalition of Manitoba Motorcycle	
22		of Groups' Information Requests and	
23		Manitoba Public Insurance's Responses	
24		- 1st Round. Interest assumptions -	
25		"Other coverage"	

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2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	CMMG/MPI-1-48	Coalition of Manitoba Motorcycle	
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5		Manitoba Public Insurance's Responses	
6		- 1st Round. Financial reserves	
7	CMMG/MPI-1-49	Coalition of Manitoba Motorcycle	
8		of Groups' Information Requests and	
9		Manitoba Public Insurance's Responses	
10		- 1st Round. Operating costs v	
11		industry	
12	CMMG/MPI-1-50	Coalition of Manitoba Motorcycle	
13		of Groups' Information Requests and	
14		Manitoba Public Insurance's Responses	
15		- 1st Round. Extension and SRE	
16	CMMG/MPI-1-51	Coalition of Manitoba Motorcycle	
17		of Groups' Information Requests and	
18		Manitoba Public Insurance's Responses	
19		- 1st Round. Bodily injury v	
20		physical damage	
21	CMMG/MPI-1-52	Coalition of Manitoba Motorcycle	
22		of Groups' Information Requests and	
23		Manitoba Public Insurance's Responses	
24		- 1st Round. Retained earnings	
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1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	CMMG/MPI-1-53	Coalition of Manitoba Motorcycle	
4		of Groups' Information Requests and	
5		Manitoba Public Insurance's Responses	
6		- 1st Round. Driver safety rating	
7	CMMG/MPI-1-54	Coalition of Manitoba Motorcycle	
8		of Groups' Information Requests and	
9		Manitoba Public Insurance's Responses	
10		- 1st Round. Auto theft	
11	CMMG/MPI-1-55	Coalition of Manitoba Motorcycle	
12		of Groups' Information Requests and	
13		Manitoba Public Insurance's Responses	
14		- 1st Round. Theft suppression	
15	CMMG/MPI-1-56	Coalition of Manitoba Motorcycle	
16		of Groups' Information Requests and	
17		Manitoba Public Insurance's Responses	
18		- 1st Round. Vintaging	
19	CMMG/MPI-1-57	Coalition of Manitoba Motorcycle	
20		of Groups' Information Requests and	
21		Manitoba Public Insurance's Responses	
22		- 1st Round. Light trucks v	
23		passenger vehicle	
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3	CMMG/MPI-1-58	Coalition of Manitoba Motorcycle	
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5		Manitoba Public Insurance's Responses	
6		- 1st Round. Reclassifications	
7	CMMG/MPI-1-59	Coalition of Manitoba Motorcycle	
8		of Groups' Information Requests and	
9		Manitoba Public Insurance's Responses	
10		- 1st Round. Loss development	
11		factors	
12	CMMG/MPI-1-60	Coalition of Manitoba Motorcycle	
13		of Groups' Information Requests and	
14		Manitoba Public Insurance's Responses	
15		- 1st Round. Net claim liabilities.	
16	CMMG/MPI-1-61	Coalition of Manitoba Motorcycle	
17		of Groups' Information Requests and	
18		Manitoba Public Insurance's Responses	
19		- 1st Round. Orders 114/06, 17/06	
20		and 20/07	
21	CMMG/MPI-2-1	Coalition of Manitoba Motorcycle	
22		of Groups' Information Requests and	
23		Manitoba Public Insurance's Responses	
24		- 2nd Round. RSR level	
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1	LIST OF EXHIBITS		
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3	CMMG/MPI-2-2	Coalition of Manitoba Motorcycle	
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5		Manitoba Public Insurance's Responses	
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7	CMMG/MPI-2-3	Coalition of Manitoba Motorcycle	
8		of Groups' Information Requests and	
9		Manitoba Public Insurance's Responses	
10		- 2nd Round. Driver safety rating	
11	CMMG/MPI-2-4	Coalition of Manitoba Motorcycle	
12		of Groups' Information Requests and	
13		Manitoba Public Insurance's Responses	
14		- 2nd Round. Immobilizer program	
15	CMMG/MPI-2-5	Coalition of Manitoba Motorcycle	
16		of Groups' Information Requests and	
17		Manitoba Public Insurance's Responses	
18		- 2nd Round. Thefts	
19	CMMG/MPI-2-6	Coalition of Manitoba Motorcycle	
20		of Groups' Information Requests and	
21		Manitoba Public Insurance's Responses	
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1	LIST OF EXHIBITS		
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3	CMMG/MPI-2-7	Coalition of Manitoba Motorcycle	
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5		Manitoba Public Insurance's Responses	
6		- 2nd Round. Alternatives to	
7		insurance use and territory	
8	CMMG/MPI-2-8	Coalition of Manitoba Motorcycle	
9		of Groups' Information Requests and	
10		Manitoba Public Insurance's Responses	
11		- 2nd Round. Passenger veh and M/C	
12	CMMG/MPI-2-9	Coalition of Manitoba Motorcycle	
13		of Groups' Information Requests and	
14		Manitoba Public Insurance's Responses	
15		- 2nd Round. Seasonal rating	
16	CMMG/MPI-2-10	Coalition of Manitoba Motorcycle	
17		of Groups' Information Requests and	
18		Manitoba Public Insurance's Responses	
19		- 2nd Round. Compensation per	
20		employee	
21	CMMG/MPI-2-11	Coalition of Manitoba Motorcycle	
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23		Manitoba Public Insurance's Responses	
24		- 2nd Round. Organizational design	
25		analysis	

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3	CMMG/MPI-2-12	Coalition of Manitoba Motorcycle	
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5		Manitoba Public Insurance's Responses	
6		- 2nd Round. M/C safety education	
7	CMMG/MPI-2-13	Coalition of Manitoba Motorcycle	
8		of Groups' Information Requests and	
9		Manitoba Public Insurance's Responses	
10		- 2nd Round. Employee/executive	
11		compensation	
12	CMMG/MPI-2-14	Coalition of Manitoba Motorcycle	
13		of Groups' Information Requests and	
14		Manitoba Public Insurance's Responses	
15		- 2nd Round. CLEAR	
16	CMMG/MPI-2-15	Coalition of Manitoba Motorcycle	
17		of Groups' Information Requests and	
18		Manitoba Public Insurance's Responses	
19		- 2nd Round. Training material re	
20		M/C valuation	
21	CMMG/MPI-2-16	Coalition of Manitoba Motorcycle	
22		of Groups' Information Requests and	
23		Manitoba Public Insurance's Responses	
24		- 2nd Round. Order 21/07	
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2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	CMMG/MPI-2-17	Coalition of Manitoba Motorcycle	
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5		Manitoba Public Insurance's Responses	
6		- 2nd Round. Survey re: public	
7		attitudes re M/C's	
8	MBA/MPI-1-1	Manitoba Bar Association's	
9		Information Requests and Manitoba	
10		Public Insurance's Responses -	
11		1st round. Procedures for settlement	
12		of disputes	
13	MBA/MPI-1-2	Manitoba Bar Association's	
14		Information Requests and Manitoba	
15		Public Insurance's Responses -	
16		1st round. Appraisers acting on	
17		behalf of MPI	
18	MBA/MPI-1-3	Manitoba Bar Association's	
19		Information Requests and Manitoba	
20		Public Insurance's Responses -	
21		1st round. Appraisers acting on	
22		behalf of MPI	
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4		Information Requests and Manitoba	
5		Public Insurance's Responses -	
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7		appraisers	
8	MBA/MPI-1-5	Manitoba Bar Association's	
9		Information Requests and Manitoba	
10		Public Insurance's Responses -	
11		1st round. Sample appointment	
12		documents.	
13	MBA/MPI-1-6	Manitoba Bar Association's	
14		Information Requests and Manitoba	
15		Public Insurance's Responses -	
16		1st round. Expenses for appraisers	
17	MBA/MPI-1-7	Manitoba Bar Association's	
18		Information Requests and Manitoba	
19		Public Insurance's Responses -	
20		1st round. Appraisers applying for	
21		appointment of umpire	
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1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	MBA/MPI-2-1	Manitoba Bar Association's	
4		Information Requests and Manitoba	
5		Public Insurance's Responses -	
6		2nd round. Application to Court	
7		re: appointment of umpire	
8	MBA/MPI-2-2	Manitoba Bar Association's	
9		Information Requests and Manitoba	
10		Public Insurance's Responses -	
11		2nd round. MPI assuming conduct	
12	MBA/MPI-2-3	Manitoba Bar Association's	
13		Information Requests and Manitoba	
14		Public Insurance's Responses -	
15		2nd round. 3 year history of	
16		appraiser fees	
17	MUCDA/MPI-1-1	Manitoba Used Car Dealers'	
18		Association's and Manitoba Public	
19		Insurance's responses - 1st Round.	
20		Immobilized vehicles.	
21	MUCDA/MPI-1-2	Manitoba Used Car Dealers'	
22		Association's and Manitoba Public	
23		Insurance's responses - 1st Round.	
24		Registered at risk vehicles	
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1	LIST OF EXHIBITS		
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3	MUCDA/MPI-1-3	Manitoba Used Car Dealers'	
4		Association's and Manitoba Public	
5		Insurance's responses - 1st Round.	
6		Immobilized at risk vehicles	
7	MUCDA/MPI-1-4	Manitoba Used Car Dealers'	
8		Association's and Manitoba Public	
9		Insurance's responses - 1st Round.	
10		Media expenses re immobilizers	
11		incentives program	
12	MUCDA/MPI-1-5	Manitoba Used Car Dealers'	
13		Association's and Manitoba Public	
14		Insurance's responses - 1st Round.	
15		Effectiveness of immobilizer	
16		program	
17	MUCDA/MPI-1-6	Manitoba Used Car Dealers'	
18		Association's and Manitoba Public	
19		Insurance's responses - 1st Round.	
20		Vehicle over 4843 kg's	
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3	1	MPI to determine for Board what the	
4		reason is for the reduction in	
5		regulatory and appeal expenses	159
6	2	MPI to obtain for Board a breakdown of	
7		the reduction in costs involving the	
8		three (3) different bodies, Public	
9		Utilities Board, Claimant Advisory	
10		Office, and the Automobile Injury	
11		Compensation Appeals Commission	165
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1 --- Upon commencing at 9:04 a.m.

2

3 THE CHAIRPERSON: Okay. Good morning
4 everyone. I want to call this MPI GRA Hearing to order.

5 The Manitoba Public Insurance Corporation
6 has applied to the Public Utilities Board for approval of
7 its premiums to take effect March 1, 2008.

8 MPI's application includes references to
9 rates, fees, and other matters with respect to vehicle
10 premiums, driver licence premiums, motorcycle vehicle
11 type differentials, commercial vehicles, service and
12 transaction fees, permits and certificate fees, and
13 various miscellaneous matters.

14 This Hearing and process is in accordance
15 with the provisions of the Crown Corporation's Public
16 Review and Accountability Act and the Public Utilities
17 Board Act.

18 In its application, MPI for the first time
19 is seeking approval of a multi-year application for three
20 (3) years commencing March 1, 2008 through to February
21 28, 2011.

22 MPI anticipates no change in overall
23 revenue requirement for that period, with no overall rate
24 increase in vehicle premiums for 2008/09, and indeed a 7
25 1/2 percent rebate amounting to approximately 49 million

1 to be paid next spring.

2 Before a conclusion could be reached on
3 the application, considerable evidence will be placed on
4 the record, along with views and positions.

5 This Hearing follows a succession of
6 annual hearings going back now to the late 1980s, and as
7 one might expect with annual hearings related to the same
8 applicant, no change in the main business of the
9 applicant, and little change in those parties with an
10 interest in the proceeding, and without restricting the
11 range of topics that will or may arise, there are several
12 matters that will be tested in this proceeding that have
13 their origins in prior proceedings.

14 These include actuarial accounting
15 principles and practices; forecasting, including claims
16 development or benchmarks; administrative cost controls
17 and benchmarks; DRSR and the prospect for rate changes
18 and/or premium rebates; road safety and issues related to
19 automobile theft, attempted theft, vandalism, including
20 the auto theft for suppression and immobilizer programs;
21 investment matters, concepts of rate shock, inter-
22 generational fairness and fairness generally; the status
23 and prospects related to the competitive lines of
24 business, but not directly within this Board's
25 jurisdictional mandate; and the business process review

1 in the operations of the former DVL line.

2 From past hearings came not only
3 directions from this Board, but also recommendations.
4 This may be the case again this year.

5 With MPI's intention to move to a three
6 (3) year hearing cycle, the Board will even be more
7 interested than usual in attempting to bring closure to
8 some of the outstanding issues of the past.

9 I am Graham Lane, Chairman of the Public
10 Utilities Board, and I'm joined by two (2) other Board
11 members, Mr. Len Evans and Mr. Alain Molgat.

12 Also with us is Gerry Gaudreau, Executive
13 Director and Secretary to the Board; Gerry Barron and
14 Hollis Singh, Associate Secretaries of the Board; Walter
15 Saranchuk and Candace Everard, Pitblado; Board counsels.

16 The Board has also retrained the services
17 of two (2) advisors; Mr. Roger Cathcart, CA of Cathcart
18 Advisors, who is in attendance with Mr. Brian Pelly of
19 Ecklar Partners.

20 Transcripts of this hearing will be
21 recorded by Digi-Tran and made available on the PUB
22 website.

23 Our current expectations is that we will
24 sit three (3) days this week, three (3) days Tuesday to
25 Thursday next week, and then if necessary, two (2) days

1 October 16th and 17th, the week thereafter.

2 We will begin each morning at 9:00.
3 Adjourn for a break mid-morning, and again for lunch in
4 the afternoon. We will begin, depending on the timing in
5 the morning, around sometime between 1:15 and 1:30, and
6 adjourn at 4:00.

7 Following closing arguments, the panel, my
8 two (2) colleagues and I, will sequester ourselves with
9 staff counsel, advisors and deliberate to reach our final
10 determination on the matters before us.

11 In the end, we may accept, deny, or vary
12 MPI's application. Whatever decisions we make will be
13 made carefully with the implications and consequences as
14 understood as best as possible. In reaching our
15 decision, we'll be guided by the evidence, written and
16 oral, and our determination of what represents the public
17 interests.

18 We are concerned not only with the short
19 term economic impact of MPI's operations on its
20 ratepayers, but also the fairness of the impact and MPI's
21 long term fiscal and operational well-being.

22 As well, the Board, as a public agency,
23 has obligations with respect to the Sustainable
24 Development Act. This year, of course, we will be
25 addressing the relative merits of MPI's multi-year

1 application, and whether that would serve the public
2 interest.

3 I think it goes without saying that our
4 expectations of all that appear before us include
5 effective participation, comprehensive presentation and
6 examinations, and the employment of a cooperative
7 approach.

8 As always, people in organizations can
9 disagree, and the way in which disagreement is expressed
10 can be helpful to our process, or damaging. We have
11 weighty and complex issues before us, and I'm confident
12 that we can all -- we will all approach this process
13 with a view that together we can make it work.

14 The Board understands that this is Mr.
15 Galenzoski's last appearance for MPI, because -- he's not
16 --right here, and in advance of his retirement, we -- we
17 certainly wish him well.

18 I now call on Mr. Saranchuk for his
19 introductions, followed by introductions by MPI and the
20 Intervenors.

21 Mr. Saranchuk will then give his
22 introductory remarks, after which we will call on the
23 Intervenors and MPI to provide their's, then we'll
24 proceed with the swearing in of MPI's witnesses.

25 Mr. Saranchuk...?

1 MR. WALTER SARANCHUK: Thank you, sir.
2 Good morning, Mr. Chairman, Board members, ladies and
3 gentlemen.

4 My name is Walter Saranchuk of the Law
5 Firm of Pitblado LLP, and accompanying me is Candace
6 Everard on my far left, of our firm. We appear as Board
7 counsel.

8 Joining us as the Board Advisors are Mr.
9 Roger Cathcart of Cathcart Advisors, Inc., to my
10 immediate left.

11 To my immediate right, Mr. Brian Pelly of
12 Ecklar Ltd., an actuarial firm, and behind me comprising
13 the back row is Mr. Gerry Gaudreau, the Board's Executive
14 Director.

15 THE CHAIRPERSON: Thank you, sir.
16 Perhaps Mr. McCulloch would like to introduce MPI's
17 group.

18 MR. KEVIN MCCULLOCH: Thank you, Mr.
19 Chairman. The panel of witnesses sitting at the front
20 table consists of -- to my immediate left, Marilyn
21 McLaren, President and Chief Executive Officer of MPI.

22 And to the far left, Mr. Ward Keith,
23 Executive Director, Service and Safety Operations. This
24 is a position in the Claims Division and Mr. Keith will
25 be giving evidence for the first time at a PUB hearing.

1 To my immediate right we have Don Palmer.
2 Mr. Palmer's new position is that of Vice-President
3 Finance and Chief Financial Officer.

4 Moving to the left, Mr. Ottmar Kramer, who
5 is the Director of Finance and Corporate Controller.

6 And to the far left, Mr. Galenzoski, who
7 is currently our Chief Administration Officer.

8 That consists of -- that's the makeup of
9 the witness panel. In the back row, moving from my far
10 left to my far right, we have Kathy Kalinowsky, Senior
11 Solicitor in the Legal Department at MPI; Jeannine
12 Savard, who's the Manager of Regulatory Affairs; Luke
13 Johnstone, Manager of Actuarial Services; Glenn Bunstone,
14 Manager of Investments; Steve Perlmutter who is the
15 Manager of Financial Reporting and Michael Kruse, Manager
16 of Budgeting and Planning.

17 THE CHAIRPERSON: Thank you, sir.
18 Welcome. Mr. Williams...?

19 MR. BYRON WILLIAMS: Good morning, Mr.
20 Chairman and Board Member Evans and a special good
21 morning and welcome to Board Member Molgat, who I don't
22 think we've have had the pleasure of appearing before you
23 today before, so we're pleased to be here.

24 I have a back row myself today. Right
25 immediately behind me is Ms. Laurie Hunter who's the

1 Executive Director of the Manitoba Society of Seniors.
2 Ms. Desorcy will be here as well but she doesn't really
3 like these nine o'clock start times so she'll be here
4 shortly.

5 THE CHAIRPERSON: Thank you, Mr.
6 Williams. Mr. Oakes...?

7 MR. RAYMOND OAKES: Good morning, Mr.
8 Chairman, Members of the Board. Raymond Oakes, Booth,
9 Dennehy and Associates, counsel for the CMMG. I'm joined
10 this morning by two (2) of the Executive of the CMMG, Mr.
11 Houghton and Mr. Siegel (phonetic).

12 THE CHAIRPERSON: Thank you, sir,
13 welcome. Mr. Roberts...?

14 MR. NICK ROBERTS: Good morning, Mr.
15 Chairman. I'm Nick Roberts. I'm representing the
16 Manitoba Used Car Dealers Association.

17 THE CHAIRPERSON: Very good, thank you,
18 sir. Mr. Mager? I'm sorry, Ms. Dalman?

19 MS. DONNA WANKLING: Mr. Major is not
20 here. I'm Donna Wankling from CAA Manitoba. With me
21 throughout this Hearing will be Jerry Kruk sitting with
22 CAA and next week it will be Mr. Mager. Thank you, Mr.
23 Chairman.

24 THE CHAIRPERSON: Thank you. Mr.
25 Dawson...?

1 MR. ROBERT DAWSON: Good morning, Mr.
2 Chairman, Members of the Board. My name is Robert Dawson
3 of Dawson Law Chambers. I appear on behalf of the
4 Manitoba Bar Association.

5 I do not have a back row at the moment but
6 I will have a mild back row when we make a presentation
7 this afternoon. We're ready to proceed. Thank you, Mr.
8 Chairman.

9 THE CHAIRPERSON: Very good, sir.
10 Unfortunately Professor Miller for Resource Conservation
11 Manitoba and Time to Respect Earth's Eco System, RCM/TREE
12 is unable to be with us this morning, but he will be
13 joining us.

14 Okay. Now I'll call on Mr. Saranchuk to
15 make his introductory remarks.

16

17 OPENING COMMENTS BY BOARD COUNSEL

18 MR. WALTER SARANCHUK: Thank you, sir.
19 This is the public hearing relative to MPI's application
20 for approval of its rate bases and premiums charged; that
21 is its rates for service for compulsory driver and
22 vehicle insurance under Autopac's basic automobile
23 insurance plan for the 2008/2009 insurance year. That's
24 being from March 1st, 2008 to February 28th, 2009.

25 And as well for the first time, MPI is

1 seeking approval of a multi-year application for three
2 (3) years commencing March 1st, 2008 until February 28th,
3 2011.

4 MPI filed its application with the Board
5 on June 13th of this year. The application was filed
6 pursuant to the Crown Corporation's Public Review and
7 Accountability Act and the Public Utilities Board Act for
8 Board approval of rates and premiums for the compulsory
9 driver and vehicle insurance, as of March 1st, 2008,
10 2009, 2010.

11 MPI's three (3) year application proposes
12 firstly average rate levels now in effect to remain
13 unchanged for the insurance year beginning March 1st,
14 2008. Individual rates are subject to experience and
15 other Board approved adjustments.

16 Secondly, a 7.75 percent rebate of
17 2006/2007 vehicle premiums to be paid in MPI's 2008/2009
18 fiscal year. MPI currently projects the February 29,
19 2008 rate stabilization reserve balance will exceed the
20 Board's previously approved target by 7.75 percent of
21 2006/2007 gross written vehicle premiums.

22 Thirdly, the rates are to be effective
23 March 1st, 2009 and 2010; to be adjusted from 2008 rates
24 to respond to emerging claim and other information using
25 processes sought to be accepted by the Board.

1 In terms of the 2008 rate impact for the
2 basic Autopac effective March 1st, 2008 while overall
3 average rates would not change, average-based premiums
4 for each major vehicle class would change as follows:

5 The private passenger class -- there are
6 approximately six hundred and sixty thousand (660,000) of
7 those vehicles -- they are -- it's proposed that there
8 will be a .1 percent decrease in rates.

9 For commercial vehicles -- and there are
10 approximately forty thousand (40,000) of those -- it's
11 proposed that there be a 1.2 percent decrease in rates.

12 For public service vehicles -- and there
13 are approximately ten thousand (10,000) of those -- a 1.2
14 percent increase is proposed.

15 And for motorcycles -- and there are
16 approximately ten thousand (10,000) of those -- a 9.2
17 percent increase is proposed.

18 For trailers -- and there are
19 approximately a hundred and twenty thousand (120,000) of
20 them -- there is a 4.7 percent decrease proposed.

21 And for off-road vehicles -- and there are
22 approximately thirty-nine thousand (39,000) of them --
23 there is to be no change in rates, so that overall no
24 change in rates is proposed.

25 Premiums for 54 percent of vehicles would

1 either remain unchanged or decrease by less than fifty
2 dollars (\$50); 43 percent of vehicles would receive an
3 increase up to fifty dollars (\$50) and the remaining 3
4 percent, an increase of more than fifty dollars (\$50).

5 Actual premiums would vary depending on
6 claim experience and driving record, insurance use,
7 territory, and vehicle rate group. No changes are
8 proposed to fleet rebates and surcharges, driver's
9 licence premiums, and accident surcharges and other
10 existing time payment, service, and transaction fees.

11 Dealer, moped, trailer category would be
12 divided into two (2) insurance uses: dealer/moped and
13 dealer/trailer.

14 MPI also proposes annual rate --
15 experience-based rate adjustments of plus 15 percent to
16 minus 15 percent for individual classes with the
17 exception of mopeds, trailers at twenty-five hundred
18 dollars (\$2,500) value or less, and off-road vehicles.

19 It also proposes an annual experience-
20 based adjustment up to 25 percent for mopeds; no
21 experience-based adjustments for off-road vehicles. The
22 combined classification offsets for all vehicles other
23 than motorcycles, trailers, and off-road vehicles are to
24 receive revenue neutrality.

25 There's to be capping of all rate changes

1 at 20 percent per year except rate changes for mopeds
2 which are capped at 25 percent per year.

3 Regarding the application for rates
4 effective March 1, 2009 and March 1, 2010, MPI proposes
5 to update its annual forecasts to reflect emerging claims
6 and other financial developments and make adjustments
7 based on actuarial information with individual rate
8 adjustments to be calculated using procedures previously
9 approved by the Board.

10 They propose the following rules:

11 Firstly, if the actuarially indicated
12 increase or decrease in overall average premium was
13 between minus 1 percent and plus 1 percent, no change in
14 the overall average rate would be sought.

15 If the actuarially indicated increase or
16 decrease was more than 1 percent but less than 3 percent,
17 MPI would make the indicated changes without being
18 required to make a full application to the Board; that is
19 that there would be no public hearing.

20 And then if the actuarially indicated
21 increase or decrease was more than 3 percent, MPI would
22 make a full application to the Board and a public hearing
23 would take place.

24 MPI proposes that in the future, 2009 and
25 following years, premium rebates would be provided from

1 the rate stabilization reserve, known by the acronym RSR,
2 if the maximum RSR level, as established by the Board, is
3 exceeded.

4 The rebate amount would be the total
5 excess RSR amount. I would request that the following
6 documents now be entered into the evidence, and marked as
7 exhibits of the Public Utilities Board.

8 Firstly, as Exhibit PUB-1, the Notice of
9 Public Hearing and Pre-Hearing Conference dated June 7th,
10 2007.

11 As Exhibit PUB-2 the Board's rules of
12 practice and procedure.

13 As PUB Exhibit 3 the time table for this
14 General Rate Application.

15 As Exhibit PUB-4, the transcript of the
16 pre-hearing conference held on June 22nd, 2007.

17 As Exhibit PUB-5, the Public Utilities
18 Board procedural order number 85 of '07, dated July 3rd,
19 2007.

20 As Exhibit PUB-6, the reminder notice of
21 public hearing, dated August 16th, 2007.

22 And as Exhibit PUB-7-1 through to 7-75,
23 the Public Utilities Board Information Requests and
24 Manitoba Public Insurance Responses, in the first round.

25 As Exhibit PUB-8-1 through to 8-34, the

1 Public Utilities Board Information Requests and Manitoba
2 Public Insurance Responses on the second round.

3 And as Exhibit PUB Number 9, the book of
4 documents of the Public Utilities Board that was
5 circulated this morning.

6 With respect to this rate application, a
7 cross-examination on behalf of the Board will address the
8 following major issues:

9 Firstly, the revenue requirement with
10 reference to net income, including comparison of actual
11 results to forecasts.

12 Secondly, base premiums and rating
13 methodology in view of no change in overall rates being
14 proposed, and with a \$49.1 million rebate proposed to be
15 paid next year.

16 Also, we'll deal with investment income,
17 MPI's RSR, that is the rate stabilization reserve; claims
18 incurred, including claims forecasting; MPI's forecasting
19 accuracy in general; claim's expenses and operating
20 expenses; MPI's rate making model; MPI's anti-theft
21 initiatives, particularly the expansion of the Engine
22 Immobilizer Program; the sustainable development issues,
23 including reference to the PAYD, the acronym for Pay As
24 You Drive study that's been filed in the evidence; And of
25 course, the merits of MPI's multi-rate application.

1 I would now refer everyone to the
2 procedural outline that was circulated. And on the
3 second page, you'll observe that in terms of the orders
4 of matters to be heard, firstly there will be the
5 introduction of witness by MPI, and leading of testimony,
6 then cross-examination of MPI witnesses, and thirdly,
7 presenters will be heard this afternoon at 1:15.

8 In terms of the order of cross-
9 examination, MPI witnesses will be cross-examined by
10 Board counsel, followed by the Intervenors as per the
11 order indicated on the first page, and then there will be
12 re-examination by MPI counsel.

13 Intervenor witnesses, if any, I doubt that
14 there are, to be cross-examined by MPI counsel, followed
15 by Board counsel, and Intervenors in the order listed,
16 and then there would be re-examination.

17 When closing remarks are heard, Board
18 counsel will be first, and -- will be heard first, and
19 then the Intervenors in the order listed, and MPI
20 counsel.

21 As stated by the Chairman, the Board will
22 sit for the remainder of this week, and reconvene next
23 Tuesday, October 9th, the day after Thanksgiving day.

24 The Board will sit next Tuesday,
25 Wednesday, and Thursday, that's October 9th, 10th and

1 11th, by which time all of the evidence and testimony,
2 hopefully will be completed. If not, as indicated in the
3 timetable included in the Procedural Order, the Board is
4 prepared to continue the hearing on Tuesday and
5 Wednesday, October 16th and 17th.

6 If all goes well, and this is perhaps
7 wishful thinking, closing arguments could be heard on one
8 (1) of those last two (2) days, if possible.

9 Those are my opening remarks, Mr.
10 Chairman.

11 THE CHAIRPERSON: Thank you, Mr.
12 Saranchuk. So we'll move to opening remarks now by the
13 Intervenors and we'll close with MPI.

14 First up is CAC/MSOS. Mr. Williams...?
15

16 OPENING COMMENTS BY CAC/MSOS:

17 MR. BYRON WILLIAMS: Thank you and good
18 morning, once again, Mr. Chairman, and Members of the
19 Board.

20 I can indicate that Ms. Desorcy has joined
21 us. Hopefully she didn't hear the shot I took about her
22 dislike for nine o'clock start times for meetings.

23 THE CHAIRPERSON: We had it actually on
24 the loudspeaker into the main building so she did hear
25 you, Mr. Williams.

1 MR. BYRON WILLIAMS: That may have
2 unfortunate ramifications at lunch time, Mr. Chairman.

3 I do want to say especially now that I'm
4 trying to suck up to my client, that I am truly glad that
5 both she and Ms. Hunter are here this morning.

6 And I have to admit that when I met with
7 them yesterday to brief them on this Hearing they and I
8 struggled a little bit to describe the essential thrust
9 of the application that's being presented by Manitoba
10 Public Insurance. And I can say that on behalf of
11 CAC/MSOS that they and I pride ourselves on our ability
12 to ten (10) second clip the MPI applications, to get at
13 what -- what is the central message? What's the major
14 thrust?

15 But I'm afraid in this proceeding in -- in
16 seeking to describe the application, the best that my
17 clients could come up with, with my support, was the word
18 "puzzling."

19 And we've reflected upon that word
20 "puzzling" for the last twenty-four (24) hours, and again
21 I reiterate that from my client's perspective that is the
22 best way to describe this application.

23 And so for the next few minutes, not too
24 many, I want to -- to take the opportunity to explain to
25 this Board why my clients are puzzled by this

1 application; some of the mysteries that they see
2 underlying this application.

3 And the starting point, one (1) of the big
4 mysteries in this application, is what has happened to
5 the long-promised PIPP review, the Personal Injury
6 Protection Plan review.

7 We all know that PIPP is a major driver in
8 terms of program costs, and we all know the tremendous
9 impact that program has on the injured accident victims.
10 And we also know that since at least 2004 the Public
11 Utilities Board has been asking for a hard-nosed,
12 independent look at PIPP, at benchmarks, at program
13 management.

14 So one (1) major unanswered mystery from
15 my client's perspective is exactly where are we in the
16 stages of this review, a review that they consider very
17 important for the long-term future of rate -- of this
18 Corporation and also for its ratepayers.

19 Another puzzling aspect of this
20 application is the status of the Bonus/Malus Review, or
21 the Driver Safety Rating Review, or DSR.

22 And my clients could have sworn that in
23 the Board's last order Manitoba Public Insurance was
24 directed to provide a revised proposal for its -- to the
25 -- for the Public Utilities Board's consideration. Alas,

1 that proposal is nowhere to be found, notwithstanding the
2 Corporation's admission that its current program is not
3 actuarially driven and notwithstanding the reality of
4 what my clients would assume to be general consensus that
5 one (1) of the key mechanisms for amending unsafe driving
6 practices and for mitigating the tremendous social and
7 economic costs of accidents is through a revised
8 Bonus/Malus program.

9 So the status of the DSR remains one (1)
10 of the enduring mysteries of this proceeding to my
11 clients.

12 And there's another puzzling aspect of
13 this proceeding, which is the Corporation's reluctance to
14 explain why, based upon information it has presented, its
15 overall costs over the last six (6) or seven (7) years
16 appear to have risen much more rapidly than the costs of
17 its sister Crown corporations in Saskatchewan and British
18 Columbia.

19 Given the onus that the Corporation bears
20 in proving that it's applied for costs, or projected
21 costs, are prudent, reasonable, and necessarily incurred,
22 my clients were certainly puzzled by the Corporation's
23 reluctance to offer an explanation.

24 So the PIPP review, the Bonus/Malus Review
25 and what appears to be rising costs relative to other

1 sister Crown corporations, I can indicate to the Board
2 that these are all issues of concern to my clients and
3 that recognizing the -- that it remains the evidentiary
4 burden of the Corporation to establish that its projected
5 costs are reasonably and necessarily incurred, CAC/MSOS
6 will endeavour to obtain some answers to these mysteries
7 and to get better understanding of where the Corporation
8 is going in terms of cost control and accident
9 prevention.

10 Of course, one (1) aspect of the Manitoba
11 Public Insurance application that is not puzzling to
12 CAC/MSOS is the rationale behind its proposal for multi-
13 year -- multi-year rate reviews. We call it the three
14 (3) year plan.

15 It's not puzzling to CAC/MSOS that
16 Manitoba Public Insurance would want to minimize rate
17 regulation and public participation, especially given the
18 fact that it's just coming out of a long contentious
19 debate over the appropriate level of the rate
20 stabilization reserve -- review -- reserve.

21 And it's not puzzling to my clients why a
22 Crown corporation might decide that rate regulation and
23 public -- excuse me, that might decide that reduced rate
24 regulation and reduced public accountability might be in
25 its best interest. After all, accountability and

1 transparency are bur -- burdens on all of us, and they
2 make life more difficult.

3 So my clients are not puzzled by the MPI -
4 - the rationale underlying MPI's application with this
5 regard, but what they do find puzzling is asked -- is
6 that the Corporation, after arguing the reduced
7 regulation is in the public interest, makes so little
8 effort to support its case, apart from tortured analogies
9 to other regulatory precedents, and apart from the vague
10 promise that somehow more time will be freed up for other
11 critical objectives of the Corporation if we have reduced
12 rate regulation.

13 Notwithstanding the faint and eccentric
14 efforts by the Manitoba Public Insurance to justify these
15 multi-year applications, my clients will certainly
16 endeavour to understand the Corporation's reasoning
17 behind it, and to test whether it has met its onus of --
18 of establishing that it is in the public interest to
19 reduce rate regulation and to reduce public
20 accountability.

21 Finally, given the onus of the Corporation
22 to demonstrate that its rates are just and reasonable, my
23 clients will test three (3) other aspects of the Manitoba
24 Public Insurance rate application.

25 They will consider whether the Corporation

1 has created excessive financial cushions for itself, in
2 terms of unrealized capital gains, excessive forecasting
3 for capital expenditures, and other vehicles.

4 They will consider whether the Corporation
5 has justified projected operating costs in excess of
6 inflation.

7 And they will look carefully at whether
8 the Corporation is maximizing the utility of its loss
9 reduction programs, whether they be related to
10 immobilizer incentives, occupant restraint, impaired
11 driving, or otherwise.

12 Puzzling, and somewhat eccentric, as this
13 MPI application may be, CAC/MSOS have every confidence
14 that at the end of the day, this Board will -- will
15 pierce the veil of mystery, and present an order that
16 maintains accountability and transparency, and which
17 promotes both efficiency and the mitigation of the tragic
18 social and economic consequences of automobile accidents.

19 Subject to any questions, those are the
20 comments of CAC/MSOS, Mr. Chairman. I'd ask that the
21 first round interrogatory requests of CAC/MSOS be marked
22 as Exhibit Number 1, and that the second round of
23 CAC/MSOS -- and that the second round be marked as
24 Exhibit Number 2, of CAC/MSOS.

25 Thank you.

1 THE CHAIRPERSON: Thank you, Mr.
2 Williams, and that's fine.

3 Now for the Coalition of Manitou --
4 Coalition of Manitoba Motorcycle Groups.

5 Mr. Oaks, do you have any intro --
6 introductory remarks?

7

8 OPENING COMMENTS BY CMMG:

9 MR. RAYMOND OAKES: Yes, Mr. Chairman. I
10 find myself in the unusual position of echoing many of
11 the sentiments expressed by Mr. Williams a few minutes
12 ago.

13 CMMG at least in respect to the multi-year
14 rate applications though, wants to give a grudging
15 acknowledgment of the creativity of MPI, who can not only
16 propose such an initiative, but can say it with a
17 straight face.

18 We're concerned that the justification of
19 saving money isn't reflected in the somewhat wanton
20 spending in other cost categories. For a number of
21 reasons we'll be asking questions that are critical of
22 that initiative.

23 Again, Mr. Williams raised the issue of
24 Bonus/Malus and the failure to file a plan. I think we
25 need to know more about why they haven't done that.

1 The RSR, they were relieved to see the MCT
2 didn't show up, and MPI's proposed an ongoing methodology
3 for rebates and we think that that's a good thing. Have
4 to probe the reserve levels and the PFADs we have a
5 concern relative to these reserves being inflated as a
6 backdoor way of having more in the reserve bank and to
7 probe RSR levels in other divisions.

8 Lost transfer; We have that initiative for
9 collision on a formula basis. We see that it should be
10 applied to injury claims and we'll want to probe why they
11 can't assign collision claims using the percent at-fault
12 like in the PIPP system, monitoring the changes in single
13 versus multi-vehicle claims and the related inconsistent
14 data that we've seen over the past years.

15 Rate levels; that's what we're here for
16 and after all and surprise, surprise, rates for
17 motorcycles are asked -- applied for almost 10 percent,
18 9.2 percent on average.

19 Mr. Chairman, I've been doing these
20 hearings for about fifteen (15) years now. If fifteen
21 (15) years ago the Corporation had filed a plan that
22 said, Look for the next fifteen (15) years rates will go
23 up between 10 and 15 percent and we still won't reach the
24 rate requirement, I don't think anybody in this room
25 would find that plan acceptable.

1 What we've seen is, because so many of the
2 components of the rate or a function of premium or a
3 percentage of premium, that we've seen spiralling without
4 ever reaching the rate requirements. And frankly, the
5 motorcyclists in Manitoba have been tired of that
6 scenario for a long time.

7 With respect to rate groups there's a
8 number of issues relative to engine displacement
9 categories that we need to discuss with the Corporation
10 and receive some information. There's a pleasure use
11 that has been introduced recently, that again there's
12 still some anomalies.

13 Of course safety issues are a huge
14 consideration for the CMMG. We've seen that MPI programs
15 haven't been terrifically effective. The evaluation of
16 those programs gives us some concerns. The fact that MPI
17 hasn't, to our mind, done a full investigation of
18 programs in other jurisdictions and what a fair share of
19 the allocation would be, are certainly issues the CMMG
20 wishes to investigate in this forum.

21 Motorcyclists usually are other vehicle
22 owners, as well; they have another vehicle. Motorcycles
23 often a second or a third vehicle and so we'll want to
24 explore a number of issues of general application and we
25 look forward to doing that with the Board and the

1 applicant and the members of the public over the next two
2 (2) weeks.

3 THE CHAIRPERSON: Thank you, sir. For
4 Manitoba Used Car Dealers, Mr. Roberts.

5

6 OPENING COMMENTS BY MUCDA:

7 MR. NICK ROBERTS: Thank you, Mr.
8 Chairman. The Manitoba Used Car Dealers Association's
9 participation in this Hearing -- in the Hearings this
10 year will be rather limited. They say that timing is
11 everything and unfortunately due to ongoing issues
12 regarding the bylaw review with the City of Winnipeg, my
13 time will be mostly spent in that direction. Between
14 fighting City Hall and attending these hearings, I would
15 much rather prefer the latter.

16 Fortunately since the Corporation is not
17 seeking any rate increases for dealers other than
18 motorcycle dealer plates this year and our actuary didn't
19 see any other blips on the radar, it makes the whole
20 process easier.

21 We as dealers are however knee deep if not
22 neck deep in the Immobilizer Program, our Association of
23 course fully supports the program. In the last year our
24 Association has at our own expense promoted the
25 Immobilizer Program through public service

1 advertisements, as well, at the request of Manitoba
2 Public Insurance, we've allowed the use of our name to be
3 used on letters sent out to owners of most-at-risk
4 vehicles stating our endorsement of the program.

5 The Immobilizer Program is still in its
6 infancy but we know that it is the only solution to
7 lowering auto theft in Manitoba.

8 That being said, we may have some
9 questions to ask of the MPI panel about concerns the
10 dealers have with some of the nuts and bolts of the
11 program, or we may opt to address these concerns directly
12 with the Corporation at a later date.

13 We still plan on making a closing
14 statement; other than that my time here this year will be
15 very limited. This concludes my opening remarks.

16 THE CHAIRPERSON: Thank you, Mr. Roberts.
17 Canadian Automobile Association, CAA?

18

19 OPENING COMMENTS BY CAA MANITOBA:

20 MS. DONNA WANKLING: Thank you, Mr.
21 Chairman. I will start my remarks by commenting that we
22 too agree with the points raised by CAC/MSOS and that --
23 just make the note that they also resonate with CAA.

24 Mr. Chairman, we welcome the opportunity
25 to participate in this public transparent rate setting

1 process; that is of interest to all Manitoba motorists
2 since it clearly has impact on our insurance rates and
3 therefore directly impacts our wallets.

4 We've participated for the last 15 years
5 and during that time we've witnessed how dramatic the
6 fluctuations can be within a twelve (12) month time frame
7 when the reality of what has transpired has been
8 significantly different than the predictions initially
9 set forward.

10 The opportunity for all stakeholders to
11 meet in this public forum for the purpose of discussing
12 auto insurance rates set by the MPI monopoly is a
13 critical component necessary to develop understanding of
14 issues, opportunity for questions, debate, and dialogue;
15 and in the process it builds respect for the divergent
16 opinions and ultimately a respect for the process by
17 which MPI sets its rates and deals with its reserves. It
18 is for these reasons that we are particularly interested
19 in the notion that we move away from this annual Hearing.

20 Certainly CAA is also aware of the
21 immobilizer issue and we certainly do support the
22 Immobilizer Program. We do question whether it's the
23 full and total answer to the problem of auto theft. The
24 justice system clearly has to be examined and questioned
25 since the perpetrators of automobile theft are not being

1 dealt with.

2 Over the last fifteen (15) years CAA has
3 been a strong advocate during the lean years when MPI was
4 more than broke, of the buildup of the RSR. Today, and
5 in particular over the last several years, MPI has been
6 overflowing with riches. As -- as a significant
7 stakeholder in the decision about where motorists'
8 profits go we're interested in the level of the RSR.

9 Over the last few years we've become
10 increasingly aware of the growing monopoly on the -- on
11 the side of the SRE which is presently not under the
12 auspices of this Public Utilities Board. We questioned
13 this last year and are interested in seeing the level of
14 market presently held by MPI.

15 Mr. Chairman, CAA will be doing a watching
16 brief and we will be participating as required throughout
17 the -- the next few weeks.

18 Thank you, Mr. Chairman, Members of the
19 Board, this concludes my remarks.

20 THE CHAIRPERSON: Thank you very much.
21 Manitoba Bar Association, CBA/MBA, Mr. Dawson?

22

23 OPENING COMMENTS BY CBA/MBA:

24 MR. ROBERT DAWSON: Thank you, Mr.
25 Chairman. On behalf of my client, the Manitoba Bar

1 Association, I again thank the Board for granting
2 Intervenor status to the Bar Association.

3 As in past years the Manitoba Bar
4 Association brings what I suggest is a unique and
5 hopefully helpful perspective to the Board. Instead of
6 advancing positions that are particularly favourable,
7 shall we say, to its members, the Manitoba Bar
8 Association intends to pursue as always issues that
9 involve broad, public policy considerations that affect
10 all Manitobans.

11 Now, for as long as I've had conduct of
12 this file which I believe is about four (4) years now,
13 the Manitoba Bar Association has tested the way in which
14 the Manitoba Public Insurance Corporation handles claims
15 for personal injury arising out of the operation of motor
16 vehicles and this year will be no different. But this
17 year the submission of the Bar Association is to call
18 into question what some might categorize as an attempt by
19 the applicant to evade closer oversight by this Board.

20 And that of course touches upon the issues
21 that have already been discussed by other Intervenors,
22 namely the question of the -- we'll call it the "multi-
23 year review."

24 Our purpose is not so much to condemn that
25 approach but rather to bring to the Board's attention

1 some public policy issues that may suggest a different
2 route would be appropriate.

3 Certainly at this stage one might
4 unfavourably characterize the Applicant as the student
5 who has been given homework by a teacher and hasn't done
6 the homework. Four (4) years ago it was my particular
7 line of questioning to keep Mr. Bedard very busy with
8 questions about the way in which the Corporation handled
9 claims by victims of personal injury.

10 And that year, I flatter myself to think,
11 perhaps because of that line of questioning or because of
12 that emphasis on the subject, that was the year that this
13 Board made an order requiring a particular PIPP report to
14 be made.

15 Last year in the course of my cross-
16 examination of the Applicant's witness panel, I again put
17 to the panel -- or put to the witness panel -- questions
18 relating to problems in producing that report, hoping
19 that -- like one would if one were a teacher asking a
20 student why homework wasn't done and giving that student
21 another chance -- this would be the year in which I could
22 finally follow up on issues that I raised four (4) years
23 ago.

24 My client, necessarily, is disappointed to
25 note that that has not happened. And inevitably, at

1 least if I were in his shoes, My Learned Friend, Mr.
2 McCulloch, will at some point say, Dawson comes every
3 year, and on behalf of the Manitoba Bar Association, just
4 raises the same questions and doesn't really contribute
5 very much.

6 The reality is -- and I can confess this
7 candidly -- my client never intended that we should be
8 here on an annual basis. The plan had been that one
9 would arrive and ask some questions, perhaps do a follow-
10 up intervention in the next year, and then go away;
11 reviewing the annual filings to see if there were any
12 particular public policy issues that touched upon the
13 interests of all Manitobans that the Bar Association
14 might usefully comment upon.

15 The reality has been that every year has
16 been a follow-up, and I regret to say every year has been
17 a follow-up largely because the Applicant hasn't done its
18 homework. I leave it to Board counsel, in consultation
19 with the Board, whether it's time to do the
20 administrative law equivalent of imposing detention upon
21 this student. But, nonetheless, this is a profound
22 concern that the Bar Association has and will continue to
23 return to.

24 In addition to these particular topics, I
25 echo some of the comments that My Learned Friend, Mr.

1 Williams, has made at a time when we're waiting for the
2 PIPP report. At a time when driver's safety reports are
3 pending, this seems to be an interesting particular time
4 at which the applicant might seek to remove itself from
5 close and annual supervision by this Board.

6 So the submissions in the course of the
7 cross-examination that the Bar Association intends to
8 pursue, will focus largely upon the public policy
9 problems that arise from the proposal by the Applicant
10 that it should -- shall we say -- escape closer
11 supervision by this Board.

12 In addition to these particular issues,
13 the Bar Association always have -- has, rather -- a
14 variety of other issues that it seems, in the Board's
15 Orders, generally fall in the category of
16 "miscellaneous." And, so, trying to fill that particular
17 category for the Board, we'll touch upon some of the
18 usual issues that we have, but also echoing other issues
19 that may arise in the course of the evidence.

20 With respect to exhibits, Mr. Chairman;
21 subject to any questions to the Board, it would be my
22 recommendation or my proposal that the Board accept as
23 exhibits, the Manitoba Bar Association's first-round
24 Information Requests and the Responses received thereto.

25 And, as its second exhibit, the second-

1 round Information Requests and the answers thereto.

2 Thank you, Mr. Chairman.

3 THE CHAIRPERSON: Very good, Mr. Dawson,
4 that's fine. Thank you.

5 Mr. Oakes, perhaps my memories gone; but
6 did we introduce your exhibits?

7 MR. RAYMOND OAKES: Could certainly do
8 likewise. I had planned initially to introduce them at
9 the commencement of cross, but since everyone else seems
10 to be doing it at this time; CMMG 1 and 2 would reflect
11 the first and second rounds of the Interrogatories and
12 Answers.

13 THE CHAIRPERSON: Thank you, sir. Now we
14 have Resource Conservation Manitoba and RCM/TREE.
15 Professor Miller couldn't be here, but I understand that
16 he has circulated his opening remarks to all the parties.
17 So we'll just have it entered in verbatim into the
18 record, and that will deal with that.

19

20 WRITTEN OPENING COMMENTS BY RCM/TREE:

21 Opening Remarks by Peter Miller for Resource Conservation
22 Manitoba (RCM) and Time to Respect Earth's Ecosystems
23 (TREE)

24

25 Time to Respect Earth's Ecosystems (TREE) and Resource

1 Conservation Manitoba (RCM) are NGOs committed to the
2 advancement of a more sustainable society and economy in
3 Manitoba. We have engaged in a series of interventions
4 in rate hearings in recent years based on the premise
5 that gas, electricity, and insurance rates and policies
6 should reflect the public interest as defined by
7 principles of sustainability and justice.

8

9 We indicated at the Pre-Hearing Conference that we wish
10 to:

- 11 1. Review MPI's sustainability initiatives and
12 compliance with Manitoba's Sustainable Development Act,
13 previous PUB recommendations and orders, and MPI
14 undertakings;
- 15 2. Review progress on and possibilities for moving
16 forward on researching, piloting, and introducing
17 distance-based insurance and other demand management
18 measures; and
- 19 3. Explore MPI's potential roles in addressing
20 sustainability issues in the transportation sector, which
21 produces approximately a third of Manitoba's GHG
22 emissions.

23

24 We also indicated that our preferred approach was to
25 engage in a thorough investigation of the issues in

1 collaboration with MPI and the province.

2

3 The collaboration began when Peter Miller (RCM/TREE) met
4 with Marilyn McLaren and Kathy Kalinowsky (MPI) on June
5 29, 2007. I was offered an opportunity to comment on the
6 terms of reference of MPI's PAYD Study released at the
7 end of the summer. In addition, Mc. McLaren undertook to
8 contact the Centre for Sustainable Transportation (CST)
9 to convene a working group

10 "to discuss potential roles for MPI in
11 addressing sustainability issues in
12 general and climate change issues in
13 particular in the transportation
14 sector."

15 The initial contact has occurred but to date CST Director
16 Arne Elias and Ms. McLaren have been unable to meet to
17 review and confirm the structure and timetable of this
18 working group.

19

20 We hope that MPI will have more to report on this
21 initiative before the conclusion of this proceeding.

22

23 (WRITTEN OPENING COMMENTS BY RCM/TREE CONCLUDED)

24

25 MR. WALTER SARANCHUK: Perhaps we can

1 have Mr. Roberts enter his Interrogatories and MPI's
2 responses as an exhibit of MUCDA-1?

3 MR. ROBERT OAKES: Yes, that's fine.
4 Thank you.

5 THE CHAIRPERSON: Very good. Okay, now
6 we'll move on to Mr. McCulloch and your introductory
7 remarks, and then we can move on to swearing in the
8 panel.

9
10 OPENING COMMENTS BY MPI:

11 MR. KEVIN MCCULLOCH: Thank you, Mr.
12 Chairman. It was not my initial intention to make preli
13 -- or introductory remarks. But, if I might observe, it
14 -- it seems, over the years, this part of the process has
15 developed to the point where, particularly, Intervenors
16 seem to dangle carrots, and I'm resisting, at this point,
17 at grabbing at them.

18 I would say, however, that we are in a
19 process where the Applicant files a very concise and a
20 full application supported by volumes of materials and
21 evidence. They go through two (2) rounds -- the
22 Applicant goes through two (2) rounds of Information
23 Requests where the Intervenors are allowed to ask
24 whatever relevant questions they may, and they are
25 provided with answers.

1 We have a panel of five (5) MPI senior
2 officials who are here to answer any questions that may
3 be put to them. If, at the end of this process, Mr.
4 Williams and his clients and the other Intervenors are
5 still puzzled, I can assure the Board that it won't be
6 due to any failure on the part of the MPI witnesses to
7 respond openly to whatever relevant questions may be put
8 to them.

9 I'd like to move on to the witne -- the
10 exhibit list, rather. In the list produced by the Board,
11 the first three (3) exhibits needed some clarification or
12 identification.

13 Exhibit 1 will be the affidavit of Sherry
14 Komadowski sworn September 28th, 2007 which confirms that
15 all interested parties were served with the Notice of
16 Public Hearing and the Rate Application.

17 Exhibit number 2 will be the Affidavit of
18 Zdenka Melnyk sworn September 19th, 2007 with attached
19 exhibits confirming that the Notice of Public Hearing and
20 Notice of Pre-Hearing Conference were published in the
21 require newspapers.

22 MPI Exhibit number 3 will be the Affidavit
23 of Zdenka Melnyk sworn September 19th, 2007 which
24 confirms that the Reminder Notice of the public hearing
25 that was published in the required newspapers.

1 Exhibits 4, 5 and 6 cover the three (3)
2 volumes of the rate application and Exhibit 7 is the MPI
3 Pay as You Drive Study filed August 31st, 2007.

4 Exhibit number 8 is the curriculum vitae
5 filed on behalf of Mr. Ottmar Kramer and in my
6 introductory remarks or my -- my introduction I should
7 have mentioned that this is also Mr. Kramer's first
8 opportunity to appear as a witness before the PUB.

9 And Exhibit number 9 will be the
10 curriculum vitae of Mr. Ward Keith.

11 I have originals of Exhibits 1, 2, 3, 8
12 and 9, which I will file with the Board. and I also have
13 copies -- I understand that Exhibits 8 and 9 were
14 circulated electronically to all the interested parties,
15 but I do have hard copies available if anyone requires
16 them. Thank you.

17 THE CHAIRPERSON: Thank you, sir. So
18 we'll swear in the witness now. Mr. Barron.

19

20 MPI PANEL:

21 BARRY GALENZOSKI, Sworn

22 OTTMAR KRAMER, Sworn

23 DON PALMER, Sworn

24 MARILYN MCLAREN, Sworn

25 WARD KEITH, Sworn

1 THE CHAIRPERSON: Thank you, Mr. Barron.
2 Mr. McCulloch, do you want to lead your testimony?

3

4 EXAMINATION-IN-CHIEF BY MR. KEVIN MCCULLOCH:

5 MR. KEVIN MCCULLOCH: Yes, Mr. Chairman.
6 I have two (2) very brief areas of direct; the first I'll
7 go to Mr. Keith.

8 Now, Mr. Keith, I understand that you are
9 aware that in Volume I of the Application, there was
10 included in that volume, pre-filed testimony on behalf of
11 Mr. Wilf Bedard, who is the Vice-President of Claims for
12 MPI.

13 Is that correct?

14 MR. WARD KEITH: Yes, that's correct.

15 MR. KEVIN MCCULLOCH: And have you had an
16 opportunity to review that pre-filed testimony?

17 MR. WARD KEITH: Yes, I have.

18 MR. KEVIN MCCULLOCH: And do you adopt
19 that pre-trial -- pre-filed testimony as being correct
20 and accurate?

21 MR. WARD KEITH: Yes, I do.

22 MR. KEVIN MCCULLOCH: Mr. Kramer, I'm
23 going to put the same questions to you with respect to
24 the pre-filed testimony of Mr. Galenzoski.

25 Have you had an opportunity to review that

1 testimony that's contained in Volume I?

2 MR. OTTMAR KRAMER: Yes, I have.

3 MR. KEVIN MCCULLOCH: And do you adopt
4 that testimony as being correct and accurate?

5 MR. OTTMAR KRAMER: Yes, I do.

6 MR. KEVIN MCCULLOCH: That completes my
7 direct examination of the panel. They're ready for
8 cross-examination.

9 THE CHAIRPERSON: Thank you, Mr.
10 McCulloch. Well moving right along, Mr. Saranchuk?

11

12 CROSS-EXAMINATION BY MR. SARANCHUK:

13 MR. SARANCHUK: Thank you, sir. We'll
14 begin by a couple of standard questions of Ms. McLaren.

15 Can you confirm, Ms. McLaren, that the
16 Corporation understands that it bears the onus of proving
17 its case to substantiate its General Rate Application?

18 MS. MARILYN MCLAREN: Yes.

19 MR. WALTER SARANCHUK: And can you
20 confirm that MPI agrees that it carries the onus to
21 establish that its rates are just and reasonable?

22 MS. MARILYN MCLAREN: Yes.

23 MR. WALTER SARANCHUK: Now as is usually
24 the case in these hearings, we'll begin with an overview
25 at a very high level of the application as filed, and

1 dealing firstly very briefly, with the multi-year
2 application at a high level, can someone on the panel
3 confirm that the Corporation is presenting a three (3)
4 year rate application that is a multi-year application,
5 unlike previous years?

6 MS. MARILYN MCLAREN: Yes, confirmed.

7 MR. WALTER SARANCHUK: And there are no
8 changes to forecasting and rate setting methodology to be
9 made over this three (3) year period; is that correct?

10 MS. MARILYN MCLAREN: Yes, that's
11 correct.

12 MR. WALTER SARANCHUK: And can you
13 confirm that the Corporation is not asking for rates for
14 the next three (3) years, but will have a mechanism to
15 adjust rates over the interim years?

16 MS. MARILYN MCLAREN: Yes.

17 MR. WALTER SARANCHUK: And there are to
18 be no changes in overall revenue requirements for the
19 three (3) year period?

20 MS. MARILYN MCLAREN: Yes, that's right.

21 MR. WALTER SARANCHUK: And the
22 Corporation is proposing a premium rebate of \$49.1
23 million to be paid in fiscal year 2008/09 representing
24 7.75 percent of gross written motor vehicle premiums in
25 the 2006/07 insurance year?

1 MS. MARILYN MCLAREN: Yes.

2 MR. WALTER SARANCHUK: Now dealing again
3 very briefly with vehicle premiums, there is to be no
4 change in base revenue, is that correct?

5 MS. MARILYN MCLAREN: Yes.

6 MR. WALTER SARANCHUK: And the experience
7 based rate adjustments are to be implemented; these range
8 from minus 15 percent to plus 15 percent?

9 MS. MARILYN MCLAREN: Yes.

10 MR. WALTER SARANCHUK: And can you again
11 at a very high level, Ms. McLaren, just explain what
12 those experience rate adjustments are?

13 MS. MARILYN MCLAREN: Experience rate
14 adjustments allow for the variation of rates by insurance
15 use and territory to reflect the emerging and historic
16 claims cost in those different categories.

17 MR. WALTER SARANCHUK: And the -- there
18 are also to be adjustments by way of classification
19 offset adjustments to achieve revenue neutrality?

20 MS. MARILYN MCLAREN: Yes, that's
21 correct.

22 MR. WALTER SARANCHUK: Could you explain
23 again at a high level what that entails?

24 MS. MARILYN MCLAREN: I'll tag off to Mr.
25 Palmer now.

1 MR. WALTER SARANCHUK: Thank you.

2 MR. DON PALMER: The classification
3 offsets are -- occur because there's changes mainly in
4 the CLEAR classifications, which cause some fluctuation
5 in re -- rates within insurance use in territory
6 classifications, so those offsets basically make the
7 overall requirement revenue neutral.

8 MR. WALTER SARANCHUK: Yes. You referred
9 to the acronym "CLEAR;" that's the Canadian Loss
10 Experience Automobile Rating system?

11 MR. DON PALMER: That's correct.

12 MR. WALTER SARANCHUK: And there's to be a
13 rate group offset and a rate line offset, is that
14 correct?

15 MR. DON PALMER: That's correct.

16 MR. WALTER SARANCHUK: And would you just
17 explain briefly what those entail?

18 MR. DON PALMER: The rate group refers to
19 the CLEAR that we talked about. The rate line is the
20 relationship of rates from rate group to rate group.

21 MR. WALTER SARANCHUK: And the motorcycle
22 rate line adjustments are not revenue neutral, are they?

23 MR. DON PALMER: That's correct

24 MR. WALTER SARANCHUK: Can you confirm
25 that the classification adjustments are in addition to

1 the experience adjustments?

2 MR. DON PALMER: I can confirm that, yes.

3 MR. WALTER SARANCHUK: In total, the
4 premium rates are subject to an overriding cap of 20
5 percent as set out in Board Order 148 of '04, and 25
6 percent for mopeds and motor scooters, also as directed
7 by the Board.

8 Is that correct?

9 MR. DON PALMER: That's correct.

10 MR. WALTER SARANCHUK: And MPI has added
11 a two hundred thousand dollars (\$200,000) under-insured
12 motorist coverage to the basic coverage for off-road
13 vehicles.

14 Is that correct?

15 MR. DON PALMER: That's correct, too.

16 MR. WALTER SARANCHUK: And again at a
17 high level, could you please explain what that coverage
18 is, sir?

19 MR. DON PALMER: Under insured motorists,
20 protection occurs if a driver of an off-road vehicle is
21 injured due to the negligent acts of another party, not
22 an automobile driver; that would be covered under a
23 personal injury protection plan but if that happens and
24 the negligent party does not have adequate insurance
25 coverage, then the under-insured protection would cover

1 that.

2 MR. WALTER SARANCHUK: And there's really
3 no experience in respect of that class and so no change
4 in the rate is proposed at this juncture, is that
5 correct?

6 MR. DON PALMER: That's correct.

7 MR. WALTER SARANCHUK: In terms of
8 motorcycle rates and the differential, the changes range
9 from an increase of 14.8 percent for Rate Group Zero to a
10 decrease of 1.6 percent for Rate Group 9, as indicated in
11 SM-4.3(b) (3) in Volume I. I don't know if there's any
12 need to refer to it but can you confirm those -- that
13 range, sir?

14 MR. DON PALMER: With -- subject to
15 check, I can confirm that.

16 MR. WALTER SARANCHUK: Thank you. And
17 dealing now with driver's licence premiums, and for the
18 record this appears -- or it's dealt with in Volume I SM-
19 3.2 and also it could be indicated from the filing in TI-
20 14, which is at Tab 7 of the book of documents.

21 I don't know if you have to look at that
22 at this juncture, but as I understand it there was some
23 \$35.8 million in drivers' premiums forecast for 2008/'09?

24 MR. DON PALMER: Again, subject to check,
25 I'll confirm that.

1 MR. WALTER SARANCHUK: And can you just
2 review briefly the composition of those drivers'
3 premiums, sir?

4 MR. DON PALMER: Drivers' premiums
5 consist of a basic driver premium that does include merit
6 -- merit discounts and it also includes Charge 1
7 surcharges which are for -- surcharges for demerit points
8 convictions, and Charge 2 surcharges which are accident
9 surcharges.

10 MR. WALTER SARANCHUK: And demerit point
11 additional premiums, what do they relate to, sir? They
12 range as I understand it from two hundred dollars (\$200)
13 for six (6) demerits to nine hundred and ninety-nine
14 dollars (\$999) for twenty-one (21) or more demerits?

15 MR. DON PALMER: That's correct and
16 demerits are accumulated based on driving convictions.

17 MR. WALTER SARANCHUK: And can you
18 confirm that there have been no changes in the demerit
19 points system this year?

20 MR. DON PALMER: I can confirm that.

21 MR. WALTER SARANCHUK: There is a
22 limitation, computer limitation, as I understand it, in
23 that it's limited to three (3) fields.

24 Can you just touch on that, please?

25 MR. DON PALMER: The existing driver

1 licence system had a three (3) field limitation on it and
2 the Charge 1 demerits is nine hundred and ninety-nine
3 dollar (\$999) maximum, yes.

4 MR. WALTER SARANCHUK: And the
5 limitations to that current system will be addressed in
6 the anticipated driver ratings system which has been
7 indicated as being delayed until 2010; is that correct?

8 MR. DON PALMER: There are a number of
9 considerations which will be included in the driver
10 safety rating program, yes.

11 MS. MARILYN MCLAREN: Just to clarify,
12 Mr. Saranchuk, I think the information we put on the
13 record is that our -- our current expectation is that we
14 would be beginning introduction of a driver safety rating
15 system in mid-'09, completing it in mid 2010.

16 MR. WALTER SARANCHUK: And for
17 implementation?

18 MS. MARILYN MCLAREN: Implementation
19 would likely begin as best we can estimate at this point,
20 in mid-'09.

21 MR. WALTER SARANCHUK: All right. Now, I
22 take it then that means that currently the limitation of
23 the computer system of three (3) digits, if you will,
24 still applies?

25 MR. DON PALMER: Yes.

1 MR. WALTER SARANCHUK: In terms of other
2 issues, again appreciating this is dealing with them at a
3 very high level, can you confirm that there has been no
4 change in service or transaction fees proposed?

5 MR. DON PALMER: Confirmed.

6 MR. WALTER SARANCHUK: And there's no
7 change in permit or certificate fees?

8 MR. DON PALMER: Also true.

9 MR. WALTER SARANCHUK: And no change in
10 the forty dollars (\$40) discount provided to customers
11 with approved anti-theft devices?

12 MR. DON PALMER: That's also correct.

13 MR. WALTER SARANCHUK: Now, as I
14 understand it the Immobilizer Incentive Program is being
15 expanded this year, indeed by the Government of Manitoba
16 through the approved anti-theft immobilizer legislation;
17 is that correct?

18 MS. MARILYN MCLAREN: Yes, that's
19 correct.

20 MR. WALTER SARANCHUK: Now at a high
21 level, considering this overview, Ms. McLaren, can you
22 summarize those initiatives under that legislation?

23 MS. MARILYN MCLAREN: The really --
24 recently announced initiative which began to take force
25 on September 1st, requires owners of most-at-risk

1 vehicles that are registered in or used in the city of
2 Winnipeg, where 80 percent of all thefts take place, must
3 have those vehicles mob -- vehicles immobilized before
4 they can register for their first time, or renew their
5 most-at-risk vehicle.

6 MR. WALTER SARANCHUK: And as I
7 understand it, there's also to be a re-reg -- or a
8 registration requirement for out-of-province vehicles?

9 MS. MARILYN MCLAREN: A year ago the
10 Government introduced legislation requiring immobilizers
11 on most-at-risk vehicles that came to Manitoba -- excuse
12 me, came to Manitoba for their first time, and also those
13 that had been stolen while already here in Manitoba.
14 That's been in force for just over thirteen (13) months
15 now.

16 MR. WALTER SARANCHUK: Yes, thank you.
17 Are there any other initiatives that arise out of the
18 legislation?

19 MS. MARILYN MCLAREN: Yes. As of
20 September 1, vehicles that are on the most-at-risk list,
21 and are the subject of an attempt theft, now must have an
22 immobilizer installed immediately following that
23 incident, without waiting for their renewal date to come
24 up.

25

1 (BRIEF PAUSE)

2

3 MR. WALTER SARANCHUK: Now dealing with
4 base premiums in terms of an overview, as they've been
5 applied for, as I understand it, the 2008/2009 rate
6 modelling process considers a vehicle population of
7 approximately eight hundred and eighty thousand (880,000)
8 vehicles, is that correct?

9 MR. DON PALMER: Sounds right, yes.

10 MR. WALTER SARANCHUK: With approximately
11 four hundred and eighty thousand (480,000) vehicles or 54
12 percent to receive a rate decrease, or no rate change?

13 MR. DON PALMER: Again, subject to check,
14 I'll accept that.

15 MR. WALTER SARANCHUK: And approximately
16 four hundred thousand (400,000) vehicles, or
17 approximately 46 percent to experience rate changes.

18 MR. DON PALMER: Again, subject to -- to
19 check, yes.

20 MR. WALTER SARANCHUK: And in terms of
21 vehicles with increasing rates, 95 percent of them will
22 experience rate increase of less than 5 percent?

23 MR. DON PALMER: And subject to check,
24 yes.

25 MR. WALTER SARANCHUK: On an overall

1 basis, a zero rate change is being requested, is that
2 correct?

3 MR. DON PALMER: That's correct.

4 MR. WALTER SARANCHUK: And individual
5 vehicle premiums are to be, as you indicated, impacted by
6 the rate experience adjustments, and the rate group
7 changes, and the off-set adjustments, so although there
8 is no change in vehicle rates being sought, 46 percent of
9 vehicle owners will be paying more with this application?

10 MR. DON PALMER: All else being equal,
11 yes.

12 MR. WALTER SARANCHUK: Now, very briefly,
13 looking at SM-6.3 in Volume I at page 2, and looking at
14 the indicated experience adjustments by major use, under
15 the financial method column, can you confirm that the
16 overall indicator in the last line is the key trigger
17 under the proposed multi-year application?

18 MR. DON PALMER: I wouldn't call that the
19 overall trigger for the multi-year application, no.

20 MR. WALTER SARANCHUK: Okay. Could you
21 explain why not?

22 MR. DON PALMER: The -- the indication
23 comes from a longer term forecast. The financial pro
24 formas which are included in one of the other tables
25 that's filed, that indicates an overall revenue

1 requirement of zero.

2 This -- the table that you have indicated
3 is just a one (1) year analysis.

4 MR. WALTER SARANCHUK: I see. Can you
5 make a brief comparison between the financial,
6 exponential and linear experienced rate requirement
7 indicators?

8 MR. DON PALMER: On an overall basis, the
9 financial is zero, exponential is zero and linear is a
10 decrease of 3.1 percent.

11 MR. WALTER SARANCHUK: And can you
12 explain the gain to high level; the difference between
13 those three (3) approaches?

14 MR. DON PALMER: The financial forecast
15 uses the forecasts that are obtained through our claims
16 forecasting committee, multi-disciplinary committee made
17 up of members of Finance Division, Claims Division,
18 Insurance Operations Division as well, that looks not
19 only at past trends but also current changes in the -- in
20 the market to come up with our claims forecast.

21 Both the exponential and linear approaches
22 are more of a formulaic interpretation of the past data.
23 The exponential assumes that there will be increases or
24 changes in future years based on a percent basis.
25 There's a -- a fitting of an exponential curve.

1 The linear method again is a formulaic
2 approach which fits a straight line to the data and
3 extends that out into the future.

4 MR. WALTER SARANCHUK: Now, in terms of
5 the rate adjustments by major use and territory, these
6 are addressed at SM-6.5 on page 6 of Volume I.

7 Can you then just review very briefly what
8 the requested adjustments are, sir?

9 MR. DON PALMER: Just a -- a listing by
10 major class you want?

11 MR. WALTER SARANCHUK: Yes, sir.

12 MR. DON PALMER: The private passenger
13 major class has a decrease of .1 percent, commercial
14 major class a decrease of 1.2 percent, the public major
15 class an increase of 1.2 percent, motorcycle major class
16 an increase of 9.2 percent, trailers a decrease of minus
17 4.7 percent, and off-road vehicles the request is for no
18 change.

19 MR. WALTER SARANCHUK: And of course
20 looking at the experience rate requirement for off-road
21 vehicles on page 2 under the experience rate requirement
22 there's a substantial negative indicator due to the
23 introduction of the new coverage and uncertainty of
24 expected costs, but -- and for the latter reason there's
25 really no change being requested despite that.

1 Is that correct?

2 MR. DON PALMER: That's correct.

3 MR. WALTER SARANCHUK: Now, I would draw
4 the attention of the MPI panel to other matters that have
5 been addressed in your filing at SM-8, and these are
6 issues arising out of last year's Board Order. And I
7 would refer you to SM-8.4 on page 12 and each
8 recommendation from page 12 to page 17.

9 At a high level dealing with each of -- of
10 the Board's recommendations arising out of last year's
11 order, can you -- can someone on the panel address the
12 comments made in respect of each of the recommendations
13 noted from pages 12 to 17, starting with Recommendation
14 1; and if there's anything that you can add to elaborate,
15 please do so.

16

17 (BRIEF PAUSE)

18

19 MS. MARILYN MCLAREN: Mr. Saranchuk,
20 would you like us to reference and -- and read into the
21 record the recommendation itself or just our responses?

22 MR. WALTER SARANCHUK: Well, I guess it
23 would be best for the record to read in the
24 recommendation and then deal with the response, please.

25 MS. MARILYN MCLAREN: Recommendation

1 Number 1 of the Board was that:

2 "...the Corporation monitor the
3 results of the Voluntary Immobilizer
4 Program and regularly review the most-
5 at-risk of auto theft list and adding
6 to the list as required with the
7 objective of awareness of success of
8 voluntary program and to adapt to
9 changing circumstances."

10 The Corporation's formal response at that
11 point was that:

12 "Please see Section 8.3 above where
13 the Corporation's provided a very
14 detailed overview of all its efforts
15 with respect to auto theft."

16 Since last year's Hearing the most-at-risk
17 list has been expanded on a voluntary basis. And as we
18 referenced a few minutes ago the Government has moved in
19 with a mandatory program as well.

20 MR. WALTER SARANCHUK: Thank you. Now,
21 if we can proceed with Recommendation 2 at the top of
22 page 13, of SM-8?

23 MS. MARILYN MCLAREN: That recommendation
24 speaks to:

25 "Upon concluding that the voluntary

1 Mobilizer Installation Program will
2 not or is at risk of not reaching its
3 objectives, make special application
4 to the Board for premium surcharges
5 against vehicles on the most-at-risk
6 list."

7 Our response again was to see Section 8.3
8 above.

9 The Corporation has not moved forward with
10 a surcharge against most-at-risk vehicles. The mandatory
11 program is in place. The Government has moved to
12 institute that mandatory program and really, I would just
13 make the point that the mandatory program will ensure
14 that 100 percent of all most-at-risk vehicles are
15 immobilized where a surcharge would have left people the
16 option to pay the surcharge or to immobilize and would
17 not have, in our view, would not have approached a 100
18 percent compliance.

19 With respect to Recommendation 3:

20 "Develop claims handling, PIPP and
21 operating cost benchmarks; perform
22 analysis, trends, development and
23 comparing MPI experience with that of
24 other comparable insurers."

25 Our response to that recommendation is:

1 "The Corporation is continuing its
2 efforts to enhance its ability to
3 manage PIPP claims, understand and
4 influence PIPP costs into the future
5 and establish benchmarks for service,
6 efficacy and effectiveness."

7 The Corporation had no further information
8 to put on the public record at the time of filing that
9 continues to be true.

10 Recommendation 4. Further the analysis --
11 MR. WALTER SARANCHUK: Just on that point
12 -- excuse me.

13 Where do you stand now, in respect of a
14 response to that Recommendation 3. I mean, is there --
15 is this an ongoing matter that's being addressed? I
16 would think that it is. Can you tell us what the status
17 is?

18 MS. MARILYN MCLAREN: Yes. There's
19 significant work going on within the Corporation. It was
20 four (4) hearings ago in the fall of '04 when the
21 Corporation announced its intention to do some
22 significant work to ensure that the PIPP program was well
23 positioned for the future.

24 Coming out of that hearing for -- four (4)
25 hearings ago in the fall of '04, what we did was

1 undertake a -- a much higher level financial analysis of
2 the PIPP program and whether or not it was performing as
3 initially expected and performing according to current
4 expectations.

5 The financial performance of the PIPP
6 program is strong. It is doing at least as well as was
7 expected back in 1993/1994 when it was introduced.

8 There is no burning platform with respect
9 to PIPP costs and any urgent sort of need to make changes
10 to a very well functioning program as specified in the
11 legislation that -- that informs that program.

12 With respect to our ability to serve
13 claimants, I'm -- I'm very proud of the work that our
14 staff do, with respect to serving our PIPP claimants.
15 Again, there's no burning platform there.

16 The work that we have to do on PIPP is to
17 really ensure that as we have succession issues, staff
18 turnover and an evolving demographic that we are serving
19 through the personal injury protection plan, that we
20 continue to be able to meet Manitobans' needs of the
21 program overall and individual claimant needs over the
22 long term.

23 We are doing work to understand and to
24 eventually make some decisions on what better tools do
25 our case managers need to help them serve claimants, what

1 better tools can we put in their hands that will give
2 management better understanding and better data with
3 respect to the work that our case managers are doing, the
4 experiences of our PIPP claimants.

5 This is a long term initiative to give us
6 better information and to give our case managers better
7 tools. So it is something that will take quite a while
8 to come to fruition and it will serve us over the next, I
9 would say, like two (2) decades once the work is really
10 starting to come to fruition.

11 MR. WALTER SARANCHUK: Have you got a
12 target date in mind?

13 MS. MARILYN MCLAREN: What we've done is
14 we've identified a number of initiatives that we believe
15 need to happen to bring this to its con -- to fully
16 implement the ideas that we have at this time.

17 Best guess at this point is that
18 implementation would likely be concluded somewhere around
19 2012.

20 MR. WALTER SARANCHUK: Moving on to
21 Recommendation Number 4, please.

22 MS. MARILYN MCLAREN: "Further the
23 analysis of the major cost drivers of
24 accidents and injuries, file a report
25 with the Board ahead of next year's

1 General Rate Application."

2 The response to that recommendation is
3 that:

4 "The analysis of major cost drivers of
5 accident and injuries, as it relates
6 to the driver safety rating program,
7 will be provided as part of a DSR
8 application to the Board."

9 MR. WALTER SARANCHUK: And so therefore
10 we're looking at when, approximately?

11 MS. MARILYN MCLAREN: We really don't
12 have a date to submit to the Board at this point when we
13 would ask for a special DSR hearing.

14 We are working hard towards a -- a
15 targeted implementation of an approved DSR rate program
16 by mid-'09. So somewhere between now and mid-'09, we
17 will be asking the Board for a special DSR hearing.

18 MR. WALTER SARANCHUK: Thank you. On top
19 of page 14 of SM-8, Recommendation Number 5?

20 MS. MARILYN MCLAREN: "Commission an
21 independent review, either internally
22 or externally supported, of the
23 current accident prevention and driver
24 educational program, seeking ways and
25 means to bring down accident injury

1 frequency and severity while ensuring
2 program cost effectiveness.
3 Manitoba Public Insurance has
4 initiated two (2) streams of driver
5 education program evaluation that will
6 be completed over the next five (5)
7 years [is our response]. This work
8 will be either completed, led by, or
9 under the oversight of an independent
10 expert.

11 Maybe -- you know, there's a fair bit of
12 information here. I -- you don't want me to read it all
13 into the record?

14 MR. WALTER SARANCHUK: No. Just the --

15 MS. MARILYN MCLAREN: Okay. I would -- I
16 would make the point here, though, that we're really
17 very, as a corporation, very pleased to have the
18 opportunity to participate in the summit of evaluation
19 with the Automobile Association of America Foundation for
20 Traffic Safety.

21 This is a very, very well regarded
22 organization. They are investing more than half of the
23 funds that it will take to do the summit of evaluation of
24 the Manitoba driver's ed program. We're really pleased
25 to be part of it. It will take a number of years.

1 MR. WALTER SARANCHUK: I note in -- in
2 the second last paragraph on page 15, you're -- you make
3 note of the fact that the -- the foundation for safety
4 currently estimates the research project work not to be
5 completed until 2010.

6 How does that impact your ability to
7 respond to this particular recommendation?

8 Is that why we're talking about the
9 completion date of approximately five (5) years hence?

10 MS. MARILYN MCLAREN: Yes, that's right.

11 MR. WALTER SARANCHUK: Okay. Dealing
12 with Recommendation Number 6, please

13 MS. MARILYN MCLAREN: "Develop and
14 provide a report to the Board ahead of
15 next year's General Rate Application
16 on the experience and prospects for
17 graduated licencing."

18 The Corporation's response to that is that
19 the:

20 "...Manitoba Government began phasing
21 in its graduated driver licencing
22 program through three (3) phases."

23 Earlier this year in January of '07, the
24 administrators of infrastructure, transportation and the
25 Attorney General made the results of the most recent

1 report public through a press release, and the
2 Corporation has included that information within its
3 application.

4 So the graduated driver licensing program
5 clearly is a -- is a program of government. It is
6 legislated, and they review it, they evaluate it. We
7 participate in that, and we have shared their most recent
8 review with you.

9 MR. WALTER SARANCHUK: Recommendation
10 Number 7, please.

11 MS. MARILYN MCLAREN: "Consult with
12 policing agencies in the province to
13 understand the linkages between
14 accidents and traffic law enforcement.
15 Consider the implications and related
16 options with respect to Board
17 perceived diminished traffic
18 enforcement."

19 And the Corporation's response is that:
20 "We continue to consult and liaise
21 with policing agencies and other road
22 safety stakeholders."

23 MR. WALTER SARANCHUK: Can you elaborate
24 on that?

25 MS. MARILYN MCLAREN: There are working

1 committees at a number of levels that the Corporation
2 participates on, that -- that deals with issues like
3 these: with Safety Services Manitoba, Winnipeg Police
4 Service, the RCMP.

5 Most of the organizations, if not all that
6 I just mentioned, are committed to transport Canada's
7 2010 initiative to reduce the cost of road safety
8 injuries and -- and deaths in Manitoba, and that is
9 really the focus of the efforts at this point, is the
10 national 2010 targets.

11 MR. WALTER SARANCHUK: Can you state for
12 the record that the Corporation's position in dealing
13 with these policing agencies, at least the thrust of it,
14 has been that there has to be a greater diligence in
15 respect of traffic enforcement?

16 MS. MARILYN MCLAREN: Manitoba isn't
17 alone in recognizing that throughout most of the last
18 decade, perhaps longer, traffic enforcement has -- has
19 tended to decline across the country. That's something
20 that all organizations with Canada are focussed on and
21 concerned about.

22 The policing agencies themselves are
23 concerned about it. And certainly that's been MPI's
24 position as -- as well, that there's a need for a certain
25 level of enforcement that may very well significantly

1 affect the level of crashes.

2 MR. WALTER SARANCHUK: What do you
3 perceive just generally, as to be the -- the end result
4 here? Were you talking -- I know it's five (5) years
5 perhaps early, but let's talk in terms of what the
6 objective is.

7 Are we talking essentially about something
8 as simple as more policemen, or are we talking about
9 introduction of such systems as the driver's safety
10 rating by insurers across Canada?

11 I mean, what is the position here that
12 MPI's looking to take and achieve.

13 MS. MARILYN MCLAREN: The driver safety
14 rating is something that is Manitoba Public Insurance
15 initiative. We have had no conversations with other
16 insurers across the country as to how they may be moving
17 or changing their rating systems to better incent safe
18 driving. So that -- that really is a Manitoba --
19 Manitoba Public Insurance initiative.

20 But I think there's still a lot of
21 information that we don't have yet. There is -- I think
22 the fact that the level of enforcement is -- on the
23 national agenda, is important.

24 And no one is arguing that traffic
25 enforcement is an important part of the traffic and road

1 safety picture. So I think the end objective, clearly
2 for everyone, the 2010 targets, their objectives on a
3 very global as well as discreet basis, is a reduction in
4 death and injuries. That's the goal.

5 MR. WALTER SARANCHUK: Can we proceed
6 then with Recommendation 11 then you comment.

7 MS. MARILYN MCLAREN: Recommendation 11:
8 "Further diversify the investment
9 portfolio and forecast investment
10 income, applying any RP of 1.5
11 percent."

12 Response being that:

13 "The application before the Board is
14 based on forecast that include an
15 equity risk premium of 1.5 percent in
16 each of the forecast and outlook
17 years."

18 MR. WALTER SARANCHUK: Recommendation 15?

19 MS. MARILYN MCLAREN: "Undertake serious
20 research into the pay as you drive
21 concept."

22 Response being that:

23 "The Corporation is undertaking
24 research that will assist in
25 understanding possible linkages

1 between such a system and
2 environmental sustainability."

3 The Response stated that it expected to
4 file the results of this research in September 1, '07,
5 and I believe we did so on August 31st.

6 MR. WALTER SARANCHUK: Just with respect
7 to Recommendation 11, what can you tell us about the
8 diversification piece there in the -- diversification of
9 the investment portfolio. You did comment on the equity
10 risk premium of 1.5 percent, what about the
11 diversification of the investment portfolio?

12 MS. MARILYN MCLAREN: The Corporation is
13 in a very early stages of beginning a new asset/liability
14 review that would inform any upcoming decisions about
15 further diversification. We need information, we need an
16 analysis, we need some good solid data in front of us
17 before we make decisions on further diversification.

18 MR. WALTER SARANCHUK: Can you give us
19 some time frame?

20 MS. MARILYN MCLAREN: I expect that that
21 report would be done before the end of our fiscal year.

22 MR. WALTER SARANCHUK: And can you
23 indicate who is undertaking this?

24 MR. BARRY GALENZOSKI: Yeah, that report
25 is being undertaken by Aon Consulting, and we expect to

1 have it ready for our investment committee in the January
2 31 time frame of next year.

3 MR. WALTER SARANCHUK: And in terms of
4 Recommendation 17, Ms. McLaren?

5 MS. MARILYN MCLAREN: "Reconsider the
6 merits of not allocating operating
7 costs against trailers and off-road
8 vehicles."

9 Corporation's response is that:

10 "The Corporation reviewed the rationale
11 that led to the staged elimination of
12 operating costs in the trailer and
13 off-road vehicle classes, and takes
14 the view that this decision of the
15 Corporation and confirmed in Board
16 Order 179/01, provides the greatest
17 assurance of a fair rate model.

18 MR. WALTER SARANCHUK: Thank you. Just
19 to conclude the overview, and then dealing with the
20 recommendations section of the Board Order last year, I
21 would refer the Corporation and all else to -- to -- and
22 everyone else -- to the response given to the Public
23 Utilities Board Interrogatory number 57 in the first
24 round.

25 And this Interrogatory dealt with the

1 Board Order last year in terms of a number of additional
2 recommendations. And the question was, The Corporation
3 does not appear to have responded to Recommendations 8,
4 9, 10, 11 -- sorry, 8, 9, 10, 12, 13, 14 and 16. Please
5 comment on each.

6 Could you please read in the response, Ms.
7 McLaren.

8 MS. MARILYN MCLAREN: The response to
9 PUB-1-57 is that The Corporation has nothing to place on
10 the public record with respect to the noted
11 recommendations.

12 THE CHAIRPERSON: I think we'll take the
13 break now, Mr. Saranchuk.

14 MR. WALTER SARANCHUK: Fine, sir, thank
15 you.

16 THE CHAIRPERSON: Thank you. We'll be
17 back in fifteen (15) minutes.

18

19 --- Upon recessing at 10:31 a.m.

20 --- Upon resuming at 10:51 a.m.

21

22 THE CHAIRPERSON: Okay, Mr. Saranchuk,
23 you might as well begin.

24

25 CONTINUED BY MR. WALTER SARANCHUK:

1 MR. WALTER SARANCHUK: Thank you, sir.
2 Now, dealing with the recommendations where the
3 Corporation indicated in the response to the first round
4 Interrogatory Number 57 of the Public Utilities Board
5 that it had nothing to place on the public record with
6 regard to them.

7 Would you please allow me to cite the
8 recommendations to you and ask you for -- or let me ask
9 you some questions regarding them.

10 The first recommendation that the
11 Corporation essentially did not respond to was -- this is
12 on page 86 of Board Order 156 of the last year.

13 "Consult with policing agencies to
14 address perceived diminished traffic
15 enforcement. The objective being to
16 develop options to improve traffic
17 enforcement towards improving road
18 safety."

19 Now you did touch on that with reference
20 to one of the other recommendations. Can you indicate
21 why it is that the Corporation has nothing to state on
22 the public record in reply to that recommendation, Ms.
23 McLaren.

24 MR. KEVIN MCCULLOCH: Mr. Chairman,
25 hesitant as I am to interrupt Board counsel in his cross;

1 the Corporation, both in its response to Information
2 Request PUB 1-57 and in Ms. McLaren's evidence this
3 morning, has indicated that the Corporation has no
4 information to put on the public record with respect to
5 these recommendations.

6 There are jurisdictional considerations
7 that may have led to that response, but that is the
8 Corporation's response. And, at this point, asking
9 individual questions about each of those recommendations
10 that were included in PUB 1-57 is not going to change the
11 Applicant's position.

12 THE CHAIRPERSON: Mr. McCulloch, did we
13 hear Ms. McLaren correctly? She said basically that she
14 was not disagreeing with the premise that increased
15 traffic enforcement may contribute to lower accidents. I
16 believe she said that exactly.

17 MR. KEVIN MCCULLOCH: Yes, she did.

18 THE CHAIRPERSON: Okay, Mr. Saranchuk.

19

20 CONTINUED BY MR. WALTER SARANCHUK:

21 MR. WALTER SARANCHUK: Yes, just on that
22 point, I think that it is within the purview of the
23 Board's cross-examiner to inquire as to why it is that
24 the Corporation has given a certain answer, and if it is
25 jurisdictional grounds, then I think we should hear about

1 it.

2 So, in respect of Recommendation number 8,
3 if you don't mind, I'd like to ask you why it is that the
4 Corporation has nothing to place on the public record in
5 reply? If it is jurisdictional issue, please indicate
6 that.

7 If it's not in a position because of some
8 action that has already been taken but hasn't com -- been
9 completed in a position to respond, I think that the
10 Corporation owes the Board the courtesy of a reply other
11 than indicating that it has nothing to place on the
12 public record.

13 At the very least, it owed the courtesy of
14 a reply indicating by letter some -- earlier -- or some
15 other time prior to this hearing, even to say that the
16 issue cannot be addressed or -- and give the reason why.
17 So, I pose the question again, and I'd ask why is it that
18 the Corporation has noting to place on the public record
19 in reply to Recommendation number 8?

20 MR. KEVIN MCCULLOCH: Mr. Chairman, if I
21 might. There are, by quick count, seven (7)
22 recommendations that the Corporation has not responded
23 to. I will concede that number 8 is close to or -- or is
24 -- seems to be a follow -up on one that was responded to.

25 It's -- it's possible to elaborate,

1 perhaps, on -- on number 8, and -- and maybe even on --
2 on some of the others. But the basic position, I want
3 clear on the record, is that we don't feel there's --
4 that the Board has the jurisdiction to order the
5 Corporation to respond to recommendations.

6 And it's not a matter of -- of being rude
7 or -- or not -- just -- just ignoring the recommendation,
8 but as -- as you see, if you look at those
9 recommendations, there are a number of them that involve
10 governmental action, and the Board recommending that the
11 Corporation support the Board's position with government,
12 or recommendation to government, that certain things
13 happen.

14 And it's -- it's those recommendations
15 that we feel are outside the jurisdiction of the Board.

16

17 CONTINUED BY MR. WALTER SARANCHUK:

18 MR. WALTER SARANCHUK: So, am I to
19 conclude from your counsel's comments, Ms. McLaren, that
20 the re -- response by the Corporation in respect of the
21 recommendations indicated in the Interrogatory that I
22 referred to earlier, is essentially based on
23 jurisdictional grounds?

24 Example; you cannot explain to -- or you
25 will not explain to the Board today whether or not the

1 as long as you're willing to let me respond in this
2 regard, or if you wish to hear from -- from the panel, or
3 have them confirm what I would say, I think number 8 is a
4 good example in that the objective shown there is to
5 develop options to improve traffic enforcement.

6 It's not the Corporation's business to get
7 involved in traffic enforcement. We've earlier said that
8 consultant -- consultations continue with the Winnipeg
9 Police Services and the -- and the RCMP, and others, who
10 are involved in traffic enforcement. But to expect the
11 Corporation to respond to a recommendation that it
12 develop options to improve traffic enforcement, I
13 believe, is -- is outside the purview of -- of the
14 Corporation

15 THE CHAIRPERSON: Thank you, Mr.
16 McCulloch.

17 Mr. Saranchuk...?

18

19 CONTINUED BY MR. WALTER SARANCHUK:

20 MR. WALTER SARANCHUK: Yes. With respect
21 to recommendation number 10; for the record, it stated as
22 follows, quote:

23 "Transfer DVL operations including its
24 financial aspects from the extension
25 division to the basic insurance

1 operations objective of recognize the
2 integral nature of DVL operations
3 within basic."

4 Is your refusal, in effect, to address
5 that particular recommendation, beyond what your answer
6 is in the interrogatory referred to, based on
7 jurisdictional grounds?

8 MS. MARILYN MCLAREN: The Corporation has
9 responded to that recommendation from the Board a number
10 of times previously.

11 Our position on that hasn't changed.

12 MR. WALTER SARANCHUK: I'm sorry. Could
13 you please repeat that?

14 MS. MARILYN MCLAREN: With respect to a
15 Board recommendation to transfer DVL operations into
16 basic insurance operations; that is not the first time
17 the recommendation has come forward. The Corporation has
18 put its position on the record before, and -- and stands
19 by its position from previous hearings.

20 MR. WALTER SARANCHUK: That it's to
21 remain in extension?

22 MS. MARILYN MCLAREN: That it's to remain
23 a separate line of business and, for the time being,
24 reported through the extension line. We do not believe
25 at all that it is integ -- you know, the -- the comment,

1 right -- recognize the integral nature of DVL operations
2 within basic.

3 We disagree. DVL operations are DVL
4 operations. Basic is basic. There are some integrated
5 services but, certainly, driver testing wouldn't be one
6 of them. Vehicle inspections wouldn't be one of them.
7 We do not believe that DVL operations are integral within
8 basic, just as we've said in previous hearings.

9 MR. WALTER SARANCHUK: Fine. Thank you.

10 THE CHAIRPERSON: Just to confirm on that
11 point, though. At the past Hearing, I believe that you
12 put on the record that it was MPI's decision to put DVL
13 into the extension line, was it not?

14 MS. MARILYN MCLAREN: Yes. And I just
15 want to be clear on that point. Its -- it's a separate
16 line of business -- managed and accounted for as a
17 separate line of business -- and then its annual results
18 flow through the extension line on the financial
19 statements.

20 THE CHAIRPERSON: But is it a separate
21 line of business that's been taken into account in the
22 allocation of costs between the regulated part of your
23 business and the unregulated?

24 MS. MARILYN MCLAREN: If there was any
25 shortfall, extension would absorb it all.

1 THE CHAIRPERSON: Mr. Saranchuk...?

2

3 CONTINUED BY MR. WALTER SARANCHUK:

4 MR. WALTER SARANCHUK: As now with regard
5 to recommendation number 12, it stated as follows, quote:

6 "Discuss with government a
7 discontinuance [sorry] -- a
8 discontinuation of investment
9 management fees to the Province for
10 the portion of the portfolio invested
11 in Province of Manitoba securities."
12 End of quote.

13 Is that something that the Corporation
14 objects to in respect -- or -- or on the basis of
15 jurisdictional grounds?

16 MR. KEVIN MCCULLOCH: With -- with all
17 respect, the Corporation doesn't feel that the Board has
18 the jurisdiction to direct it to enter discussions with
19 its major stakeholder on certain issues.

20 The statutory provision is -- requires
21 that all MPI investments be managed through the
22 Department of Finance, And that's just a fact and -- and
23 that's the way it operates.

24 MR. WALTER SARANCHUK: Just on that
25 point, we are dealing with a recommendation. We're not

1 dealing with the operative part of the Order. And I
2 would be surprised that the Corporation would not agree
3 that Government should be changing its decision in
4 respect of investment management fees to the Province for
5 that portion of the portfolio invested in the Province of
6 Manitoba securities. The Corporation doesn't agree with
7 that?

8 MS. MARILYN MCLAREN: Again, Mr.
9 Saranchuk, this is not the first time this recommendation
10 has come forward. In a previous proceeding the
11 Corporation did put on the public record that it drew to
12 the attention of the Department of Finance that
13 recommendation from the PUB. We just don't have anything
14 else to add to that.

15 MR. WALTER SARANCHUK: Those fees are
16 recovered in rates though are they not?

17 MS. MARILYN MCLAREN: Yes.

18 MR. WALTER SARANCHUK: So, you're not
19 looking to pursuing it any further than what you have
20 thus far?

21 MS. MARILYN MCLAREN: We brought the
22 Board's recommendation to the attention of the Department
23 of Finance.

24 MR. WALTER SARANCHUK: Thank you. And
25 Recommendation 13; Support with Government. The Board's

1 recommendation that the Province cease charging
2 investment management fees to MPI on the portion of MPI's
3 portfolio invested in Manitoba securities; the objective
4 being to remove a perceived conflict of interest with the
5 related party.

6 What is the reason why the Corporation
7 cannot respond to that?

8

9 (BRIEF PAUSE)

10

11 MS. MARILYN MCLAREN: You know, 12 and 13
12 are -- are related. They are on a similar topic. We
13 have brought the Board's view on this matter to the
14 attention of the Department of Finance; that's it.

15 MR. WALTER SARANCHUK: Thank you.

16 Recommendation 14 states, quote:

17 "Seek the Government's perspective on
18 the possible use of the classification
19 and rate-setting model to further the
20 reduction of greenhouse gas emissions;
21 the objective to determine the extent
22 of MPI's contribution to environmental
23 sustainability."

24 End of quote.

25 Is that something that the Corporation

1 cannot respond to?

2 MR. KEVIN MCCULLOCH: Again, Mr.
3 Chairman, this -- this falls into the area where there
4 has been plenty of evidence given in previous hearings,
5 and I presume there will be questions asked in this
6 Hearing, as to the Pay-As-You-Drive Program and -- and
7 how that impact on environmental sustainability.

8 The difficulty that the Corporation has
9 with this recommendation is, once again, it's the Board
10 recommending that the Corporation go to the Government
11 and -- and do certain things. We don't believe it's
12 within the Board's jurisdiction to -- certainly wouldn't
13 be within the Board's jurisdiction to order the
14 Corporation to do that. And we take the same position
15 that it's not a recommendation that we should be required
16 to respond to.

17 MR. WALTER SARANCHUK: And then there's
18 Recommendation 16 that remains outstanding. It states as
19 follows, quote:

20 "Consult with CMMG and SM to identify
21 and resolve, as best as possible with
22 the cooperation of government as may
23 be required definition, coverage, and
24 claim attribution issues related to
25 motorcycles. The objective; the

1 enhancement of efficacy and fairness
2 of classification and rate model."

3 Is there a reason why the Corporation
4 can't indicate to the Board whether it consulted with
5 these bodies?

6 MR. KEVIN MCCULLOCH: Again, the -- the
7 problem with the recommendation was the Government
8 involvement that is -- that is part of that
9 recommendation. Ms. McLaren can certainly speak to
10 consultations that have gone on with CMMG and Scootering
11 Manitoba.

12 MR. WALTER SARANCHUK: Perhaps he can do
13 so then, Mr. Chairman?

14 MS. MARILYN MCLAREN: At least annually
15 we meet with CMMG. There, historically, have been less
16 formal meetings between Scootering Manitoba and Manitoba
17 Public Insurance, but somewhat frequent contact before --
18 between Mr. Sousa and others within the Corporation.

19 The -- the concept of identifying areas of
20 concern, potential definition issues and so on; clearly,
21 that was something in last year's proceedings that --
22 that we as well as, I believe, Mr. Sousa brought to the
23 attention of the Board. We don't disagree with that.

24 We certainly have been very open about our
25 willingness and -- and track record with respect to

1 consultation. We just don't have any output from any of
2 those recent conversations to put on the public record.

3 MR. WALTER SARANCHUK: Thank you, Ms.
4 McLaren. I intend to move on to another area of cross-
5 examination now having completed the overview.

6 My only comment is, would you agree that
7 it would not have been at least indication of some
8 concern about some of these issues raised by the Board
9 and a courtesy, that these kind of responses would have
10 been incorporated in a letter, rather than simply to say
11 there's nothing on the public record that we can say.

12 I mean, you've been very helpful. I would
13 suggest, if you don't mind, that, in the future, these
14 kind of responses could be incorporated in a letter.

15 And do you think that that is something
16 that the Corporation would consider in the future?

17 MR. KEVIN MCCULLOCH: We'll take that
18 under advisement, Mr. Chairman.

19

20 CONTINUED BY MR. WALTER SARANCHUK:

21 MR. WALTER SARANCHUK: Thank you, sir. I
22 have no further questions in respect of the overview of
23 the application.

24 Now moving on to the revenue requirement
25 and dealing with net income and in particular the

1 actual compared to forecast results, and also dealing
2 with the forecast for the upcoming years.

3 Dealing again, firstly, with TI-11 which
4 appears at Tab 4 in the book of documents.

5

6 (BRIEF PAUSE)

7

8 MR. WALTER SARANCHUK: Again, this is a
9 review of the financial performance actually incurred
10 with that forecast at last year's rate application. And
11 it's dealt with by Mr. Galenzoski at page 2 of his pre-
12 filed testimony; adopted by Mr. Kramer; as I understand
13 it; and also it appears in the assumptions page; which is
14 the overleaf on the first page of TI-11.

15 And just for your edification, Mr. Kramer,
16 generally what we do is review with one of the witnesses
17 -- in the past it's been Mr. Galenzoski -- as to just
18 what some of these figures represent.

19 So, let me begin that in TI-11, the total
20 earned revenues appear to be approximately \$3.3 million
21 less, is that correct?

22 MR. DON PALMER: Yes.

23 MR. WALTER SARANCHUK: And motor vehicle
24 premiums earned were almost bang on, is that correct?

25 MR. DON PALMER: Motor vehicle premiums

1 were one point three (1.3) less.

2 MR. WALTER SARANCHUK: Okay. And I'm
3 looking at TI-11 on the first -- oh, I see, okay, I see
4 where you're coming from.

5 And then drivers' premiums earned were
6 some \$1.8 million less?

7 MR. DON PALMER: Correct.

8 MR. WALTER SARANCHUK: And the claims
9 incurred -- claims and road safety and loss prevention
10 expenses are lower than forecast by some \$20.5 million?

11 MR. DON PALMER: Correct.

12 MR. WALTER SARANCHUK: And total
13 expenses, looking at them, were lower than forecast by
14 some \$5.6 million?

15 MR. DON PALMER: Correct.

16 MR. WALTER SARANCHUK: With the major
17 reductions being in the premium taxes of some \$3.6
18 million?

19 MR. DON PALMER: Correct.

20 MR. WALTER SARANCHUK: And the regulatory
21 and appeal expenses being some \$1.2 million less than
22 forecast, is that correct?

23 MR. DON PALMER: That's correct.

24 MR. WALTER SARANCHUK: What was the
25 reason for that reduction, do you know?

1 MR. DON PALMER: Which reduction are you
2 referring to?

3 MR. WALTER SARANCHUK: The regulatory and
4 appeal expenses?

5 MR. DON PALMER: As indi -- as indicated
6 on TI-11, it's lower in respect to regulatory expenses.
7 Specifically, I don't know the reason why that reduction
8 from the forecast. Just -- just the general decreases is
9 -- is what I know right now.

10 MR. WALTER SARANCHUK: Is there anyone
11 else -- one else on the panel that can perhaps assist?

12 MR. DON PALMER: We -- we can take it as
13 an undertaking and take it away and -- and get you a
14 response.

15 MR. WALTER SARANCHUK: Fine, thank you.

16

17 --- UNDERTAKING NO. 1: MPI to determine for Board
18 what the reason is for the
19 reduction in regulatory and
20 appeal expenses

21

22 CONTINUED BY MR. WALTER SARANCHUK:

23 MR. WALTER SARANCHUK: There was an --
24 the underwriting loss was an improvement of some \$22
25 million for 2006/'07 being a total of some \$56 million.

1 Is that correct, sir?

2 MR. DON PALMER: Yes, that's correct.

3 MR. WALTER SARANCHUK: And the net claims
4 incurred are lower by some \$22.6 million, is that -- is
5 that correct?

6 MR. DON PALMER: Yes, that's correct.

7 MR. WALTER SARANCHUK: And looking at
8 Schedule 1 in this part of the Corporation's filing
9 attached to TI-11; just reviewing the factors that
10 contributed to the reduction in net claims incurred,
11 could you address that in terms of reference to PIPP
12 cost, collision, comprehensive and property damage?

13 MR. DON PALMER: With respect to the PIPP
14 costs, there was a -- a decrease in actuarial provision
15 at year end that was the -- the major cause of that
16 decrease.

17 MR. WALTER SARANCHUK: That decrease
18 being some \$41.5 million?

19 MR. DON PALMER: That's correct.

20 MR. WALTER SARANCHUK: Okay. Can you
21 just explain that adjustment?

22 MR. DON PALMER: Every year, as part of
23 our evaluation of liabilities, we look at the development
24 of -- of all claims. But -- but the major contributor is
25 the PIPP product. And to evaluate whether our estimates

1 -- our previous estimates -- had increased or decreased,
2 we have found that over the last year, that our estimate
3 of -- of PIPP reserves was -- was too high, and we
4 brought that down.

5 MR. WALTER SARANCHUK: So this is an
6 adjustment dealing with IBNR?

7 MR. DON PALMER: Incurred but not
8 reported, yes.

9 MR. WALTER SARANCHUK: And now the other
10 factor that contributed to the reduction appears to be
11 the bodily injury post-March 1st, 1994. Can anyone
12 comment on that?

13 MR. DON PALMER: Again, this is a -- now
14 under the Personal Injury Protection Plan, this is a very
15 small part of the -- of the business. It is also a
16 somewhat volatile part of the business, and -- and again,
17 most of that would have been as a result of our evalu --
18 evaluation of claims liabilities being brought down.

19 MR. WALTER SARANCHUK: And could you
20 comment about the off-setting increases, sir, in terms of
21 the collision line, the comprehensive line, and property
22 damage?

23 MR. DON PALMER: The comprehensive line
24 includes both the theft component, which attempted thefts
25 were higher than expected. Last year, as with this year,

1 we had a -- a higher number of weather-related claims as
2 well. Those are also included in the comprehensive line.

3 The collision line; most of that has to do
4 with road conditions. That probably, on a percentage
5 basis, isn't the same deviation. I -- I don't think
6 anybody can put a finger on a specific reason why that
7 would be \$6 million higher.

8 MR. WALTER SARANCHUK: More accidents.

9 MR. DON PALMER: It's higher frequency.
10 But as to the cause of that higher frequency, I don't
11 have an answer for that.

12 MR. WALTER SARANCHUK: And can you
13 comment on the property damage increase, sir?

14 MR. DON PALMER: Property damage would be
15 along the same lines as the collision increase; a higher
16 frequency.

17 MR. WALTER SARANCHUK: Dealing with the
18 deductibles?

19 MR. DON PALMER: That's correct.

20 MR. WALTER SARANCHUK: Now, I see where
21 the actual income of some \$47.7 million for last year was
22 \$23.7 million by way of an improvement over the forecast
23 of \$24 million. When was the '06/'07 forecast prepared?

24 MR. DON PALMER: The forecast would have
25 been prepared for filing the -- the rate application, in

1 -- in April/May timeframe.

2 MR. WALTER SARANCHUK: And can you
3 explain the reasons for the variance when you compare the
4 actual to the forecast net income? I appreciate that
5 there's a timing factor, but was there anything else,
6 given the size of the variance?

7 MR. DON PALMER: As -- as Mr. Palmer just
8 explained, the majority of the increase is due to the
9 claims incurred of \$22.6 million.

10 MR. WALTER SARANCHUK: Now turning to TI-
11 12, which is at tab 5 in the book of documents --

12 MR. OTTMAR KRAMER: Excuse me. I -- I
13 just wanted to bring to your attention the question that
14 you asked with regards to regulatory appeal and the
15 reason for the decrease of \$1.1 million. We did answer
16 that in a interog -- PUB/MPI-1-33.

17 MR. WALTER SARANCHUK: And could you just
18 remind us what it says, sir?

19 MR. OTTMAR KRAMER: The -- the question
20 was:

21 "Please confirm that the decrease in
22 regulatory expenses related to the
23 postponement of the driver safety
24 rating hearing. If so, has the
25 estimate of this cost been built into

1 the forecast, how much and in which
2 year? If not, to what is the decrease
3 attributable?"

4 The response, as -- as on record is:

5 "The decrease in regulatory expense is
6 not related to the postponement of the
7 driver safety rating hearing. The
8 decrease is due to less-than-expected
9 costs relating to the Public Utilities
10 Board, Claimant Advisory Office, and
11 the Automobile Injury Compensation
12 Appeals Commission."

13 MR. WALTER SARANCHUK: Thank you, sir.
14 Moving on to TI-12, at tab 5; just on that score, when
15 you referred to the reduction in costs involving those
16 three (3) different bodies -- the Field Commission, the
17 Public Utilities Board -- do you have a breakdown of the
18 reduction?

19 MR. OTTMAR KRAMER: No, I don't have that
20 breakdown.

21 MR. WALTER SARANCHUK: Could you get that
22 for us, by way of an undertaking?

23 MR. OTTMAR KRAMER: Yes, we could obtain
24 that.

25 MR. WALTER SARANCHUK: Thank you very

1 much, sir.

2

3 --- UNDERTAKING NO. 2: MPI to obtain for Board a
4 breakdown of the reduction in
5 costs involving the three (3)
6 different bodies, Public
7 Utilities Board, Claimant
8 Advisory Office, and the
9 Automobile Injury
10 Compensation Appeals
11 Commission

12

13 CONTINUED BY MR. SARANCHUK:

14 MR. WALTER SARANCHUK: Turning to tab 5,
15 which is dealing with TI-2 and the current insurance
16 year; the revised forecast shows a net income from
17 operations of some \$18.8 million versus a net loss of
18 \$6.5 million projected last year. And that is, by rough
19 calculation, a \$25 million variance, which would be of
20 the same order of difference as the previous year.

21 Can you comment on that, sir?

22 MR. OTTMAR KRAMER: Yes, I can, and --
23 and we've shown the -- the increases or -- and the
24 decrease of the changes in TI-12. But the primary driver
25 of that is related to investment income.

1 The income from operations is up \$25
2 million, and investment income is up by approximately \$38
3 million.

4 MR. WALTER SARANCHUK: Now, just
5 reviewing the changes as dealt with in the assumptions,
6 the total earned revenues are some \$2.5 million less.

7 Is that correct?

8 MR. OTTMAR KRAMER: That is correct.

9 MR. WALTER SARANCHUK: And total claims
10 cost increased by some \$10.2 million?

11 MR. OTTMAR KRAMER: Correct.

12 MR. WALTER SARANCHUK: And the increase
13 of investment income by \$37.9 million, which you
14 addressed; can you just -- at a high level at this
15 juncture, because we're gonna get into investment -- can
16 -- can you just tell us what that relates to, or how that
17 arose?

18 MR. OTTMAR KRAMER: For the investment
19 income increase, the primary drivers are on TI-12, page
20 4, which we've discussed, but I can go over them.

21 The primary increase is increase in
22 earnings of -- on the equity portfolio, which is gains
23 that we've taken.

24 We've also included a 1.5 percent equity
25 risk premium, as previously discussed.

1 And we've also included a -- a bond gain
2 on a -- gain on sale of our investment in bonds.

3 MR. WALTER SARANCHUK: Thank you, sir.

4 And of course, the Corporation is
5 proposing refunding some realized capital gains on the
6 investment portfolio before this year has closed. Is
7 that correct?

8 MR. OTTMAR KRAMER: Some of the gains are
9 included in that proposed rebate of \$49.1 million.

10 MR. WALTER SARANCHUK: And, of course, no
11 assurances can be given that -- that the results will not
12 vary significantly from what is projected. Do you agree?

13 MR. OTTMAR KRAMER: That is correct.

14 MR. WALTER SARANCHUK: Can you give an
15 indication at this point as to how much has been
16 realized, to this date, in round figures?

17 MR. OTTMAR KRAMER: Approximately \$49
18 million.

19 MR. WALTER SARANCHUK: So now, in terms
20 of an overall analysis of TI-12 at tab 5, does this
21 reflect the Corporation's best estimate of the results
22 for '07/'08; the year we're in?

23 MR. OTTMAR KRAMER: We've -- we've taken
24 some additional gains from -- from this forecast, and
25 we've also got -- have some other factors. But the --

1 the overall net income from operations is -- I would --
2 would say -- is fairly close.

3 MR. WALTER SARANCHUK: Is the second
4 quarter report for the Corporation available for
5 distribution?

6 MR. KEVIN MCCULLOCH: I can help with
7 that, Mr. Chairman. I -- it's my understanding that --
8 well, there is a requirement that the report be tabled in
9 the Legislature before it's released publically.

10 It's my understanding that -- that we
11 shall know over the noon hour whether that has happened,
12 and we'll be able to produce it this afternoon.

13 MR. WALTER SARANCHUK: Thank -- thank
14 you, sir.

15

16 (BRIEF PAUSE)

17

18 MR. WALTER SARANCHUK: Now, and just in
19 terms of a general question, perhaps can be responded by
20 Mr. Galenzoski or Ms. McLaren.

21 I'm looking at Volume I and, in
22 particular, SM-7. The information is very sparse
23 compared to -- this deal is with protected financial
24 results -- compared to the detailed information provided
25 in previous years, is there any particular reason for

1 that?

2

3

(BRIEF PAUSE)

4

5

MR. BARRY GALENZOSKI: No, there's no particular reason for reduction in the information. I think it's the familiarity of -- of the panel with respect to material that the Corporation has been filing.

9

Most of the detail lies within the actual TIs themselves, along with all the assumptions, and so we didn't feel it necessary to repeat all that here.

12

13

14

MR. DON PALMER: It was simply thought to be duplication of information that was contained elsewhere in the filing.

15

16

17

18

19

MR. WALTER SARANCHUK: I see, thank you. Moving onto the insurance year with which we are concerned in this application -- namely the 2008/2009 insurance year; this is dealt with a TI-14 and that appears in the book of documents at Tab 7.

20

21

22

That compares, as I understand it, the 2007/2008 revised forecast to the 2008/2009 projection using the financial forecast method, is that correct?

23

24

25

MR. OTTMAR KRAMER: That is correct.

MR. WALTER SARANCHUK: And, as in prior years, the net premiums earned do not recover the full

1 costs of operating the insurance company and paying
2 claims. Is that correct?

3 MR. OTTMAR KRAMER: Can you -- can you
4 repeat that question, please?

5 MR. WALTER SARANCHUK: The net premiums
6 earned do not cover the full costs of operation and
7 paying claims. Essentially, you're looking at an
8 underwriting loss.

9 MR. OTTMAR KRAMER: Yes, that is correct.

10 MR. WALTER SARANCHUK: So there is a
11 significant reliance on investment income to balance
12 things out, is that correct?

13 MR. OTTMAR KRAMER: Yes.

14 MR. WALTER SARANCHUK: And, indeed, if
15 not for investment income, there would be a significant
16 loss?

17 MR. OTTMAR KRAMER: That is correct.

18 MR. WALTER SARANCHUK: The expected
19 result is an underwriting loss of some \$112.3 million
20 with an investment income of \$100 million, leaving a net
21 loss of \$12 million from operations before consideration
22 of the immobilizer transfer -- the immobilizer fund
23 transfer of \$12.6 million. Is that correct?

24 MR. OTTMAR KRAMER: Yes, that's correct.

25 MR. WALTER SARANCHUK: In other words,

1 the underwriting loss indicates that for the period in
2 question -- that is, fiscal '08/'09 -- all claims
3 incurred and operating expenses are projected to be
4 \$112.3 million greater than all projected revenues other
5 than investment income. Is that correct?

6 MR. OTTMAR KRAMER: Correct.

7 MR. WALTER SARANCHUK: Now, just
8 reviewing briefly, the before and after rate and program
9 changes in the assumptions; comparing with what was
10 projected last year, there's an increase in the
11 underwriting loss of some \$17.6 million. Is that
12 correct?

13 MR. OTTMAR KRAMER: That is correct.

14 MR. WALTER SARANCHUK: And that results -
15 - I'm sorry. The result of the earned revenue is
16 declining of some \$5.7 million, is that correct?

17 MR. OTTMAR KRAMER: That is correct.

18 MR. WALTER SARANCHUK: Now, in terms of
19 the changes in the assumption under premiums written --
20 this is on page 2 at the top of the Assumptions -- the
21 overleaf from the very first page.

22 The revised upgrade factor from 3 percent
23 to 2.75 percent decreased results and a reduction of
24 premiums of some \$1.7 million, is that correct?

25 MR. OTTMAR KRAMER: Correct.

1 MR. WALTER SARANCHUK: And the volume
2 increase has changed from 1.8 percent to 2 percent
3 resulting in a \$1.6 million increase, is that correct?

4 MR. OTTMAR KRAMER: That is correct.

5 MR. WALTER SARANCHUK: Now, can you
6 comment on the precision of that assumption moving it by
7 some .2 of a percent?

8 I'm talking about the volume increase
9 assumption from 1.8 percent to 2 percent: what was
10 driving that? That's pretty impressive.

11 MR. DON PALMER: I -- I think the -- the
12 idea of a -- of a 1.8 percent volume increase -- I think
13 we probably had the same reaction as you; that that
14 precision is impressive. The 2 percent is a -- just a
15 more reasonable assumption in line with past performance.

16 Let me also remind Counsel that that also
17 -- that change in volume assumption also bubbles through
18 the claims estimates, as well. So even though there is
19 that increase on the -- on the premium written side,
20 there is also that -- that factor is also taken into
21 account in the claims forecast as well.

22 MR. WALTER SARANCHUK: Thank you, Mr.
23 Palmer. I note that, again, in the assumptions dealing
24 with premiums written, there is some \$25 million of a
25 reduction as a result of the revised immobilizer

1 discounts expected.

2 Can you comment on that, please, and
3 indicate what that's all about and how many additional
4 immobilizers does it represent, approximately?

5 MR. OTTMAR KRAMER: That decrease was
6 \$2.5 million --

7 MR. WALTER SARANCHUK: Yes, sorry.

8 MR. OTTMAR KRAMER: -- and right now, in
9 front of me, I don't have the amount of the immobilizers
10 increased to result in that decrease.

11 MR. WALTER SARANCHUK: Can you give us
12 some rough idea, Mr. Palmer, there with your calculator?

13 MR. OTTMAR KRAMER: At forty (40) --
14 forty (40) bucks per -- it -- I've got sixty-two thousand
15 (62,000) vehicles.

16 MR. WALTER SARANCHUK: Thank you, sir.
17 And in addition, going back to the first page of this
18 statement of operations, you're now forecasting an
19 increase in total claims costs of some \$12.6 million.

20 Is that correct?

21 MR. OTTMAR KRAMER: That is correct.

22 MR. WALTER SARANCHUK: And the majority
23 of that change relates to some \$9.7 million of road
24 safety expenditures. What is that increase attributable
25 to?

1 MR. OTTMAR KRAMER: That is, as indicated
2 on TI-14, is -- is due to the continuation of the
3 immobilizer strategy.

4 MR. WALTER SARANCHUK: And there was an
5 increase of net claims incurred of some \$3.3 million
6 noted, as reflected in schedule 1, which is the last page
7 of this statement of operations; page 5.

8 First of all, is that correct that it's
9 \$3.3 million?

10 MR. OTTMAR KRAMER: Yes, three point
11 three three point four (3.33.4).

12 MR. WALTER SARANCHUK: And that
13 essentially arises out of the combined decrease in PIPP
14 of some \$6.3 million and a \$10.8 million increase in
15 comprehensive. Is that correct?

16 MR. OTTMAR KRAMER: Yes, that is correct.

17 MR. WALTER SARANCHUK: Now, at a high
18 level at this juncture, can you give a little bit of an
19 explanation on both those counts?

20 MR. DON PALMER: The PIPP decrease is a
21 reflection of past experience. So, the six (6) -- \$6
22 million actually represents 2.6 percent of PIPP costs.
23 So, from a materiality perspective, it's still \$6 million
24 dollars, but not much of a -- a change. It's -- sorry --
25 it's reflective of past experience.

1 As far as the comprehensive; that's due
2 mainly to increased theft, attempted theft -- higher than
3 what we expected it would be at this point.

4 MR. WALTER SARANCHUK: And is it fair to
5 say that, notwithstanding the \$12.1 million loss,
6 Corporation, nonetheless, proposes a zero rate change.
7 Is that correct?

8 MR. OTTMAR KRAMER: That -- that is
9 correct.

10 MR. WALTER SARANCHUK: And can you, again
11 at very high level at this juncture, give us the reasons
12 behind that.

13 MR. OTTMAR KRAMER: The -- the reason why
14 there -- there would be no rate increase is -- or no rate
15 changes is due the net in --net loss from operations is
16 \$12 million, but there's a recovery of \$12.6 million from
17 the Immobilizer Incentive Fund, bringing the net income
18 for rate-making purposes to about a half a million
19 dollars.

20 MR. WALTER SARANCHUK: Yes, and that
21 arises essentially of -- out of a \$12.6 million recovery
22 from the RSR relative to those costs, is that correct?

23 MR. OTTMAR KRAMER: The -- the \$12.6 is
24 recovered from the Immobilizer Incentive Fund back into
25 the RSR.

1 MR. WALTER SARANCHUK: And for rate
2 setting purposes, should the Board be looking at the
3 \$12.1 million loss or the half-million dollar net income?

4 MR. OTTMAR KRAMER: For rate making
5 purposes, the half a million dollar net income.

6 MR. WALTER SARANCHUK: Then why would you
7 want the Board to take into account a loss of \$12.1
8 million from the RSR for rate setting purposes?

9 MR. DON PALMER: I think Mr. Kramer just
10 said that for rate setting purposes you should be looking
11 at the half-million dollars. The -- the -- the \$12
12 million transfer essentially has already been accounted
13 for.

14 It's paid for and it's a transfer from a
15 fund that was set up for that purpose.

16 MR. WALTER SARANCHUK: And that fund, of
17 course, forms part of the retained earnings?

18 MR. DON PALMER: The retained earnings,
19 yes.

20 MR. BARRY GALENZOSKI: Just one little
21 thing I'll add, Mr. Saranchuk. The reason there's a \$12
22 million loss at the end of that year is because the cost
23 for road safety and loss prevention are higher by \$12.6
24 million.

25 That flows through the income statement.

1 And so to show a proper statement for rate setting
2 purposes, we've been doing this the last number of years;
3 the -- the presentation that you see in front of you.

4 So, when you ask the question, which
5 number should the Board consider; as Mr. Kramer
6 indicated, it should be the half-million dollar number
7 for rate setting purposes.

8

9 (BRIEF PAUSE)

10

11 MR. WALTER SARANCHUK: Now, with
12 reference to TI-14 continuing; the investment income of
13 some \$100.2 million reduces the \$12.3 million
14 underwriting loss to that loss of some \$12.1 million.

15 Is that correct?

16 MR. OTTMAR KRAMER: That is correct.

17 MR. WALTER SARANCHUK: Now, is the fact
18 that a loss -- an underwriting loss has been budgeted, is
19 that in keeping with the Corporation's standard practice?

20 MR. OTTMAR KRAMER: Yes, it is.

21 MR. WALTER SARANCHUK: Why should the
22 base premiums not be structured so as to break even so
23 that there's no net income and no net loss?

24 MR. OTTMAR KRAMER: Well, included in net
25 income is the investment income. And, from an overall

1 perspective, the basic operations is -- is forecasted to
2 be at a break-even position, and that includes that
3 investment income.

4 MR. WALTER SARANCHUK: Turning now to a
5 review of TI-16, which appears at Tab 9; in reviewing
6 document for 2008/'09 through to 2011/'12, the schedule
7 reflects no rate changes in any of the years except a 2
8 percent rate decrease in 2011/2012 is indicated. Is that
9 correct?

10 MR. OTTMAR KRAMER: Yes, that is correct.

11 MR. WALTER SARANCHUK: And that appears
12 on the assumptions page, the overleaf, at the top. What
13 factors are behind the increases in premium revenue in
14 each of the years?

15 MR. OTTMAR KRAMER: What's -- what's
16 driving the increase in premium revenue -- also indicated
17 on TI-16, page 2 -- is upgrade factors of 2.75 percent
18 for all those years that we're discussing, and a volume
19 increases of 1.75 percent.

20 MR. WALTER SARANCHUK: Yes, thank you.
21 And I note that the total claims costs are increasing in
22 each of the years from some \$684 million in 2007/'08 to
23 \$795.8 million in 2011/'12.

24 Does this reflect that the rates are
25 insufficient to offset the growth in claims costs,

1 notwithstanding the increase in revenue projected,
2 particularly for '07/'08 and '08/'09?

3 MR. DON PALMER: I'm not quite sure that
4 I understand the question, given that the net income for
5 rate -- rate-making purposes is slightly positive in all
6 -- in all of those years.

7 The claims costs are inflation sensitive,
8 for instance. So there is a projection of inflation of
9 2.25 percent throughout our forecasting horizon, so that
10 is included in -- in the increases in claims costs.

11 As I mentioned before, the volume
12 increases that are contemplated within the premium
13 numbers are also reflected in the claims numbers as well.

14 The growth in the investment portfolio
15 that results in an increase in investment income is also
16 contemplated in those numbers.

17 The -- the 2 percent decrease shown in
18 2011/'12 was simply for -- the -- the -- the decrease of
19 2 percent shown in -- in 2011/'12 was a balancing factor
20 for -- for presentation purposes.

21 MR. WALTER SARANCHUK: Could you explain
22 that, sir, please?

23 MR. DON PALMER: In order to get the --
24 the bottom line into a number that showed -- essentially
25 break even -- as I think everyone in this room would --

1 would consider the \$4.3 million to be break even -- would
2 require a 2 percent decrease in -- in premiums in that
3 2011/'12 year.

4 MR. WALTER SARANCHUK: Does this have
5 anything to do with the multi-year rate application?

6 MR. DON PALMER: Absolutely not.

7 MR. OTTMAR KRAMER: I just wanted to
8 bring to your attention the increase in revenue from
9 '07/'08 to '11/'12 is -- is 16.2 percent, and the
10 increase in the total claims costs for that same period
11 is 16.3 percent. So the -- the increases are very
12 comparable.

13 MR. WALTER SARANCHUK: Thank you, Mr.
14 Kramer. Can you indicate whether or not the fact that
15 theft claims are believed to be reduced, or will be
16 reduced, for 2010/'11 and '11/'12, that there is then the
17 net operating profit anticipated for those years?

18

19 (BRIEF PAUSE)

20

21 MR. WALTER SARANCHUK: Is it essentially
22 due to the reduction in theft claims?

23 MR. DON PALMERS: That's certainly a
24 major factor in that, yes.

25 MR. WALTER SARANCHUK: And when you

1 consider the 2 percent rate decrease in the outlook
2 period, that rate level adjustment is a departure from
3 your past practice, is it not?

4 MR. DON PALMER: We likely just showed a
5 -- a zero percent through the forecast horizon. I don't
6 think there's anything that can be read into that, other
7 than the fact that we were presenting this on the basis
8 of breaking even in the long term.

9 MR. WALTER SARANCHUK: Now, in terms of
10 that 2 percent rate reduction in 2011 and '12, to what
11 extent does it impact retained earnings reflected in TI-
12 15 and at tab 8?

13 MR. DON PALMER: The -- the results from
14 the statement of operation would flow through to the
15 retained earnings.

16 MR. WALTER SARANCHUK: Just looking again
17 at the outlook period at TI-16 at tab 9, can you give us
18 an idea of how much is being spent on the Immobilizer
19 Program during the outlook periods?

20

21 (BRIEF PAUSE)

22

23 MR. BARRY GALENZOSKI: Mr. Saranchuk, if
24 you look at the bottom of that particular TI-16 -- I
25 believe you are at tab 9 -- for '08/'09, it's \$12.6

1 million and that would flow through pretty much
2 consistently through the rest of the time periods, even
3 though there isn't that amount of money recoverable from
4 the Immobilizer Incentive Fund. But it would be built
5 into that road safety loss prevention line. You'll
6 notice that it doesn't change by very much going forward.

7 It starts at \$21.7 million and moves up to
8 \$22 million dollars, so that number would be fairly
9 consistent through that -- that side of it.

10 MR. WALTER SARANCHUK: Now, can you
11 explain that you have a -- why there is still a positive
12 net income in the outlook years that's forecast, given
13 the level of expenditures, when there is to be no rate
14 increases included in those years?

15 In other words, given the level of
16 expenditures in the outlook years, is -- why is there
17 still a positive net income given also that there are no
18 rate increase included in those years?

19 MR. DON PALMER: The -- all the changes
20 that we have talked about; the -- the upgrade and volume
21 increases, are offset by the expected increases in -- in
22 claims cost plus the decreases in the theft costs to come
23 out to the -- the bottom lines indicated.

24 You say a positive bottom lines and I will
25 agree that -- that 3.5, \$3.8 million dollars show

1 positive, but I call that zero.

2 MR. OTTMAR KRAMER: In addition, our
3 investment income continues to grow, although our revenue
4 and claims costs are -- or the percentage are basically
5 offsetting, our investment income continues to grow. And
6 therefore, the net income continues to climb.

7 MR. WALTER SARANCHUK: And can you give
8 us any indication as to the extent there is a forecast
9 saving during the outlook period as a result of the
10 business process review?

11 MS. MARILYN MCLAREN: Business process
12 review costs are largely allocated to DVL; the one (1)
13 exception would be the driver safety rating. There's no
14 cost reductions in this outlook period for the -- for the
15 driver's safety rating, so there would be no savings
16 related to the business process review; no.

17 Any savings related to the business
18 process review, to projects other than driver safety
19 rating, would be reflected in the DVL line of business,
20 which flows through an extension line.

21 MR. WALTER SARANCHUK: So, there's
22 increase in revenue either, right?

23 MR. OTTMAR KRAMER: That's correct.

24 MR. WALTER SARANCHUK: Now, just very
25 briefly on this Immobilizer Program, beyond the

1 Immobilizer Incentive Fund, what happens when the funds
2 in the IIF are fully depleted? Is there an intention to
3 continue spending on this initiative beyond the extent of
4 the available funding?

5 MR. OTTMAR KRAMER: Yes, As -- as Mr.
6 Galenzoski just indicated, the funding continues through
7 this period to '11/'12. And as you see, in 2009 is -- is
8 when we last do a transfer from the Immobilizer Incentive
9 Fund and when the \$50 million that was set aside is
10 exhausted.

11 MR. WALTER SARANCHUK: Thank you, Mr.
12 Kramer. I'll now move on to some questions relating to
13 the Vehicle Upgrade Factor that we've heard about. And
14 perhaps for starters, someone can explain what the
15 Vehicle Upgrade Factor, or VUF, actually represents.

16 MR. DON PALMER: Every year there is
17 changeover in the fleet of vehicles insured by Manitoba
18 Public Insurance. People get rid of old cars and replace
19 them with newer cars, and the newer cars generally in
20 higher rate groups than the older cars are and there's a
21 natural increase in the -- in the premium that -- that we
22 get.

23 Also included in that would be other
24 factors. For instance, if there's an increase in the
25 number of people insuring for all-purpose, rather than

1 pleasure, there would be a little bit of a -- an upgrade
2 there.

3 If there was an influx of population from
4 rural areas into Winnipeg, that could also increase the -
5 - the premium. It -- it's essentially an increase in
6 revenue that's realized that's not as a result of a rate
7 increase.

8 MR. WALTER SARANCHUK: Thank you, sir.
9 Can you confirm that there have been no changes in the
10 methodology used to determine the vehicle upgrade factor
11 from the previous year?

12 MR. DON PALMER: That's correct.

13 MR. WALTER SARANCHUK: And can you
14 confirm that the positive Vehicle Upgrade Factor
15 contributes the overall premium revenue regardless of
16 whether the application includes a rate increase/decrease
17 or that the status quo be maintained?

18 MR. DON PALMER: That increase does flow
19 through to increase the revenues, yes.

20 MR. WALTER SARANCHUK: Now, at last
21 year's rate application, the Vehicle Upgrade Factor -- or
22 as in the last year's application, the factor made in
23 this application is 3 percent for 2006/'07 and onwards;
24 is that correct?

25

1 (BRIEF PAUSE)

2

3 MR. DON PALMER: In last year's
4 application you're talking?

5 MR. WALTER SARANCHUK: Yes.

6 MR. DON PALMER: Subject to -- to my
7 memory, that sounds correct. We can confirm that.

8 MR. WALTER SARANCHUK: Now, referring to
9 tab 12 in the book of documents; that is the
10 Corporation's response to Interrogatory number 2 of the
11 Public Utilities Board First Round Interrogatories. And,
12 if you wouldn't mind, Mr. Palmer, could you read in the
13 response to part C of that interrogatory where the
14 question was:

15 "Please augment the discussion on the
16 usually large decreases in upgrade
17 factors from '05/'06 to '06/'07 for
18 several major classes of vehicles,
19 including commentary on the extent to
20 which these changes might be
21 considered aberrations or trends."

22 And the response was...?

23 MR. DON PALMER: "Motor vehicle upgrade
24 factors are determined by four (4)
25 distinct variables. They are

1 replacement of vehicles with new --
2 newer model-year vehicles, changes in
3 vehicle type and body style, changes
4 in vehicle insurance usage, changes in
5 residential location. The decreases
6 in upgrade factors for 2006/'07 were
7 largely driven by shifts in motor
8 vehicle type, body style, and
9 insurance usage. The following table
10 highlights changes in vehicle type and
11 body style by major class between
12 2005/'06 and 2006/'07 which were the
13 primary contributors to the lowering
14 of the overall upgrade factor."

15 MR. WALTER SARANCHUK: Thank you, sir.
16 Now, what was the rationale for reducing the upgrade
17 factor to 2.75 percent in the current year and into the
18 outlook period?

19 MR. DON PALMER: The trends and
20 indications were that that upgrade has been coming down
21 and, in fact, has been coming down for several years. I
22 remember back maybe four (4) or five (5) years ago, we
23 were seeing upgrades in the 5 percent range.

24 Going back into even more ancient history,
25 we were seeing upgrades in the 1 1/2 to 2 percent range;

1 probably going back ten (10) to fifteen (15) years ago.

2 So -- so this does depend on economic
3 cycles to some degree. We have also, over the last
4 number of years, changed our -- our rate line which also
5 affects this. The -- the differentials in the rate
6 groups at the higher end has flattened out to a certain
7 extent. So the -- the amount of increase when people
8 replace newer vehicles probably isn't as much, from a
9 rate perspective, as it was previously. That also
10 contributes to the decreasing upgrade factor.

11 MR. WALTER SARANCHUK: Can it be said
12 that you still expect the economy to be strong over the
13 next five (5) years?

14 MR. DON PALMER: That's -- the current
15 economic trends are taken into effect in -- in this, yes.

16 MR. WALTER SARANCHUK: And now looking at
17 the last page of your response in Tab 12, that deals with
18 the historical trends as you alluded to.

19 Now, with those figures in front of you,
20 can you just elaborate on your comments on how that 2.7
21 upgrade -- percent upgrade factor compares with the
22 historical trend when you're looking at the actuals?

23 MR. DON PALMER: It's lower than it has
24 been over the last number of years, but certainly would
25 be indicated by the continuation of the trend that you

1 see in -- in those numbers.

2 MR. WALTER SARANCHUK: Well, you haven't
3 had anything that low since 1997/'98, isn't that correct?

4 MR. DON PALMER: That's correct, but they
5 have continuing to be decreasing on a basis, and we're
6 expecting the continuation of that trend.

7 MR. WALTER SARANCHUK: To what extent has
8 the assumption been influenced by the change in the value
9 of the Canadian dollar? If new car sales are enjoying
10 some success in recent months, what affect would this be
11 expected to have on the actual volume factor?

12 MR. DON PALMER: If there are more newer
13 cars coming in, the upgrade factor would increase. Let
14 me also say that from a claims perspective, the upgrade
15 factor -- if we were incorrect, and -- and the upgrade
16 factor was either higher or lower than what our forecast;
17 there would be an offset in the claims as well.

18 Because as long as our rates and our rate
19 manuals are correct -- which they certainly have been --
20 the -- the newer cars, which have newer rates, also have
21 higher claims costs.

22 MR. WALTER SARANCHUK: Thank you, sir.
23 Now, I draw your attention to the Corporation's response
24 to the first part of Interrogatory 2 on the first round;
25 the Interrogatories of the Public Utilities Board. And,

1 in particular, the results reflected in TI-16 where there
2 is a vehicle upgrade factor of 3 percent reflected, as
3 requested by the Board in that interrogatory. And that
4 is at page 2 of the attachments.

5 So, in other words, it's the second page
6 within Tab 12, but on the overleaf. And if you just keep
7 your finger on that and compare it to the results in TI-
8 16 at Tab 9 which, of course, reflects the forecast for
9 the current year, and the projections for the year
10 '08/'09, and the outlook period.

11 And I'm just looking to compare the
12 operating results under a 3 percent upgrade factor with
13 the 2.75 percent factor utilized in the application. Can
14 you comment on that for the years 2007/'08 and '08/'09,
15 Mr. Palmer?

16 I'm looking at net income from operations
17 for '07/'08, '08/'09 for -- under TI-16 as filed, and
18 then the TI-16 incorporating the upgrade factor of 3
19 percent.

20 MR. DON PALMER: The -- you're looking at
21 the net income for rating purposes?

22 MR. WALTER SARANCHUK: I'm looking at net
23 income from operations, for starters. And then that
24 income for rating purposes, yes.

25 MR. DON PALMER: For 2008/'09, the

1 original shows a loss of \$12.1 million. With the changed
2 upgrade factor, is shows a loss of \$9.6 million purely by
3 increasing the revenue on using the upgrade factor.

4 I will also say that this model does not
5 contemplate any change in the claims cost due to that.

6 MR. WALTER SARANCHUK: Thank you, sir.
7 When you compare the retained earnings in TI-15 -- that
8 is on the -- shown in the first part of the attachment to
9 the response in TI-12; TI-15 shown there for retained
10 earnings -- with TI-15 at tab 8 in the book of documents
11 -- can you compare, please, the retained earnings there
12 showing the 3 percent upgrade factor that appears in TI-
13 15 -- compare that with what shows in TI-15, tab 8?

14 MR. DON PALMER: You said the total
15 retained earnings?

16 MR. WALTER SARANCHUK: Yeah. Yes.

17 MR. DON PALMER: In our original
18 projection the retained earnings as at the end of
19 '08/'09, was a 118.9 million. After the change -- change
20 of upgrade factor that flows through the revenue, it's a
21 retained earnings at the end of '08/'09 of a 122.2
22 million.

23 MR. WALTER SARANCHUK: And of course when
24 you look at the end of the outlook period, it would
25 appear that utilizing the 3 percent upgrade factor

1 compared to the 2.75 percent factor proposed by MPI could
2 result in retained earnings being over \$20 million
3 greater at the end of that outlook period. That's \$144
4 million versus \$122 million.

5 Is that correct?

6 MR. DON PALMER: If there was no
7 offsetting increase in claims costs, that's correct.

8

9 (BRIEF PAUSE)

10

11 MR. WALTER SARANCHUK: And in terms of
12 comparing the net income utilizing a 3 percent upgrade
13 factor, it does result in the positive net income for
14 each of the two (2) years and the outlook period.

15 Is that correct?

16

17 (BRIEF PAUSE)

18

19 MR. WALTER SARANCHUK: Referring to TI-16
20 attachment...

21 MR. DON PALMER: No, the -- there is a
22 still a net income loss from operations of \$9.6 million
23 in '08/'09 and \$192 thousand dollars in '9/'10.

24 MR. WALTER SARANCHUK: And then when you
25 take into account the IIF transfer, the net income is

1 positive.

2 MR. DON PALMER: That's correct.

3 MR. WALTER SARANCHUK: Now dealing with
4 the volume factor, what does that represent?

5 MR. DON PALMER: The volume factor -- the
6 volume factor is the increasing size of the fleet. So as
7 the fleet grows, that's included in the volume -- that's
8 simply the number of vehicles that are insured.

9 MR. WALTER SARANCHUK: And can you
10 confirm that there have been no changes in the
11 methodology used to determine the volume factor from the
12 previous application.

13 MR. DON PALMER: That's correct.

14 MR. WALTER SARANCHUK: And can you
15 confirm that the positive volume factor contributes to
16 the overall premium revenue, regardless of whether the
17 application seeks a rate increase, decrease, or the
18 status quo be maintained.

19 MR. DON PALMER: That's correct.

20 MR. WALTER SARANCHUK: And can you
21 confirm sir, that the volume factor assumptions made in
22 this application uses a 2 percent annual factor for
23 '07/'08 and '08/'09, and 1.75 percent thereafter.

24 MR. DON PALMER: I can confirm that.

25 MR. WALTER SARANCHUK: And now again

1 referring to the last page in Tab 12 and the historical
2 results, can you comment with reference to the volume
3 factor on the utilization of the percentages that you
4 intend to use for '07/'08 and '08/'09 and the 1.75
5 percent thereafter.

6

7

(BRIEF PAUSE)

8

9 MR. DON PALMER: We have seen the volume
10 -- the actual volume increase in '06/'07 of 2 percent
11 which is the assumption that we're using for the next two
12 (2) years. And the 1.75 percent beyond that was a result
13 of the analysis done by our economist.

14 MR. WALTER SARANCHUK: Thank you sir.

15 THE CHAIRPERSON: Okay, Mr. Saranchuk, we
16 might as well take our lunch break.

17 When are the presenters expecting to
18 arrive?

19 MR. WALTER SARANCHUK: Well, they're to
20 present at 1:15.

21 THE CHAIRPERSON: Fifteen (15), very
22 good.

23 Do we know how many presenters we have?

24 MR. WALTER SARANCHUK: There are four (4)
25 I'm advised.

1 THE CHAIRPERSON: Okay. We'll see you
2 all back at 1:15. Thank you.

3

4 (PANEL RETIRES)

5

6 --- Upon recessing at 12:01 p.m.

7 --- Upon resuming at 1:19 p.m.

8

9 THE CHAIRPERSON: Okay. Good afternoon,
10 everyone. Welcome back, and welcome to the three (3)
11 presenters that are going to appear before us to begin
12 this afternoon's Hearing. Our presenters are Mr.
13 Houghton, Mr. Law, and Ms. McGee. I think we will
14 probably proceed in alphabetical order, which would begin
15 with Mr. Houghton. But before we do, just a couple of
16 comments.

17 Just for the benefit of the presenters,
18 while we are always happy to hear from members the
19 public, we do not normally as a Board -- our jurisdiction
20 is somewhat limited, and we do not normally deal with
21 things in a systemic or policy nature.

22 Although, in individual comments,
23 sometimes things of a systemic or policy nature arise.
24 So we do appreciate your comments, but we would
25 appreciate if you could try and hold your comments down

1 to about fifteen (15) minutes, is possible.

2 If you have a written presentation to
3 accompany your oral one, that would be helpful. But in
4 either case, when the time comes up, we would appreciate
5 if you could take one (1) of the front rows, because it
6 will allow us to hear you better and to put it straight
7 into the transcript.

8 The presenters should be aware that Digi-
9 Tran transcribes our proceedings and they show up on our
10 website probably by the next day, I would imagine.

11 Is that correct, Mr. Saranchuk?

12 MR. WALTER SARANCHUK: Yes, sir.

13 THE CHAIRPERSON: Okay. So let us begin
14 then with Mr. Houghton.

15 Mr. Houghton, if you could identify
16 yourself, and then you can begin with your presentation.

17

18 PRESENTATION BY MR. DOUGLAS HOUGHTON:

19 MR. DOUGLAS HOUGHTON: Afternoon, Mr.
20 Chairman, Board members, MPI staff, MPI legal counsel,
21 and other presenters.

22 I'd like to thank you again for this
23 opportunity to speak to this year's General Rate
24 Application, and its effects on the Manitoba
25 motorcyclists. I should point out, I'm going to probably

1 add a few of those issues that go beyond your
2 jurisdiction. But I know that recommendations from the
3 Board go a long way into influencing public policy. And,
4 again, even more so if MPI agrees with the
5 recommendations.

6 I've been a motorcyclist for more than
7 forty (40) years, and now that I'm on a pension,
8 increased motorcycle premiums have a much greater impact
9 than before. Though I'm current -- the current president
10 of the Coalition of Manitoba Motorcycle Groups, today I'm
11 speaking on my own behalf. Although I fully support the
12 position of the CMMG as represented by its solicitor, Mr.
13 Raymond Oakes, some of the views expressed will be my own
14 and not necessarily those of the CMMG.

15 As a group, Manitoba motorcyclists are
16 very typical members of their communities and reflect a
17 general cross section of the Manitoba population. Since
18 most motorcyclists are also automobile and light truck
19 owners, the rate application is just not about
20 motorcyclists versus car -- car owners as pab -- as past
21 PUB hearings on lost transfer issues might lead one to
22 believe. But rather, an issue of fairness and rate
23 setting methodology and value received for a premium
24 cost.

25 As a Manitoba citizen and taxpayer, I -- I

1 also want to ensure that motorcycling remains a major --
2 a major billion dollar Manitoba industry, and is not
3 threatened by escalating insurance rates.

4 I'll deal firstly with the -- the premium
5 increase for motorcycles. In spite of this year's
6 implementation of a new methodology for the allocation of
7 PIPP costs, Manitoba Public Insurance is still proposing
8 an average 9.2 percent increase for motorcyclists.

9 Although I think the new method has had
10 some impact on stabilizing rate -- rates, the average
11 basic motorcycle premium will still increase from last
12 year's nine hundred and thirty-two dollars (\$932) to a
13 2008 average of ten thousand and eight (10,008) -- or
14 sorry -- feels like ten thousand and eight (10,008) --
15 one thousand and eighteen dollars (\$1,018).

16 Considering that this is a seasonally
17 adjusted rate based on a five (5) month riding season,
18 the year round rate equates to about two thousand four
19 hundred and forty-three dollars (\$2,443).

20 As well, the motorcyclist must pay
21 additional premiums of about three hundred dollars (\$300)
22 for fire, theft, and vandalism. Currently, a Winnipeg
23 motorcyclist with a full merit discount, 2 million
24 liability, and two hundred (200) deductable comprehensive
25 on a 2005 Harley Davidson touring valued at twenty-two

1 thousand (22,000), pays a premium of twenty-two hundred
2 dollars (\$2,200) -- two thousand, two hundred dollars
3 (\$2,200) -- for a five (5) month season. Extrapolated
4 over the year, this would amounts to about a five
5 thousand dollar (\$5,000) premium if we wanted to equate
6 that to an automobile.

7 Since 1999, motorcycle premiums have
8 increased more than two and a half (2 1/2) times
9 averaging 11.7 percent annually. If MPI's rate
10 application is approved, the average seasonally adjusted
11 premium, not including comprehensive, will have increased
12 from three hundred ninety seven (\$397), during the
13 '99/2000 insurance year, to the current proposal for one
14 thousand and eighteen dollars (\$1,018) for the 2008/'09
15 year.

16 The proposed 9.2 percent average increase
17 is also misleading, as it does not reflect the diversity
18 of rate changes. Increases vary substantially depending
19 on the rate group, territory, and motorcycle
20 classification.

21 Now, there are differences among
22 territories. As of last year, territory 2 has been
23 hitting -- hit with the greatest increases. For example,
24 the premium change for an all-purpose touring motorcycle
25 in territory 1 with full discount ranges from minus .1

1 percent to an increase of plus 20 percent, depending on
2 the rate group in which they are located.

3 The majority of touring bikes in this
4 category, however, will see an average increase of 2.05
5 percent. In territory 2, which comprises most of
6 southern Manitoba except Winnipeg and suburb, increases
7 for the same motorcycle vary from 10.39 percent to 20
8 percent. The average increase for the majority in this
9 category is 12.88 percent.

10 Historically, as I understand it,
11 motorcycles in rural areas were involved in fewer and
12 less costly accidents and imposed a lesser risk. It
13 seems unusual that -- that accident rates in territory 2
14 could be increasing at such a greater rate than in
15 territory 1, so as to justify such a disproportional rate
16 increase.

17 Do these rates actually reflect accident
18 data, or is MPI merely shifting cost of territory 2,
19 which now has lower rates so to avoid increases in
20 territory one (1) which now has lower rates so as to
21 avoid increases in territory 1 which now experiences
22 higher rates?

23 Although I don't wish higher premiums on
24 any motorcyclists, I'd -- I'd request that this Board to
25 ensure that they're fairly applied to all territories and

1 classes and, as well, reflect actual loss experience.

2 As with last year, I would question as to
3 what measures MPI has taken to ensure that motorcycles
4 are insured and registered in the correct territory.
5 Although the percentage of motorcycle ownership could be
6 higher in rural Manitoba, it seems rather odd that
7 territory 1 with 56 1/2 percent of Manitoba's population
8 has only 40 percent of registered motorcycles and mopeds;
9 that -- that would be in Winnipeg.

10 The other territories comprise of only 43
11 1/2 percent of the population, but have 60 percent of the
12 registered motorcycles and mopeds. I question whether
13 this inversed ration should be as high and whether or not
14 it could impact rates.

15 Differences among motorcycle types.
16 Without conserving mopeds, why are there such extreme
17 premium differentials between motorcycles with a scooter
18 body style and those of a standard or touring style
19 motorcycle of the same displacement?

20 For example, the fully discounted preme --
21 all-purpose premium in territory 1 for a 250 cc scooter
22 valued at three thousand dollars (\$3,000) is on only two
23 hundred and seventeen dollars (\$217), whereas a 250 c
24 (sic) motorcycle of the same value pays one thousand one
25 hundred and ninety-six dollars (\$1,196), at more than

1 five and a half (5 1/2) times the rate.

2 Similarly, a 650 cc scooter valued at
3 twelve thousand dollars (\$12,000) pays only two hundred
4 and eighty-six (286), while the premium for the same size
5 motorcycle is one thousand six hundred and forty-three
6 (1,643); again, these don't include comprehensive. Once
7 again, this is more than five and a half (5 1/2) times
8 the scooter rate.

9 It's difficult to comprehend, particularly
10 in the latter example that the risk is so much lower for
11 the scooter with the same power and driven under the same
12 driving conditions as the motorcycle.

13 Are scooter owners paying too little or
14 are motorcycle owners paying way too much?

15 The allocation of collision costs. I
16 agree with MPI's proposal to change the methodology for
17 allocating collision cost or loss transfer for
18 motorcycles involved in multi-vehicle accidents.

19 Although this will not have the same
20 impact as real -- the relocation of PIPP cost, it goes a
21 long way into injecting fairness in the methodology. As
22 an aside, I think I'll leave that to Mr. Oakes as to --
23 who'll argue whether or not the methodology is
24 appropriate.

25 Multi-year approval of rate applications.

1 As a motorist, and particularly as a motorcyclist, I am
2 completely apposed to MPI's request for approval of a
3 multi-year rate application, which will be effective up
4 to and including the 2010/'11 insurance year.

5 Not only has MPI hit motorcyclists with
6 double digit increases for many years, it now wants to
7 have carte blanche approval to continue with these
8 usurious increases for the next three (3) insurance years
9 without public scrutiny.

10 Other Crown corporations, such as Manitoba
11 Hydro may have rate increases, but these are generally
12 applied in a uniform or equitable manner over -- to all
13 clients.

14 MPI's idea of stability and forecasting --
15 in forecasting rate practices and financial matters could
16 still involve rate adjustments from minus 15 to plus 15
17 percent; this is a 30 percent range for individual
18 motorcycle classes and up to plus 25 percent for mopeds
19 in school, and scooter type motorcycles. This is too
20 much leeway.

21 Of course, I wouldn't have any objection
22 if they use the minus 15 percent next year.

23 A 25 to 30 percent window suggests to me
24 that there is not the stability necessary for a multi-
25 year application and it is my opinion that the current

1 application does not meet the spirit and intent of the
2 quoted legislation.

3 The proposed changes to the Bonus/Malus
4 system and the implementation of a new driver rating
5 program could indirectly effect premiums, therefore
6 providing an initial reason for rejecting a multi-year
7 application.

8 Moving on to the driver -- the safety
9 rating program. I'm disappointed that there was not a
10 special hearing in the spring of this year with respect
11 to implementation of a driver sa -- driver's safety
12 rating program, as suggested by the Board, its finding in
13 last year's Order.

14 I understand that MPI is working on a new
15 system and will be bringing it forward for a hearing at a
16 future date. Once MPI has incurred considerable time and
17 expense on this endeavour, I'm concerned that it'll be
18 much more difficult to influence changes.

19 Once a formal hearing is held, the process
20 tends to be more adversarial and less collaborative
21 and/or advisory. I request that this Board recommend
22 informal public hearings in a similar format to the
23 graduated licensing hearings so that the general public
24 and interest groups, such as CMMG, can provide input
25 prior to MPI finalising its proposal.

1 It is also suggested that any hearings,
2 informal and formal, with respect to the DSR Program be
3 held prior to and not part of a General Rate Application
4 in which the new DSR system would be effected.

5 Let's confirm the methodology prior to the
6 rate application. In Manitoba it's possible for a person
7 with a poor driving record to jointly own a vehicle with
8 another person and avoid premium penalties on their
9 vehicle or drive another person's fully discounted
10 vehicle without penalty to the vehicle owner.

11 Simply adjusting the current system by
12 adding additional merits or demerits is not enough. To
13 avoid this unfair situation, many motorists and
14 motorcyclists, including myself, feel that the
15 Bonus/Malus System must ungo -- undergo fundamental
16 changes, such as assigning PIPP and liability premiums to
17 the driver's licence and not to the vehicle.

18 The other option would be to require
19 vehicle owners to have declared drivers, as in other
20 provinces, so as to prevent high risk drivers from
21 routinely driving vehicles owned by another person or
22 family member without insurance premium penalty.

23 Extension and special extension. I
24 continue to support the summary of findings and Board
25 recommendations found in last year's Order in which the

1 Board recommended extension, and SRE divisions brought
2 within the Board's regulatory oversight, as a key to
3 future premium stability and/or reductions. As already
4 mentioned, motorcyclists must purchase comprehensive
5 insurance separate from the basic Autopac package.

6 Theoretically, comprehensive motorcycle
7 insurance is open to com -- competition from other
8 insurers. However, there is no known insurer willing to
9 provide this coverage to a motorcyclist in Manitoba.
10 Although, there has been some product improvement and
11 significant cost reduction in this coverage, MPI still
12 has an exclusive monopoly in this regard, and there is no
13 process for public scrutiny.

14 Public -- recovering PIPP and vehicle
15 collision costs from other insurers. Out of province at
16 fault drivers. There are -- there are instances when an
17 accident is the fault of an out of province motorist
18 insured by a company other than Manitoba Public
19 Insurance.

20 Although, it is my understanding that MPI
21 can sue and recover both collision and PIPP cost, I'm of
22 the opinion that MPI is less than diligent in pursuing
23 same, as it's far easier just to add it to the general
24 insurance claim cost and recover through premium
25 increases.

1 Recently, while riding a motorcycle in the
2 United States, an acquaintance of mine was involved in a
3 collision with a motor vehicle which ran a stop sign.
4 Apparently, she was told that MPI would not seek to
5 recover damages from the vehicles insurer, but that she
6 could sue on her own.

7 Of course, if successful, she would have
8 to reimburse MPI for PIPP and collision monies paid out
9 on her behalf. Not only is it outrageous that
10 convalescing Manitobans are expected to incur the time,
11 stress, and legal costs of such suits, but MPI's alleged
12 failure to recover these costs from other insurers could
13 generate higher premium costs for Manitoba motors --
14 motorists, particularly motorcyclists, who are more
15 likely to suffer great -- greater bodily injury and incur
16 greater PIPP costs in such cases.

17 In this particular instance, the
18 individual has sustained injuries which prevent her from
19 returning to work perhaps for months to come. PIPP costs
20 for rehab and wage recovery could conceivable amount to a
21 hundred thousand (100,000) a year.

22 Since PIPP costs account for 80 percent or
23 eight hundred and fourteen dollars (\$814) of the average
24 thousand and eight (1,018) motorcycle premium, this type
25 claim could hypothetically require -- if you want to put

1 it in perspective -- another one hundred and twenty-three
2 (123) motorcycle premiums to cover costs.

3 And all -- an aside here; a simply recover
4 of a hundred thousand dollars (\$100,000) in PIPP cost on
5 this one (1) claim alone could save motorcyclists
6 hypothetically ten (\$10) to twelve dollars (\$12) a year
7 in premiums. Think of the total possible savings if MPI
8 were to recover costs on all such claims.

9 Collisions with livestock. One night last
10 August a close friend of mine and his wife were involved
11 in a motorcycle collision with a black cow wandering
12 across a provincial highway. Both he and his wife
13 sustained very serious injuries. It has been over a year
14 now, and both still walk with the assistance of a cane,
15 and will probably never recover to their prior physical
16 condition. It is my understanding that current
17 legislation will not per -- permit MPI to recover PIPP
18 costs from the owner of livestock, who -- who is a
19 Manitoba resident.

20 In this case, total PIPP claims could
21 amount to many hundreds of thousands of dollars. MPI
22 could, however, seek to recover collision costs of about
23 ten thousand dollars (\$10,000) from the insurer of the
24 livestock owner, but in this case has failed to do so.

25 If only -- if less than 20 percent of the

1 motorcycle premiums allocated to collision costs, even a
2 ten thousand dollar (\$10,000) claim requires about forty-
3 nine (49) motorcycle policies to recover these costs.
4 This is not even considering the number of policies it
5 would take to recover the PIPP cost, which it apparently
6 cannot recover and of course the increases that go along
7 with that.

8 Although the adjuster dealing with my
9 friends PIP -- PIPP claim has always been helpful and
10 prompt, the adjuster assigned to the collision case had
11 not made any attempt to contact the claimant in more than
12 six (6) months from the accident.

13 In fact, if the claimants had not been
14 visiting the MP office on another matter, the collision
15 issue may still be outstanding. I know this may be an
16 unusual situation, but it illustrates how difficult it
17 will be to recover such costs if MPI is less than timely
18 or diligent in investigating and pursuing such matters.

19 Once again -- again, the claimants were
20 told they would have to initiate a lawsuit on their own
21 to recover their deductible and other costs. It is
22 suggested that the Board request MPI to provide a
23 comprehensive list of such claim indicating total cost,
24 the number of claims in which it initiated legal action
25 to recover costs from other insurers, and the total

1 amount recovered.

2 There's also a request to the Board and
3 MPI recommend that the Government of Manitoba mend
4 legislation to prevent MPI to recover PIPP costs from
5 other insurers, even if the insurer is a resident of
6 Manitoba.

7 Collisions with wildlife. According to
8 MPI, motorcycle claims -- claims involving wildlife have
9 increased from four (4) in 1997 to thirty-three (33) in
10 2006, with respect of incurred costs of twenty-one
11 thousand and thirty-five dollars (\$21,035) and nine
12 hundred and one thousand, nine hundred and sixty-two
13 dollars (\$901,962), respectively.

14 I don't know why these collisions are
15 increasing at such an alarming rate, but I assume that
16 most of these claims relate to collisions with deer.

17 In such accidents, the motorcyclist will
18 likely sustain bodily injury, more likely to sus --
19 sustain bodily injury than the driver of a car or light
20 truck and it's my understanding that the PIPP costs
21 associated with these single vehicle accidents are
22 allocated to the motorcycle premiums.

23 It is my understanding that wildlife is
24 owned or quote "under the jurisdiction of the Province of
25 Manitoba." If a livestock owner is legally responsible

1 for damage done by his animals, it follows that the
2 Province of Manitoba is responsible for its wildlife.

3 Perhaps then there is a fairness or
4 philosophical case for allocating wildlife PIPP costs
5 across all vehicle rating categories.

6 Another issue that comes up is senior's
7 discounts. I know we've seen this on television lately,
8 all the private insurance companies in States advertising
9 senior's discounts.

10 Many of my colleagues have suggested
11 discounts for seniors, as they tend to be better drivers
12 with fewer accidents. Personally, I'm apposed to premium
13 differentials based solely on age, but anticipate that a
14 new driver's safety rating program could indirectly
15 address this issue with additional merit discounts for
16 long term drivers with good records.

17 The only exception to this is in the case
18 of PIPP premiums. I don't believe that Manitobans
19 should pay for insurance benefits that they cannot
20 receive. Persons relying solely on pension income may
21 still receive rehabilitation and other PIPP benefits,
22 however, without any other employment income they are not
23 eligible to receive income replacement.

24 Since income replacement comprises a
25 considerable proportion of PIPP benefits, perhaps there

1 can be a discount to reflect that portion of the PIPP
2 premium normally associated with that cost.

3 There's some other inequities.
4 Motorcyclists still do not enjoy some of the same
5 products of asa -- available to passenger vehicle owners,
6 such as rental insurance when renting a motorcycle in
7 other provinces or country.

8 Far am I -- as far as I'm aware,
9 appropriate lay-up insurance is not available for
10 motorcycles, either. With seasonally adjusted rates,
11 annual fees are paid over the summer months; however, if
12 one chooses not to ride during summer months, they would
13 still have to maintain comprehensive coverage for fire,
14 theft, and vandalism coverage.

15 The lateral average does not include any
16 liability protect -- liability protection, which requires
17 full basic Autopac coverage. No one wants to pay three
18 hundred (300) to five hundred dollars (\$500) a month when
19 a vehicle is in storage and not in use.

20 As well, there are no discounts for anti-
21 theft devices, such as GPS locating systems. In summary,
22 I request that the Board deny MPI's request for approval
23 of a multi-year rate application, approve MPI's proposal
24 to change the methodology for allocating collision costs
25 for motorcycles.

1 I recommend that MPI conduct informal
2 hearings regarding the proposed DSR Program, similar to
3 the graduated licence hearing, and prior to finalising
4 its proposal, I recommend to MPI and Government that the
5 Bonus/Malus system undergo fundamental changes, such as
6 assigning PIPP and liability premiums to the driver's
7 licence and not the vehicle.

8 I recommend that -- that liability and
9 PIPP portions of premiums be listed separately on Autopac
10 statements so that clients are aware of the relative
11 costs. I recommend that MPI require vehicle owners to
12 list declared drivers to prevent high risk drivers from
13 driving vehicles owned by another person or family member
14 without insurance premium penalty.

15 Show that the differential and proposed
16 premiums among territories is fairly applied, and as
17 well, reflects actual loss experience. Investigate why
18 there's a five and a half -- five and a half (5 1/2)
19 times premium differential between motorcycles with a
20 scooter body style and a standard or touring motorcycle
21 of the same displacement.

22 Recommend that MPI investigate the
23 possibility of including comprehensive coverage for
24 motorcycles as an optional part of Autopac but available
25 exclusively through MPI.

1 Recommend that MPI give discounts for
2 anti-theft devices, such as GS -- GPS locators.

3 Recommend that MPI implement a lay-up
4 package so that motorcycle and other vehicles can be
5 adequately insured for liability when in storage.

6 Recommend that MPI consider rental
7 insurance for motorcycles.

8 Recommend that MPI insure that all
9 insurance applications and drivers and vehicle licence
10 can claim both civic and mailing addresses so as to
11 reduce incidents of improperly registered and insured
12 vehicles.

13 And recommend that MPI collect data to
14 determine the relationship between territory where action
15 occurs and territory where the motorcycle is registered;
16 at present cost are based on where motorcycle is
17 registered.

18 Request that MPI to provide a
19 comprehensive report on success on initiating legal acts
20 on recovering PIPP and collision costs from other
21 insurers.

22 Recommend to the Government of Manitoba
23 and seek MPI support to amend legislation permitting the
24 recovery of PIPP costs from other insurers, even if the
25 insured is a resident of Manitoba.

1 I request that MPI investigate the case
2 for allocating wildlife PIPP costs equally across all
3 vehicle rating categories and request that MPI consider
4 applying a premium discount for pension as to reflect
5 that portion of PIPP premium associated with income
6 replacement.

7 That will be the end of it and thank you
8 very much for your attention and your patience.

9 THE CHAIRPERSON: Thank you, Mr.
10 Houghton. Clearly, you've put a great deal of work into
11 this brief and we appreciate that. At minimum, we will
12 be asking MPI which they kindly do each year to provide a
13 response to your brief. I'm also sure that Mr. Oakes
14 will take some interest in your comments as well. But
15 thank you very much for taking the time to write the
16 brief and attending today.

17 MR. DOUGLAS HOUGHTON: Thank you.

18 THE CHAIRPERSON: The other comment by
19 the way to the two (2) presenters that are left, I think
20 maybe my comment about the -- the fifteen (15) minutes
21 may -- made it little bit more uncomfortable for Mr.
22 Houghton than it will be the two (2) of you. We'd like
23 you to stay within the time period, but we don't want to
24 force you to set a new land speed record in speech,
25 although Mr. Houghton spoke very clearly and distinctly.

1 Thank you, sir.

2 MR. DOUGLAS HOUGHTON: Thank you.

3 THE CHAIRPERSON: Mr. Law...?

4

5 PRESENTATION BY MR. MICHAEL LAW:

6 MR. MICHAEL LAW: Good afternoon, Mr.
7 Chairman, and members of the Board. My name is Mike Law.
8 I'm the president of the Manitoba Bar Association which
9 is also known as the MBA.

10 Our association is grateful to the Board
11 for granting, again, this year intravenous status of the
12 MBA, allowing it to advance interests that benefit all
13 Manitobans and that go well beyond the immediate
14 interests of our members.

15 The Manitoba Bar Association represents
16 over 1200 lawyers -- Manitoba lawyers, judges, law
17 students, and professors. The Manitoba Bar Association
18 acts as the voice of the legal profession in the province
19 and as a branch of the National Canadian Bar Association.
20 It joins in a cross- country effort to serve not only the
21 legal profession but to benefit the public as a whole.

22 As our appearances before this Board over
23 the years demonstrate, the MBA is committed to improving
24 the administration of justice and the promotion of access
25 to justice. Apart from such interventions as the present

1 matter that the Bar Association's lawyer, Mr. Robert
2 Dawson, has conduct over the past several years, the MBA
3 also appears before our legislative committees to urge
4 changes and improvements to the laws of Manitoba.

5 Before this Board the MBA has pressed the
6 applicant MPI over its handling of claims by victims of
7 personal injury arising out of the operation of motor
8 vehicles. For the most part, many of these claimants are
9 not sophisticated, and without the help of a lawyer or
10 another trained advisor, they do not necessarily
11 understand the requirements of filing a claim, or the way
12 in which to discharge the burden of proof, or even what
13 questions they should ask.

14 The change to no fault coverage has made
15 more urgent the need to test MPI's fulfilment of its
16 statutory obligations to pay out promptly and fully those
17 claims to which insured Manitobans are entitled. The
18 Manitoba Bar Association continues to submit that no
19 fault insurance is simply no good.

20 The effect of the legislative scheme is to
21 deny Manitobans a means by which to access legal advice
22 crucial to the informed and effective settlement of
23 injury claims.

24 Giving the importance of testing MPI and
25 its handling of such claims, the Bar Association is

1 especially troubled to see that at least one pivotal
2 board recommendation or order dating back several years
3 continues to be ignored by MPI. Instead, the applicant
4 MPI has to date offered inadequate and dilatory
5 explanations as to its failure to produce reports on
6 PIPP.

7 The MBA's further concern over MPI's
8 proposal that the PUB oversight should occur through
9 public hearings only every three (3) years, the
10 relegation of Board supervisory powers should be res --
11 resisted, if only to grant a forum to members of the
12 public, including Intervenors and other presenters here
13 today to question and scrutinize MPI and its operations.

14 The Manitoba Bar Association appreciates
15 the Board's willingness to allow the MBA to participate
16 in these hearings.

17 On behalf of our members thank you for
18 granting the MBA status to intervene, and thanks to you
19 panel members for your attention to this presentation.

20 THE CHAIRPERSON: Thank you, Mr. Law.
21 Thanks for coming and thanks for the time to write out
22 your presentation.

23 Our last presenter today is Ms. McGee.
24 Ms. McGee and her attorney, Ms. Gardine, perhaps you'd
25 like to come up to the front it'll be easier to be heard.

1 Welcome.

2 MS. JANET GARDINE: Thank you.

3 THE CHAIRPERSON: I don't know which one
4 of you wants to present, but...

5 MS. JANET GARDINE: We're -- we're gonna
6 tag team if that's okay with the Board. And I know it's
7 a little bit unusual, but hopefully you'll see from our
8 circumstances why we're -- we're choosing to do that.
9 I'm sorry, I'll try to speak more directly into the mic.

10 THE CHAIRPERSON: That -- you can begin
11 any time.

12 MS. JANET GARDINE: Good afternoon, Mr.
13 Chairman, and members of the Board, and everyone else
14 present. My name is Janet Gardine. I'm a lawyer with
15 Booth Dennehy, and I'm here today speaking in relation to
16 a personal injury claim involving not only a client but a
17 very close friend of mine, Shaylin Coulee (phonetic).
18 Her mother is Janna McGee who will be speaking with me,
19 and her mother is here speaking on not only on her
20 behalf, but on behalf of Shaylin, who unfortunately due
21 to the nature of her injuries cannot be here today.

22 The primary reason why we are here today,
23 and -- and we appreciate what the -- the mandate and the
24 limitations are of the Board, but our presentation today
25 falls under the category of other considerations that we

1 feel are necessary to be taken into account by the Board
2 when considering rate increases that are being advanced
3 by MPI.

4 We will be doing, as I say, a tagteam
5 presentation; I'll be doing the introductory comments,
6 and then I'll be turning it over to Ms. McGee to do the
7 background comments on the circumstances and on some of
8 the specifics of the concerns, and then I'll be
9 commenting again with regards to some of the legal
10 aspects and the legislative aspects.

11 So we'll -- we'll try to stay within the
12 fifteen (15) minutes, but I do apologize in advance if --
13 if we exceed that timeframe.

14 The following on the heels of -- of some
15 comments that were made by Mr. Law just now, as well, I'd
16 like to point out to the Board that not only is the
17 involvement of legal representation something that has
18 been actively discouraged by MPI, in -- in this specific
19 case was very actively encouraged only yesterday, when I
20 spoke with the adjuster, who told -- told me, you know
21 your legal fees aren't being paid for by MPI and won't be
22 paid for, as a means to discourage me and question my
23 involvement in this matter.

24 And so it's very clear that the necessity
25 or the assistance of legal advisors is not only something

1 that is not only -- not encouraged, but is actively
2 discouraged by MPI.

3 At this point, I would like to turn the
4 mic over to Ms. McGee, who will talk about Shaylin
5 Coulee's circumstances and talk about some of the
6 concerns she has with regarding the administration of the
7 benefits.

8

9 PRESENTATION BY MS. JANNA MCGEE:

10 MS. JANNA MCGEE: Good afternoon. As
11 Janet said, my name is Janna McGee and I've chosen to
12 speak about my own recent experiences with MPI. You have
13 to bear with me, I'm not a public speaker. On August
14 25th of this year, my seventeen (17) year-old daughter,
15 Shaylin, sustained massive injuries in a single vehicle
16 rollover.

17 She was not the driver of the vehicle, but
18 a seated, belted passenger in the front. Ultimately, the
19 pole that stopped the vehicle changed her life forever.
20 And you never think for a moment that that call will ever
21 happen to you. It happens to other people, other
22 families, not you.

23 Unfortunately, she sustained numerous
24 injuries: three hundred (300) staples to her head, broken
25 neck, T5 spinal cord injury, crushed pelvis, broken arm,

1 broken femur, severely bruised lungs, fractured liver,
2 spleen, leaving my child paralysed from the chest down.

3 We've all suffered through many, many
4 weeks of critical condition, internal bleeding, ten (10)
5 hour operation, breathing tubes in , breathing tubes out,
6 back in, pneumonia, full oxygen for days on end, then
7 finally minute by minute she began to breathe on her own.

8 It's a living nightmare, for her and for
9 us. Thankfully, Shaylin remembers little of those first
10 three (3) weeks. We, however, remember every moment.
11 Finally, she has recovered to the stage of
12 rehabilitation. It's been a long battle and a tremendous
13 fight on her part.

14 Unfortunately, she's now in a rehab
15 program that's geared for an adult that has not been
16 changed in the last twenty (20) years; there is no
17 progression, no research, nothing being done to help
18 spinal cord injuries in the future. It's a shame.

19 So much is being done in other countries
20 that it's hard to sit back and see my daughter being put
21 on a ward with eighty (80) year old people and nothing is
22 going to be better for her; this is where she is and this
23 is where she has to stay. I believed in the concept of
24 no-fault insurance, now I'm discouraged by the whole
25 process.

1 Here you have two (2) people, same
2 accident, they receive the same benefits, same
3 settlements, yet one is seventeen (17) and the other is
4 eighty (80). The seventeen (17) year old has so many
5 more years left to live and support themselves. How is
6 that fair?

7 Here you have a sociably active eight (8)
8 -- seventeen (17) year old stopped in her tracks. No
9 more rugby, soccer. Everything, as she knows it, will be
10 different and difficult on top of that.

11 For the past five (5) weeks I've slept at
12 the hospital. Last night was one (1) of the first nights
13 I went home. I got five (5) hours in my own bed, but of
14 course didn't sleep because we're going through
15 withdrawal.

16 Initially, I was at the hospital due to
17 her precarious life situation and then due to the pain
18 and the emotional trauma she's been through. Since then,
19 have been told that the first week that I stayed at the
20 Lennox Bell will not be claimable because I live too
21 close to the hospital. And yet, when your child's life
22 is in the balance, five (5) minutes by foot is too far
23 away.

24 On from there, my daughter asked soon
25 after her operation, with a breathing tube in, pen and

1 paper, "What about my legs?" I had to tell her it was
2 unlikely she would ever walk again. How I lived through
3 those moments, I'll never know, but on the next page she
4 asked for a psychologist; a woman that we know and she
5 knows, and I realised how important it was for her to
6 communicate with someone other than her parents and her
7 family.

8 So we asked MPI and were told no, those
9 expenses would not be covered; that the hospital has
10 psych services available to her. Someone new again --
11 another stranger, another trauma.

12 The hospital, unfortunately, does not have
13 supportive services available -- not for a seventeen (17)
14 year old child. They have no psychologist on staff.
15 They have psych services which, from what our
16 understanding is, is drug application and follow up.

17 The spent ten (10) minutes with my
18 daughter in five (5) weeks, and that's the support she's
19 got emotionally to live with the fact she will no longer
20 walk. After all that, I called our independent
21 psychologist, Cathy Moser. She came over on her own time
22 and spent two (2) different occasions with my daughter.

23 When I explained her services were not
24 covered by MPI and to -- to send me the bill and I would
25 find some way to pay for it, her reaction was one (1) of

1 compassion and understanding.

2 She said to her, Shay's (phonetic)
3 recovery, physically and emotionally, was more important
4 than a bill. Where was my insurance company? We have
5 had so much support from family and friends, some of whom
6 I barely knew before this tragedy.

7 That part has been wonderful. But at this
8 juncture, my daughter is sitting in a wheelchair that is
9 being supplied by a hospital that is totally
10 inappropriate. It's warped. It has a broken right leg
11 support, a broken left arm support, and an unsafe neck
12 support.

13 MPI decided they would no longer rent
14 wheelchairs to patients while in hospital care. They
15 decided to make a point with my daughter. Yet Shay has
16 an inappropriate wheelchair, while the hospital and MPI
17 argue this out. So who's the loser here? It's my
18 daughter.

19 After commenting on my daughter's health
20 innocently to the adjuster, the next phone call came from
21 the adjuster who brought up concerns about a tutor; that
22 they would refuse a tutor for my daughter who is --
23 happens to be in French emersion, because she might have
24 short-term memory loss due to her head injury. And that
25 would affect her schooling, and hence, deem a tutor a

1 waste of money because they would have to, possibly, pay
2 her a lump sum for missing school at the end of the year
3 and they didn't want to have to pay out both.

4 But my comment was, who can foresee the
5 future; she wasn't even given the option of a chance. If
6 I could foresee the future, my daughter wouldn't be in
7 the hospital.

8 I'm a single parent, I have three (3)
9 children, my home has now been deemed unmodifiable. What
10 do I do? What I do now? I have to move. I have no
11 choice, but how, financially, can I?

12 It's just so unbelievably stressful, and
13 claiming bills and paperwork and putting in all that time
14 and effort is just overwhelming. I hear requests from
15 MPI -- put it in writing. They'll refuse in writing,
16 then I can appeal in writing, and then I can hear an
17 answer in writing. And, to me, it's just time wasted;
18 time that, right now, I need to be with my daughter and
19 my other children.

20 This process needs to be done quickly and
21 efficiently, and I think it also needs to be more
22 personable and more understanding. There have been a
23 visit without a parent present that has made me very
24 cautious of the motives behind the adjuster, as
25 information I have previously commented on, has been

1 turned against my child and her needs.

2 What I feel, as a parent, is that I need
3 MPI to be there for a support and to help me and to guide
4 me and to give me ideas about what I can do, and what I
5 can do to make things better for my child. I don't want
6 my rebate. Keep it if it means that people that need it
7 get the help they need. It's not about money. It should
8 be about the people.

9 My seventeen (17) year old daughter
10 needs the possibility of a future. Please let's try to
11 give her that. I have a short little blurb from my
12 daughter -- or do you want me to read that after?

13 MS. JANET GARDINE: Go ahead.

14 MS. JANNA McGee: Okay. It's very quick:
15 "My name is Shay. My mom is reading
16 this as I'm sitting in my hospital bed
17 in the rehab at the Health Science
18 Centre. I'm frustrated and
19 disappointed that my family has the
20 added worry of paperwork and the
21 problems associated with my accident.
22 My education, a wheelchair,
23 counselling -- I don't understand --
24 shouldn't this Province want to help
25 us as patients to adjust to the

1 tragedies that's happened in our lives
2 rather than add to the stress?
3 Should a seventeen (17) year old have
4 to worry about her insurance supplier
5 covering her basic needs? I need a
6 wheelchair; I cannot walk. And why do
7 I have to keep asking for one? I have
8 a spinal cord injury; that isn't going
9 to change.

10 Do I want to graduate from high
11 school? Yes. Can I? I hope. But
12 hope is what I need, not rules. I
13 want to recover to the best of ability
14 and excel in my future. Help me to
15 make my dreams possible. Help to
16 enable me, not disable me."

17 Thank you.

18 MS. JANET GARDINE: Just a couple of --
19 of closing comments as it relates to the -- the
20 legislation and -- and the -- the purpose of the
21 legislation. The Corporation, as you know, is a monopoly
22 and a compulsory insurance. It's replaced the Tort
23 System and -- but was to maintain the basis of
24 compensation of the tort system.

25 And the two (2) purposes of the tort

1 system, as you're aware, were to put the claimant in the
2 best position possible, to be as close to the pre-
3 accident state as possible and to pay for all the costs
4 incurred as a direct result of the motor vehicle
5 accident.

6 The primary focus regarding the first
7 mandate should be rehabilitation of the claimant, as is
8 required under Section 138, to the best possible degree
9 and to return to as functional a life as possible.

10 In the case of Shaylin, she needs
11 specialized adolescent spinal cord injury treatment and
12 rehabilitation, which is not provided in Winnipeg
13 unfortunately -- or even anywhere in Canada, for that
14 matter. It is provided in three (3) or four (4) centres
15 in the US. The leading doctor is a man by the name of
16 Dr. McDonald who dealt with Christopher Reeves'
17 rehabilitation and he runs the program out of Baltimore
18 called Kennedy Krieger Institute.

19 At present, Shaylin is sitting in a rehab
20 hospital, as Janna has indicated, at the Health Sciences
21 Centre, where the primary focus is on maintenance of
22 adults with multiple disabilities; not on rehabilitation
23 of adolescence with spinal cord injuries.

24 It's not until I got involved that any
25 action was taken to provide any assistance to this

1 family. And, as I said, unfortunately, that was the --
2 the only recourse that they felt they had left. They
3 were forced, through me, to ask for such things as a
4 wheelchair and a tutor. Both of things, we understand,
5 are now in the process of -- of being provided, but have
6 yet to be provided to Shaylin.

7 And the only reason, by the way, that the
8 wheelchair is being provided is because it's being
9 provided free. It's not going to cost anything to MPI;
10 it's being provided free on a trial base -- on a trial
11 basis.

12 The primary focus of the second
13 mandate, which is to pay for the costs incurred as a
14 direct result of the accident, also should not require
15 that the claimants fight tooth and nail for every expense
16 and every step of the way. The mandatory hospital
17 expenses that Ms. McGee referenced while she was staying
18 at the Lennox Centre have been discouraged as not being
19 payable.

20 Whereas, under Section 137, it's clear
21 that when there is a -- a party who is in need of
22 assistance while in hospital, who is unable for reasons
23 of infirmity or age, such as Shaylin was, to give
24 instructions to medical care providers, that that other
25 person's accommodations should be covered.

1 These are being discouraged and being
2 refused. The house expenses are -- is another issues.
3 It's now -- the house has now been deemed to be
4 unmodifiable, as Ms. McGee has indicated, until the
5 engineer did so just last week; however, the adjustor
6 continued to maintain that the house, which is a 1,600
7 square foot, two (2) story older home was -- would be
8 modifiable.

9 And the cost of that -- aside from -- not
10 the financial cost, but the cost of that involved
11 basically taking away all of the common living space on
12 the main floor area and all of the yard space to the
13 detriment of the remaining family members and to the
14 detriment to the family dog who would have no yard, yet
15 again adding to the trauma of his individual.

16 Now that the house has been deemed
17 undermodifiable -- unmodifiable, MPI says it will only
18 pay for the relocation expenses of the actual physical
19 move and will pay for modifications to a new house up to
20 a maximum value of 50 percent of a new house's value.

21 And, because of that, they are insisting
22 that they have preapproval of any new home or replacement
23 home that's purchased and that it -- they have
24 preapproval of the purchase price paid for same. So they
25 are imposing themselves upon something that is now being

1 imposed upon this family; they have no choice but to
2 move.

3 This home is not one that can be inhabited
4 by this individual. MPI has very specifically refused to
5 pay for any differential in cost. This family will have
6 to incur, undoubtedly in this market, a differential in
7 costs between a replacement home and their current home.
8 They'll need a 1,600 square foot bungalow versus a 1,600
9 foot --1,600 square foot, two (2) story home, which their
10 agent advises is worth approximately one hundred and
11 forty thousand dollars (\$140,000) on the selling market.

12 MPI has said it's their policy not to pay
13 for differentials in purchase prices under these
14 circumstances. Again, this is a policy -- not
15 legislation, not regulation. And this, like so many
16 other of their policies, such as the one involving the
17 wheelchair that Ms. McGee referenced, are not disclosed
18 to the public. They are not accessible to the public.

19 These are directives that come from
20 managers within the system and that are completely there
21 at the sole discretion of MPI, and from the public's
22 perspective are misused for the purpose of trying to deny
23 benefits to those who are in the greatest need.

24 The only reason this family needs to move
25 is because of this accident. If moving and relocating

1 and the costs associated with that is not direct result
2 of this accident, I don't know what is. Obviously, this
3 -- this isn't because there is a shortage of funds within
4 MPI's coffers that they're treating Ms. McGee and her
5 family in this fashion.

6 We all know that for the last number of
7 years we've gotten rebates because there's been a excess
8 of fund in the coffers. Given that situation, it begs
9 the question -- why does MPI, under these circumstances,
10 choose to put a family who's already in the greatest of
11 stresses and the greatest of traumas -- suffering the
12 worst possible thing that anybody can imagine in their
13 life -- put the additional stress and trauma of now
14 having to deal with fighting for that to which they are
15 entitled and to that to which they ought to be entitled.

16 In closing, I would say that when
17 considering any rate increases requested by MPI, remember
18 Shaylin Coulee -- Shaylin Coulee and her circumstances.
19 Don't reward MPI for their behaviour, but make them
20 accountable for it. If we are going to continue with a
21 no-fault, non-tort system, don't lose sight of the
22 obligations that you owe to people like Shaylin Coulee.

23 What needs to be done at the end of the
24 day is to treat these people with respect and with
25 fairness. And we're asked that the Board take all of

1 these factors into consideration when considering whether
2 or not any rebates ought to -- of whether or not --
3 pardon me -- any rate increases ought to be granted and
4 whether or not any recommendations ought to be made in
5 the manner in which the current rates that are paid and
6 the current amounts that are payable for benefits, are
7 administered. Thank you.

8 THE CHAIRPERSON: Thank you, Ms. McGee
9 and Ms. Gardine. You bring a human and tragic situation
10 to a room that generally deals with numbers and models
11 and we appreciate your coming. We'll reflect on your
12 comments, as I am sure MPI will, as well. Thank you,
13 again.

14

15 (BRIEF PAUSE)

16

17 THE CHAIRPERSON: I don't believe we
18 have any other presenters, do we, Mr. Saranchuk?

19 MR. WALTER SARANCHUK: No, sir.

20 THE CHAIRPERSON: Okay, do you want to
21 take up with your cross-examination?

22 MR. WALTER SARANCHUK: Yes, sir.

23

24 (BRIEF PAUSE)

25

1 THE CHAIRPERSON: By the way, I may add
2 that today we're going to have to break around 3:50
3 because there's another appointment has to be attended to
4 shortly thereafter. So we will probably shorten down the
5 break, and if we have to, extend a bit tomorrow.

6 Okay, Mr. Saranchuk.

7

8 MPI PANEL, Resumed:

9 BARRY GALENZOSKI, Resumed

10 OTTMAR KRAMER, Resumed

11 DON PALMER, Resumed

12 MARILYN MCLAREN, Resumed

13 WARD KEITH, Resumed

14

15 CONTINUED CROSS-EXAMINATION BY MR. WALTER SARANCHUK

16 MR. WALTER SARANCHUK: Thank you, sir.

17 I'll now proceed with the line of questions to deal with
18 the rate stabilization reserve, and refer everyone to the
19 document at tab 13 of the book of documents, which is the
20 Corporation's response to Interrogatory number 3D in the
21 first round, as submitted by the Public Utilities Board.

22 And that document deals with the statement
23 of basic insurance retained earnings and the statement of
24 extension and special risk extension retained earnings.
25 Can the Corporation confirm that they have not provided

1 retained earnings for the competitive lines during the
2 outlook periods?

3 MR. OTTMAR KRAMER: Yes, that's correct.

4 MR. WALTER SARANCHUK: And I take it that
5 that is on jurisdictional grounds, is that correct?

6 MR. OTTMAR KRAMER: Yes, that's correct.

7 MR. WALTER SARANCHUK: Now, in terms of
8 the stated purpose of the RSR, or the Rate Stabilization
9 Reserve, that's referred in the annual report of MPI,
10 which has been filed a AI-6 and it's at page 59.

11 And could you just confirm, Mr. Kramer,
12 what the stated purpose for the RSR is?

13

14 (BRIEF PAUSE)

15

16 MR. WALTER SARANCHUK: Page 58 in AI-6.

17 MR. OTTMAR KRAMER: Okay, on -- on page
18 58, basic insurance stabilization reserve; the basic rate
19 -- the basic insurance rate stabilization reserve relates
20 to the basic universal compulsory automobile insurance,
21 and is intended to protect motorists from rate increases
22 made necessary by unexpected events and losses arriving
23 from nonrecurring events or factors.

24 MR. WALTER SARANCHUK: And so, can you
25 confirm that there's been no change in the purpose from

1 previous years?

2 MR. OTTMAR KRAMER: Yes, I can confirm.

3 MR. WALTER SARANCHUK: Thank you.

4

5 (BRIEF PAUSE)

6

7 MR. WALTER SARANCHUK: Now, in tab 8 of
8 the book of documents; TI-15, which is the statement of
9 basic retained earnings, includes the figures for last
10 year -- the actual figures -- and then the forecast
11 throughout the outlook period from the present time.

12 Can you please, sir, refer to the
13 balances, first of all dealing with the balance as at
14 '06/07 -- the actual in terms of the basic retained
15 earnings at the end of the last fiscal year. That is at
16 \$161 million, is that correct?

17 MR. OTTMAR KRAMER: That would be the
18 basic retained earnings, but not the RSR or the rate
19 stabilization reserve.

20 MR. WALTER SARANCHUK: And so the RSR or
21 rate stabilization reserve balances what?

22 MR. OTTMAR KRAMER: That's a 128 million.

23 MR. WALTER SARANCHUK: So, then, that is
24 the balance that's carried over to '07/'08 as shown at
25 the top of that particular column, is that correct?

1 MR. OTTMAR KRAMER: Correct.

2 MR. WALTER SARANCHUK: Now, the
3 difference between the 161 million and the \$128 million
4 is, as indicated there, relating to the Immobilizer
5 Incentive Fund. Can you please explain the lines shown
6 in respect of that particular item. Start with the
7 '06/'07 column.

8 MR. OTTMAR KRAMER: The beginning balance
9 of the Immobilizer Incentive Fund at the beginning of
10 '06/'07 was \$37 million. An additional \$10 million was
11 appropriated from the basic insurance RSR and, at the end
12 of the year, \$13.9 million was transferred out of the
13 Immobilizer Incentive Fund against the basic RSR to
14 recover the cost from the Immobilizer Incentive Program,
15 leaving a balance of \$33.1 million.

16 MR. WALTER SARANCHUK: Yes, thank you.
17 And above that description of figures in the IIF, there
18 is reference to the same figures of \$10 million and
19 thirteen (13) -- I'm sorry -- as a reduction \$10 million
20 as appropriation of the RSR to the IIF.

21 And there's also reference to \$13.9
22 million as a transfer from the Immobilizer Incentive Fund
23 so those essentially correspond with those two figures
24 that you referred to earlier, is that correct?

25 MR. OTTMAR KRAMER: Correct.

1 MR. WALTER SARANCHUK: Now, moving on to
2 the forecasts, could you just explain,, at a high level
3 what is reflected for the RSR of -- the basic side for
4 this year and for the year in question insofar as this
5 application is concerned, namely '08/'09, and throughout
6 the outlook period, at a high level.

7 MR. OTTMAR KRAMER: The RSR beginning
8 balance at start of '07/'08 is \$128 million. The net
9 income before the transfer of the Immobilizer Incentive
10 Fund for that year is \$18.8 million. \$12.6 million is
11 then recovered from the Immobilizer Incentive Fund.

12 And then we have a premium rebate which
13 we've put into this application of 49.1 million as a
14 reduction, leaving a balance at the end of the year of
15 \$110.4 million in the RSR. Would you like '08/'09 also?

16 MR. WALTER SARANCHUK: Yes, please.

17 MR. OTTMAR KRAMER: '08/'09 begins the
18 year with the \$110 million that we ended the previous
19 year with. The net loss is \$12 million prior to the
20 recovery of Immobilizer Incentive Fund. \$12.6 million is
21 recovered from the Immobilizer Incentive Fund, leaving a
22 balance of \$110.9 million at the end of '08/'09.

23 MR. WALTER SARANCHUK: Now, it's
24 understood that the corporation has essentially adopted
25 the Board's target RSR for a rate-setting purposes, is

1 that correct?

2 MR. OTTMAR KRAMER: That's correct.

3 MR. WALTER SARANCHUK: Now there's
4 reference in TI-15, tab 8, to the RSR target range in
5 millions -- it's the middle column there -- and, of
6 course, this also is reflected in T -- I'm sorry, in Tab
7 13 being the Corporation's response to Interrogatory PUB
8 number 3 in the first round.

9 Can you explain the figures that are
10 indicated for '06 -- I'm sorry, yes for '06/'07, and
11 '07/'08, and '08/'09, Mr. Palmer or Mr. Kramer. I note,
12 for example, that there's a bottom note at the bottom of
13 TI-15 referring to that?

14 MR. DON PALMER: In '06/'07 our stated
15 target was using the MCT. Through deliberations of this
16 Board, we have, on an ongoing going-forward basis,
17 adopted the recommendations of the -- the Board which was
18 \$105 million indexed each year by the growth in gross
19 written premium.

20 So the -- in '06/'07, that range, using
21 the old MCT was \$107 million to \$214 million. Starting
22 in '07 or at the end of '07/'08, that target is now
23 sixty-nine (69) to one zero five (105) that's the PUB
24 targ -- target.

25 That grows using the growth in gross

1 written premium to a -- a range of seventy-two (72) to
2 one zero nine (109) at the end of '08/'09 onto seventy-
3 five (75) to one fourteen (114) at the end of '09/'10,
4 and so on.

5 MR. WALTER SARANCHUK: And, of course,
6 the -- the figure balance of \$128 million in '06/'07 --
7 the RSR balance -- is after taking into account some \$60
8 million in the rebate paid out, is that correct?

9 MR. DON PALMER: Yes, that is correct.

10 MR. WALTER SARANCHUK: And for the
11 current year, 2007 and 2008, the \$110 million balance in
12 the RSR is arrived at after taking into account a
13 proposed \$49.1 million rebate early next spring, is that
14 correct?

15 MR. DON PALMER: That is correct.

16

17 (BRIEF PAUSE)

18

19 MR. WALTER SARANCHUK: Now, I would refer
20 you to AI-6 in your filing, that's your annual report,
21 where at page 39, it is stated as follows, quote:

22 "The corporation has significant
23 concerns that the future financial
24 strength of the basic insurance plan
25 has been compromised by the PUB's

1 actions with respect to the RSR
2 target." End of quote.

3 Could someone from the panel elaborate on
4 that please?

5 MR. DON PALMER: In our estimation, using
6 the minimum capital test, which we still believe is the
7 proper test that we should be using to -- to really cover
8 the risks that we're facing, which is greater than that
9 target that's been imposed by the Public Utilities Board,
10 we feel causes us risk from a going-forward perspective.

11 MR. WALTER SARANCHUK: And is that still
12 the Corporation's position?

13 MR. DON PALMER: Yes, it is.

14 MR. WALTER SARANCHUK: Notwithstanding
15 the figures reflected in the retained earning schedules
16 for basic that I've referred to?

17 MR. DON PALMER: Our stance has not
18 changed.

19 MR. WALTER SARANCHUK: And is there a
20 reason why it hasn't changed?

21 MR. DON PALMER: These are forecasts on a
22 going-forward basis, based on the expected value of -- of
23 claims and -- and other expenses. The insurance industry
24 is subject to numerous risks as we went through in detail
25 last year; claims variability, reserve variability, asset

1 variability, and so on.

2 And tho -- the risk profile of the
3 corporation has not changed in the last year.

4 MR. WALTER SARANCHUK: Now, does looking
5 at tab 13, you'll note, as has been pointed out, that the
6 balance for the basic retained earnings in 19 -- sorry,
7 2006/'07, is \$161 million; that was the actual.

8 And the extension and SRE retained earning
9 is a total of \$110 or almost \$111 million, is that
10 correct?

11 MR. DON PALMER: That's correct.

12 MR. WALTER SARANCHUK: Those two (2)
13 combined amount to approximately \$272 million after
14 transferring out over some \$70 million, being
15 approximately \$60 million on the basic side for the
16 rebate, and \$10.8 million for DVL operations on the
17 extension side. Is that correct?

18 MR. DON PALMER: That's correct.

19 MR. WALTER SARANCHUK: So is the
20 financial strength of the Corporation been compromised?

21 MR. DON PALMER: On a retrospective
22 basis, no. On a prospective basis, the risks have not
23 changed.

24 MR. WALTER SARANCHUK: And, of course,
25 referring to your first quarter report -- and we don't

1 know what your second quarter report says, but we'll know
2 shortly -- at the end of the first quarter of this year,
3 the total is some \$337 million, is that correct?

4 MR. DON PALMER: Subject to check, I'll
5 take that.

6 MR. WALTER SARANCHUK: And, of course, we
7 understand that it's a good time of the year, so to
8 speak, given that we are yet to encounter the winter.
9 But having said that, at \$337 million, has the financial
10 strength of the Corporation been compromised?

11 MR. DON PALMER: Again, as an asset
12 target on a retrospective basis, no, the Corporation is
13 in as strong a financial shape as -- as is has been. On
14 a prospective basis, again, the risks have not changed.

15

16 (BRIEF PAUSE)

17

18 MR. DON PALMER: I will confirm the three
19 thirty seven (337) figure is correct.

20 MR. WALTER SARANCHUK: Thank you, sir.
21 Now, with reference to tab 25 in the book of documents;
22 that is where the Corporation responded to the
23 Interrogatory of the Public Utilities Board number 36 in
24 the first round, and it deals with the proposed \$49.1
25 million refund to be paid next spring.

1 Can you please just review with -- in
2 light of that answer, how that amount was determined?

3 MR. DON PALMER: Again, it's -- it's the
4 -- it's essentially the forecast of where we will be at
5 the end of this fiscal year; at the end of '07/'08. What
6 we know from last year is -- is we had a \$23.1 million
7 access over the RSR.

8 We have in -- ex -- expected investment
9 gains, which would have been in excess of our original
10 forecast of \$26 million, to come to the forty nine point
11 one (49.1).

12 MR. WALTER SARANCHUK: And it includes,
13 of course, utilising the balance of the RSR at the end of
14 '06/'07; that is the amount in excess of the PUB's
15 target, is that correct?

16 MR. DON PALMER: That's correct.

17 MR. WALTER SARANCHUK: Now, I'll just ask
18 you to listen carefully to this question because I have
19 to read it slowly to understand it myself, but please
20 listen.

21 I'm --

22 MR. DON PALMER: I'll take notes, Mr.
23 Saranchuk.

24 MR. WALTER SARANCHUK: Thank you. I'm
25 thinking -- I'm thinking about the timing assumptions

1 here. As I understand it, in this application the MPI is
2 proposing payment of a \$49.1 million rebate in 2008/'09
3 reflected in the 2007/'08 year-end RSR based on the
4 2007/'08 PUB approved target range related to the
5 2006/'07 year-end RSR.

6 Is that correct?

7

8 (BRIEF PAUSE)

9

10 MR. DON PALMER: I think I've managed to
11 connect -- connect the dots and, yes, that's correct.

12 MR. WALTER SARANCHUK: Thank you, sir.
13 Now, is this the timing linkage that will be rout --
14 routinely carried forward, or will the latest year-end
15 RSR be compared against the PUB approved target range for
16 that latest year?

17 MR. DON PALMER: Unfortunately, with the
18 ruling of the Board coming before the en -- end of the
19 year, we will not know the exact position at year end.
20 That's why we had an excess at one twenty-eight (128) in
21 excess of the one-o-five (105) that's reflected in PUB-
22 136. So the answer is not quite, but close.

23 The -- the timing of the -- the PUB order,
24 which is basically the financials that we have now, is
25 what will be reflected.

1 MR. WALTER SARANCHUK: And of course, you
2 are proposing a rebate, and is that not withstanding the
3 fact that you believe you're at risk?

4 MR. DON PALMER: We are proposing a
5 rebate based on the target set by the PUB, which has been
6 imposed on us. That doesn't mean we like it.

7 MR. WALTER SARANCHUK: And let me ask
8 you, sir, why did you not include the balance of the
9 \$33.1 million of the Immobilizer Incentive Fund to total
10 161.2 million in that determination?

11 MR. DON PALMER: We have plans over the
12 next three (3) years, I believe, to spend that money on -
13 - on the Immobilizer Program, so really there isn't
14 extra. We could give it back in rebates and then turn
15 around and get it again, but it's earmarked funds.

16 MR. WALTER SARANCHUK: And, of course, in
17 your calculation of the proposed rebate, you've included
18 expected equity gains to be realized in this current
19 year, is that correct?

20 MR. DON PALMER: In fact, the number
21 -- the \$26 million was gains that had already been taken
22 at the time the Information Request had been filed.

23 MR. WALTER SARANCHUK: But given that
24 this year is not over, is there not a risk of a reversal
25 of fortune relative to investment income by year-end?

1 MR. DON PALMER: Not from a realized
2 perspective. The -- the gains have been -- been booked.
3 There could be some changes in unrealized gains, which we
4 will probably discuss sometime in -- over the next couple
5 of days. But, at this point in time, what -- this
6 reflects realized capital gains, and we don't see that
7 reversing.

8 I don't think we'll take capital losses;
9 realized capital losses.

10 MR. WALTER SARANCHUK: How about claims
11 costs?

12 MR. DON PALMER: That's a risk, sure.

13 MR. WALTER SARANCHUK: Can this gain be
14 considered or categorized as money in the bank?

15 MR. BARRY GALENZOSKI: Yeah, in this
16 particular case, the gain is money in the bank. But, as
17 you pointed out, there are other things that could come
18 back to bite you like some claims -- adverse claims
19 situations, the actuarials reviews that are going to
20 happen at the end October and again at the end of
21 February. Those could also have negative results with
22 respect to the finishing of the year.

23 And other -- other claim severities or
24 frequencies that could hurt you, so there's some
25 vulnerability there. But the -- those particular gains

1 are money in the bank.

2 MR. WALTER SARANCHUK: Now, --

3 MS. MARILYN MCLAREN: Direct -- further
4 to that point, Mr. Saranchuk, to directly address this
5 matter with respect to the RSR target, the -- in -- in
6 equity gains that are already in the bank, I think it's
7 important for the Corporation to make the point that with
8 respect to the treatment of calculating the \$49 million
9 applied-for rebate, including the investment gains that
10 are in the bank, the Corporation took this route to be
11 consistent with past decisions of this Board.

12 The money is in the bank. There's
13 absolutely no guarantee it will stay there. There could
14 be actuarial adjustments. There could be seven (7) more
15 massive hailstorms before the end of this month, never
16 mind the end of this year. There's a number of things
17 that could take that money back out of the bank.

18 In an abundance -- in what this Board
19 considered previously as an abundance of caution, the
20 Corporation applied only to rebate money once the full
21 year-end was in, we had audited financial results and
22 that's what it should be based on. So we were always
23 trailing a year behind, which was a prudent, cautious
24 approach on the part of the Corporation.

25 This Board has chosen to consider money

1 that's in the bank in a current year before that year is
2 finished. So the approach to the investment gains --
3 including it in the \$49 million, is the Corporation's
4 attempt to be consistent with previous rulings of the
5 Board; not its historic very cautious approach of the
6 Corporation.

7 MR. WALTER SARANCHUK: So the risk that's
8 now being taken, if you will, you attribute to the Public
9 Utilities Board?

10 MS. MARILYN MCLAREN: Previous rulings
11 have ordered rebates calculated on current-year gains
12 that had been taken without waiting to see whether those
13 gains would make it to the fully audited year-end
14 financial statements.

15 MR. WALTER SARANCHUK: Last year there
16 was question of termination of the transfers to basic
17 retained earnings from the competitive lines. And that
18 was discontinued, of course, last year when the
19 Corporation also indicated that, and this is a quote:

20 "Depending on the outcome of the
21 discussion on the RSR, and assuming
22 that PUB retains its position on the
23 level of the RSR for rate setting, the
24 Corporation will have further
25 decisions to make." End of quote.

1 And, of course, that related to MCT versus
2 the risk analysis, et cetera.

3 What was the rationale for that particular
4 position taken by the Corporation that would have further
5 decisions to make?

6 MS. MARILYN MCLAREN: The express purpose
7 of the transfers from competitive lines into the basic
8 insurance RSR was to help to build the RSR to a level the
9 Corporation believed was prudent.

10 If the funds are not required to build the
11 RSR, the Corporation had other -- had -- has -- other
12 decisions to make with respect to what might be excess
13 retained earnings in the competitive lines of business.
14 It did not make any sense to the Corporation a year ago,
15 and nor does it today, to transfer money from what is
16 essentially, in many situations, different rate payers,
17 different lines of business, to the basic RSR, and cut
18 cheques to basic RSR ratepayers.

19 The purpose to have a strong, healthy
20 basic insurance program for the benefit of all Manitobans
21 is something that all Manitobans buy into and accept.
22 And to use excess retained earnings from competitive
23 lines to help build the RSR was the purpose. And now
24 that the RSR is considered to be filled to excess by this
25 Board, there is no longer a rationale, in the

1 Corporation's mind, to continue the transfers.

2 MR. WALTER SARANCHUK: If I were to
3 suggest to you that approximately 90 percent of Manitoba
4 motorists have contributed to the retained earnings on
5 the extension side, would you agree or disagree?

6 MR. DON PALMER: As far as contribution --
7 if you're talking about 90 percent having extension, that
8 -- that's probably true. In terms of the full extra
9 funding, a lot of that has come from SRE as well, which
10 it would not be accurate to -- to talk about 90 percent
11 of Manitobans.

12 MR. WALTER SARANCHUK: Well, you've given
13 back the money to the people who put it into the SRE with
14 the truckers being benefited. Why wouldn't you benefit
15 the motorists that have contributed on the extension
16 side?

17 MS. MARILYN MCLAREN: I'm not sure we're
18 following that question; if you could maybe --

19 MR. WALTER SARANCHUK: Well, isn't
20 there --

21 MS. MARILYN MCLAREN: -- rephrase it?

22 MR. WALTER SARANCHUK: -- isn't there
23 some recent assistance given for the education of truck
24 drivers, paid by MPI under SRE? If I'm not correct on
25 that, please correct me.

1 MS. MARILYN MCLAREN: Oh, absolutely,
2 that's on the public record. What that is, is a program
3 of the SRE line of business that is, in fact, part of its
4 operational expenses.

5 MR. WALTER SARANCHUK: To benefit the
6 truckers who, according to Mr. Palmer, have made up the -
7 - contributed significantly to the RSR -- or the retained
8 earnings rather -- on the SRE side. So you're benefiting
9 the same people that have made that contribution, are you
10 not?

11 MR. DON PALMER: I don't quite follow the
12 logic. It -- it's a -- it's a benefit to Manitoba
13 industry to help the trucking industry. If --

14 THE CHAIRPERSON: Mr. Saranchuk, we are
15 going to take a short break; just about ten (10) minutes,
16 and then we will come back to finish the day, because
17 there is a reason. Thank you.

18

19 --- Upon recessing at 2:38 p.m.

20 --- Upon resuming at 2:48 p.m.

21

22 THE CHAIRPERSON: The Board's intent with
23 respect to the rebate, vis a vis the financial position
24 of MPI at any given point in time. I think if you get a
25 chance, if MPI has an opportunity to review Order 156/06,

1 I think beginning with page 44, talks about all of the
2 various factors the Board took into account before
3 concluding that a rebate should be payable.

4 Other than the matter of looking at the
5 overall health of MPI and its financial situation,
6 there's one (1) specific point I wanted to make. It was
7 the Board's intent whether or not it's perfectly stated
8 in this Order or not -- certainly clearer in the year
9 before -- that the Board directed that the rebate be
10 paid, with the understanding that it would be paid in the
11 '06/'07 fiscal year which would allow the corporation
12 opportunity to assess developments.

13 In other words, as a last defence, if you
14 want, against imprudence, as Ms. McLaren was talking
15 about risks will allow the Corporation to inform the
16 Board if something significantly untoward had developed
17 subsequent to the Order before the rebate was paid.

18 The Board has the opportunity to vary
19 directions and I think it's more important almost going
20 forward as going back, because sometimes perhaps it could
21 even be the Board that we don't spell out everything
22 clear enough, but not only did we look at all of the
23 various factors that we considered, which are clear
24 enough in the Order and we may disagree on some points;
25 but it was the last thought of the mind of the Board is

1 to act in imprudent way.

2 We wanted to provide the Corporation
3 enough time to see if something untoward developed that
4 we were not aware of or could not possibly understand
5 because until the checks hit the mail, so to speak,
6 there's always an opportunity.

7 As this case I believe MPI paid the rebate
8 in was it May or June of 2007, which by the way was after
9 the beginning of the next fiscal year and it was exactly
10 in accordance with what we expected, Mr. Saranchuk.

11 MR. KEVIN MCCULLOCH: Mr. Chairman,
12 before Mr. Saranchuk continues his cross-examination,
13 we're now in a position to file the quarterly financial
14 report for the second quarter six (6) months ended August
15 31st, 2007. And I have with it a press release or news
16 release dated October 3rd, 2007. If we file these as two
17 (2) separate exhibits, I would suggest that the quarterly
18 report be MPI Exhibit Number 10 and the news release
19 accompanying it be MPI Exhibit Number 11.

20 THE CHAIRPERSON: Thank you, Mr.
21 McCulloch. To be so noted.

22

23 --- EXHIBIT NO. MPI-10: Quarterly report

24

25 --- EXHIBIT NO. MPI-11: News release that accompanied

1 the quarterly report

2

3 THE CHAIRPERSON: Okay, Mr. Saranchuk.

4

5 CONTINUED BY MR. WALTER SARANCHUK:

6 MR. WALTER SARANCHUK: Thank you, sir.

7 Mr. Palmer or Mr. Kramer, now with reference to the
8 updated financial report for the second quarter of the
9 six (6) months ended August 31st, 2007, perhaps with
10 reference to page 8, the statement of retained earnings
11 you can update us on the balance for basic insurance at
12 the end of August 31 -- at the end of August of this year
13 and also competitive lines and the total retained
14 earnings balance.

15 MR. OTTMAR KRAMER: For the six (6)
16 months ended August 31st, '07 the rate stabilization
17 reserve for basic insurance is at \$191 million, the
18 Immobilizer Incentive Fund, twenty-six point seven
19 (26.7), the competitive lines of -- of business in total
20 \$134.3 million for a all combined balance of retained
21 earnings \$352.5 million.

22 MR. WALTER SARANCHUK: Thank you, sir.
23 And now I'm interested in the news release and the
24 heading, "Manitoba Public Insurance on Solid Financial
25 Ground."

1 I take it that the upshot of this news
2 release is that notwithstanding the major hail storm that
3 occurred for example in Dauphin this past summer, the
4 bottom line for the corporation is still indeed very
5 black.

6 Is that correct?

7 MR. DON PALMER: That's correct.

8 MR. WALTER SARANCHUK: And has not been
9 compromised?

10 MR. DON PALMER: On an as-at basis,
11 retrospectively that's very true.

12 MR. WALTER SARANCHUK: Thank you. As I
13 indicated earlier, last year the comment or the position
14 taken by the Corporation was that depending on the
15 outcome of the discussion on the RSR -- and that was
16 again MCT versus Risk Analysis -- the Corporation will
17 have further decisions to make. Then I asked for the
18 rational, which Ms. McLaren was good enough to provide.

19 My question is: That given the Board's
20 last Order, and its ruling rejecting the MCT, what was
21 the decision that MPI made?

22 MR. DON PALMER: The decision was not to
23 still have transfers from the competitive lines of
24 business. And the other reactions are contained in the
25 annual report.

1 MR. WALTER SARANCHUK: Thank you, sir.
2 Now, Ms. McLaren, I'm referring to your pre-filed
3 testimony and in particular page 2, the bottom paragraph.

4 Just before that paragraph you've
5 indicated in the last sentence in the paragraph in the
6 middle of that page, that, quote:

7 "The forecasting and rate making
8 methodologies that Manitoba Public
9 Insurance have changed very little for
10 a number of years, and therefore have
11 changed to multi-year rate
12 applications as a legitimate
13 evolutionary step." End of quote.

14 You see that, ma'am?

15 MS. MARILYN MCLAREN: Yes.

16 MR. WALTER SARANCHUK: Now the next
17 sentence indicates, quote:

18 "The corporate strategic plan, the CS-
19 - CSP continues to be the articulation
20 of our goals and objective and the
21 focus of our efforts and initiatives.
22 The..."

23 The next sentence:

24 "The initiatives than began in 2005
25 will require focus and effort for the

1 next several years." End of quote.

2 In terms of the corporate strategic plan
3 and the goals of the Corporation, there's been no change
4 in that regard, has there?

5 MS. MARILYN MCLAREN: No.

6 MR. WALTER SARANCHUK: Now in SM-1.1 in
7 Volume I, there's reference to goal number 5, and I'd ask
8 you to read that in please, Ms. McLaren.

9 MS. MARILYN MCLAREN: "The rate
10 stabilization reserves will be maintained within
11 established target levels."

12 MR. WALTER SARANCHUK: Yes. And if I
13 were to suggest to you that previously that goal read,
14 "retained earnings and rate stabilization reserves will
15 be maintained within established target levels," would
16 that surprise you?

17 MS. MARILYN MCLAREN: No, I don't think
18 so.

19 MR. WALTER SARANCHUK: And now I'd refer
20 you to AI-6, your annual report, at page 33, where at
21 goal number 5 at the top it states, quote:

22 "Retained earnings and rate
23 stabilization reserve will be
24 maintained within established target
25 levels." End of quote.

1 And then moving down to strategies, again
2 there's reference to maintaining the retained earnings
3 and rate stabilization reserve within established target
4 levels.

5 Do you see that, Ms. McLaren?

6 MS. MARILYN MCLAREN: Yes.

7 MR. WALTER SARANCHUK: And just bear with
8 me here. The corporate strategic plan in AI-7, in the
9 section following that annual report, at page 15 you'll
10 see at the top, goal number 5 provides, quote:

11 "retained earnings and the rate
12 stabilization reserve will be
13 maintained within established target
14 levels." End of quote.

15 And then at the bottom, in Strategies 5.3
16 it says, quote:

17 "...to develop business strategies to
18 ensure competitive lines of business
19 are profitable and contribute to the
20 benefit of all Manitobans." End of
21 quote.

22 If I were to suggest to you that
23 previously that strategy, in keeping with the title to
24 that goal, or actually, the goal, included reference to
25 contributing to the rate stabilisation reserve as -- why

1 is it deleted from this strategy, do you know?

2

3 (BRIEF PAUSE)

4

5 MS. MARILYN MCLAREN: Are you talking
6 about something being deleted from the strategic plan?

7 MR. WALTER SARANCHUK: Yes, that the goal
8 number 5, Strategy 5.3 used to read, quote;

9 "To develop business strategies to
10 ensure competitive lines of business -
11 - competitive lines of business, are
12 profitable and contribute to the rate
13 stabilization reserve for the benefit
14 of all Manitobans." End of quote.

15 MS. MARILYN MCLAREN: But the strategy
16 still does say that; this is the '07 Corporate strategic
17 plan.

18

19 (BRIEF PAUSE)

20

21 MS. MARILYN MCLAREN: So the strategy --
22 I want to be sure that I understand what you're saying.
23 The strategy, 5.3, used to reference the RSR and now it
24 doesn't and the question is to why?

25 Again, the RSR has -- considered by this

1 Board to be full, and usually excess of full, and
2 requires no rebuilding strategies at this point.

3 MR. WALTER SARANCHUK: Then let me ask
4 you: Considering the size of the retained earnings on the
5 extension side, leaving even aside SRE, I know that
6 you're going to set up a fund apparently, according to
7 the annual report, which we can talk about later, what
8 are you going to do with that accumulation of funds on
9 the extension side, the retained increasing to the extent
10 that they are, as contributed to in large measure by 90
11 percent of the Manitobans?

12

13 (BRIEF PAUSE)

14

15 MR. WALTER SARANCHUK: Sorry, not 90
16 percent of Manitobans, 90 percent of Manitoba motorists.

17 MS. MARILYN MCLAREN: Mr. Saranchuk, what
18 we do with what might at some point be determined to be
19 excess retained earnings is something the Corporation
20 will sort out and -- and deal with, it's not something
21 that's subject to this proceeding.

22 MR. WALTER SARANCHUK: Well, you're not
23 going to get any argument from me on that. There's no
24 question that that is outside of the jurisdiction of this
25 Board, but you have in the past made transfers from SRE

1 to basic and now you've decided to curtail it -- them.

2 And all I'm asking is: Given the size of
3 the retained earnings on the extension side and the fact
4 that they will tend to increase, why wouldn't you
5 continue with the policy that you did continue, instead
6 of saying, Oh, well, we didn't get what we were looking
7 for in using the MCT, so therefore, we're going to stop
8 paying the transfers?

9 MS. MARILYN MCLAREN: What the
10 Corporation intends to do is to develop business
11 strategies that ensure the competitive lines of business
12 are profitable and contribute to the benefit of all
13 Manitobans. And if you're suggesting that past activity
14 in that regard that helped to rebuild an RSR was
15 something that did contribute to the benefit of all
16 Manitobans, I would certainly agree with you.

17 The Corporation is accountable for its
18 decisions on all lines of business that it manages, and
19 there will be others outside of this forum who determine
20 the extent to which we have managed those lines in a way
21 that contributes to the benefit of all Manitobans, will
22 be accountable for their determination on that.

23 MR. WALTER SARANCHUK: So, you're talking
24 about the MPI Board of Directors?

25 MS. MARILYN MCLAREN: The Board is the

1 Corporation; the Corporation is the Board. There are --
2 there is the Court of Public Opinion, there are the views
3 of our policyholders, there is the view of our single
4 shareholder. There are many groups; standing committee
5 of the legislature.

6 There's many groups that make
7 determinations to the extent to which Manitoba Public
8 Insurance contributes to the benefit of all Manitobans
9 and they will determine how well we fulfill this
10 particular strategy.

11 MR. WALTER SARANCHUK: So all those
12 people are going to have some say in whether or not there
13 should be a transfer from extension to basic?

14 MS. MARILYN MCLAREN: All those groups I
15 mentioned will have some say, retrospectively, with -- to
16 extent -- to the extent to which they believe we have
17 acted in a way that contributes to the benefits of all
18 Manitobans.

19 MR. WALTER SARANCHUK: Well, I'm
20 focussing on the transfer of excess funds and extension
21 to basic. And you've indicated and you've acknowledged,
22 obviously, that that has been done in the past, you've
23 decided not to do it any longer, and, I guess, the
24 question that I have is, in addition to what you're going
25 to do with that money, the essential question is:

1 What is the Corporation's rationale
2 relative to the cessation of those transfers?

3 What, that they RSR doesn't need
4 rebuilding on the ex -- on the basic side, is that the
5 answer?

6 MS. MARILYN MCLAREN: I believe that's
7 the answer I've given you three (3) times now, yes.

8 MR. WALTER SARANCHUK: Now, is that the
9 decision that MPI made as a result of the Board, in its
10 last Order, rejecting MCT?

11 MS. MARILYN MCLAREN: Well, we were
12 pretty close to that decision prior to that when the
13 Board had ordered rebates when we did not believe the RSR
14 was adequately funded.

15 Last year at -- a few months ago, not
16 quite a year ago, receiving the last Order of this Board,
17 after another full and valiant effort to get the Board to
18 consider accepting the MCT; having failed to do that;
19 having acknowledged that the fact that in the minds of
20 this Board the RSR is full and usually excess of full, we
21 are not sending money over the wall to be sent out in
22 cheques to what might not even be the same people.

23 MR. WALTER SARANCHUK: I see. Okay, I
24 won't continue on that line. I guess your news release
25 as at August 31st and the title saying, quote, "Manitoba

1 Public Insurance on solid financial ground," end of
2 quote, says it all?

3 MS. MARILYN MCLAREN: On August 31st, at
4 the end of six (6) months, we were certainly on solid
5 financial grounds.

6

7 (BRIEF PAUSE)

8

9 MR. WALTER SARANCHUK: Now, finally,
10 dealing with the RSR, I don't think I'm encroaching on an
11 area where we're outside the Board's jurisdiction, given
12 that this is public information, but as I understand it,
13 at least according to your annual report, AI-6 at Page
14 70:

15 "As a result of the business process
16 review the Corporation has established
17 an extension development fund."

18 Is that correct?

19 MS. MARILYN MCLAREN: Yes, that's
20 correct.

21 MR. WALTER SARANCHUK: And that fund is a
22 segregation of extension retained earning?

23 MR. BARRY GALENZOSKI: It's extension in
24 SRE and that's further referenced if you look in the
25 quarterly report that you just received on page 4, the

1 second paragraph on the right-hand side, it talks fairly
2 extensively about that fund and where the monies come
3 from and how it's being used.

4 MR. WALTER SARANCHUK: So again with this
5 being public knowledge, perhaps at lie -- at a high level
6 you can just explain what the fund is all about, Ms.
7 McLaren, in terms of its purpose and the amount in it;
8 with reference to page 4 of your quarterly report.

9 MR. BARRY GALENZOSKI: I think I will
10 just quote the -- the quarterly report.

11 "The EDF is being used to fund service
12 improvements made possible by the
13 merger with the division of driver and
14 vehicle licensing and that flow though
15 the competitive lines statement of
16 operations.

17

18 (BRIEF PAUSE)

19

20 THE CHAIRPERSON: Do we expect it then to
21 work the same way as the IIF?

22 MR. DON PALMER: That's correct. It --
23 it's money that we expect to spend, yes.

24

25 CONTINUED BY MR. WALTER SARANCHUK:

1 MR. WALTER SARANCHUK: And of course with
2 reference to your annual report, just going back to the
3 AI-6 again at -- at page 33, we dealt with goal number 5.
4 There's also reference there to these dials if you will,
5 D-I-A-L-S, Ms. Reporter, where there is mention of
6 extension retained earnings and SRE retained earnings.
7 As I understand it, there is still MCT calculation --
8 minimum capital test calculations being taken in respect
9 of those two (2) aspects of the extension, is that
10 correct, SRE and the extension?

11 MR. DON PALMER: That's correct.

12 MR. WALTER SARANCHUK: Now is that MCT
13 calculation still being done by the Corporation, with
14 respect to basic?

15 MR. DON PALMER: The calculation is still
16 being done, yes.

17 MR. WALTER SARANCHUK: And is there a
18 cost factor associated with that?

19 MR. DON PALMER: The -- not -- not
20 anything that we could really segregate. We do the decat
21 analysis as part of the -- the appointed actuaries
22 requirements and the calculation of MCT is -- is done in
23 conjunction with that.

24 We do calculate or fill out a -- an annual
25 statement a P&C1 that includes the MCT test that's

1 essentially for our own -- own information purposes. So
2 to say that there's an incremental cost from us doing it
3 or not doing it I'd say really not.

4 MR. WALTER SARANCHUK: Can it be said
5 that basic is paying at all for the MCT or not?

6 MR. BARRY GALENZOSKI: Each of the lines
7 of business has their own decat calculations done and is
8 charged to those lines of business based on the effort
9 that the actuaries put forward. So they're all being
10 charged appropriately for their own work.

11 MR. WALTER SARANCHUK: And in terms of
12 the dials that are shown on page 33 of the annual report
13 there are still targets indicated for extension and SRE.
14 Just on that point there were targets for slightly lesser
15 amounts at the time when transfers were being paid over
16 to basic as well.

17 Is there a reason why these targets are
18 continuing?

19 MR. DON PALMER: They still have funding
20 levels that are required and -- and target levels,
21 whether we were transferring to basic or not.

22 MR. WALTER SARANCHUK: Thank you. And in
23 terms of your extension development fund or EDF that's
24 been established on the extension side, does any of that
25 spending have any impact on the basic insurance division?

1 MR. DON PALMER: No.

2 MR. WALTER SARANCHUK: Thank you. Those
3 are all the questions I have at this juncture. I'll now
4 turn cross-examination over to My Learned Friend and
5 colleague, Ms. Everard. She'll, just to give you a
6 heads up, start dealing with investment income.

7

8 (BRIEF PAUSE)

9

10 CROSS-EXAMINATION BY MS. CANDACE EVERARD:

11 MS. CANDACE EVERARD: Okay. Dealing then
12 with investment income as a preliminary question can you
13 confirm for the Board or do you agree that investment
14 income is a major component of the operating results for
15 the Corporation?

16 MR. DON PALMER: I'll confirm that.

17 MS. CANDACE EVERARD: Okay I'd like to
18 have you take a look at Tab 14 of the book of documents.
19 It's the response to question 5 posed by the Board in the
20 first round. And specifically, if you could look at
21 Attachment B.

22

23 (BRIEF PAUSE)

24

25 MS. CANDACE EVERARD: Now, if I'm reading

1 this correctly, this table sets out the variability and
2 investment income from 2002/2003 through 2006/2007.

3 Is that right?

4 MR. OTTMAR KRAMER: That's correct.

5 MS. CANDACE EVERARD: Thank you. And it
6 would appear that the corporate total of investment
7 income in the 2002/2003 year was some 52.9 million, which
8 increased to approximately 166.5 million in 2005/2006,
9 and then went to 120.4 million in 2006/2007.

10 Am I right?

11 MR. OTTMAR KRAMER: That is correct.

12 MS. CANDACE EVERARD: Okay, if I could
13 ask you to turn one (1) more tab over. We will come back
14 to that schedule a little bit later on, but for now --

15 MR. BARRY GALENZOSKI: If I could just
16 interrupt for a second. That schedule, as you might
17 recall, was revised and -- and re-filed under PUB-2-7, so
18 the one you have in your book is the one before revision.

19 MS. CANDACE EVERARD: Okay, thank you.
20 I'll certainly take a look at that and advise if there
21 are any followup questions.

22

23 (BRIEF PAUSE)

24

25 MS. CANDACE EVERARD: So, turning then to

1 Tab 15, which is question 6; asked in the first round by
2 the Board. I'd like to take a look at the composition of
3 the investment portfolio over the years from the current
4 year that we're in, 2006/2007, through the end of the
5 outlook period.

6 And it would appear that the balance in
7 the investment portfolio in the current year is just over
8 \$2 billion dollars, projected to increase to about 2.8
9 mil -- billion, pardon me, in 2011/'12.

10 Is that right?

11 MR. OTTMAR KRAMER: That's correct.

12 MS. CANDACE EVERARD: Okay. And in the
13 current year, 2006/2007, it would appear that there's
14 about 56 million invested in short term bonds, which is
15 about 2.8 percent of the portfolio, is that right?

16 MR. OTTMAR KRAMER: That's correct.

17 MS. CANDACE EVERARD: And for long term
18 bonds, the dollar value invested is just under 1.5
19 billion, which comprises about 74.3 percent of the
20 portfolio?

21 MR. OTTMAR KRAMER: That's correct.

22 MS. CANDACE EVERARD: And that percentage
23 is projected to decrease to about 73 percent for the year
24 of the application, 2008/'09, and to stay at about 73.1
25 percent through the end of the outlook period?

1 MR. OTTMAR KRAMER: Yes, it's seventy-
2 three point one (73.1) in '11/'12.

3 MS. CANDACE EVERARD: Okay. And again,
4 looking at the current year, 2006/2007, there's about
5 336.7 million in Canadian equities, as well as -- as 20
6 million in an equity linked note. So if -- if I'm right,
7 that would give rise to about 356.7 million in Canadian
8 equities?

9 MR. OTTMAR KRAMER: Yes, that would be
10 for the year ending February, 2007.

11 MS. CANDACE EVERARD: Yes, the current
12 year.

13 MR. OTTMAR KRAMER: Well, that's --
14 that's last year's.

15 MS. CANDACE EVERARD: Pardon me, I'm
16 sorry. I -- I am talking about '06/'07. I appreciate
17 that was the year that ended earlier. Thank you.

18 So Canadian equities in 2006/2007 would
19 have been about 17.7 percent of the portfolio?

20 MR. OTTMAR KRAMER: That is correct.

21 MS. CANDACE EVERARD: And looking again
22 through the projections on this IR, it would appear that
23 that percentage is projected to increase slightly in the
24 year of the application, 2008/2009, to 18 percent and
25 then to increase slightly again to 18.6 percent, in

1 2011/'12?

2 MR. OTTMAR KRAMER: Yes, that's correct.

3 MS. CANDACE EVERARD: Okay. Looking
4 again at last year, 2006/2007, and particularly the US
5 equities component, the dollar amount in that category
6 was 96.7 million, which was 4.8 percent of the portfolio
7 last year?

8 MR. OTTMAR KRAMER: That's correct.

9 MS. CANDACE EVERARD: And that component,
10 US Equities, is projected to increase to about 6 percent
11 of the portfolio for the year of the application, in
12 2008/'09?

13 MR. OTTMAR KRAMER: That's correct.

14 MS. CANDACE EVERARD: So overall, in
15 2006/2007 there was about 21 1/2 percent in equities plus
16 the 1 percent for the equity linked note that's set to
17 increase to about 24 percent in the year of the
18 application.

19 Am I right?

20 MR. OTTMAR KRAMER: Yes, that's correct.

21 MS. CANDACE EVERARD: And through the end
22 of the outlook period, 2011/'12, that 24 percent will
23 increase slightly to 24.4 percent?

24 MR. OTTMAR KRAMER: Yes, that's correct.

25 MS. CANDACE EVERARD: Now, I also note

1 that with respect to the Venture Capital component there
2 has remained significant consistency from 2006/'07
3 through the remainder of the outlook period, and that's
4 about a half a percent -- half a percent or .4 percent of
5 the overall portfolio?

6 MR. OTTMAR KRAMER: Yes.

7 MS. CANDACE EVERARD: So would it be fair
8 to say, having reviewed this schedule, that for the year
9 of the application there is little change in the
10 composition of the portfolio over the last couple of
11 years?

12 MR. OTTMAR KRAMER: Yes, other than the
13 equity linked note, which was -- is no longer there.

14

15 (BRIEF PAUSE)

16

17 MS. CANDACE EVERARD: And just to
18 confirm, sir, the equity linked note funds have been
19 rolled into equities?

20

21 (BRIEF PAUSE)

22

23 MR. OTTMAR KRAMER: The equity linked
24 note, we used those funds to -- to pay the -- the last
25 rebate in May -- or in April.

1 MS. CANDACE EVERARD: Thank you.
2 Speaking a little more about the Venture Capital
3 component, can you define what Venture Capital is, for the
4 record, please?

5 MR. OTTMAR KRAMER: It's a private
6 venture in equity capital.

7

8 (BRIEF PAUSE)

9

10 MS. CANDACE EVERARD: Okay. And can you
11 confirm for the record, what are the reasons for the
12 Corporation investing in Venture Capital?

13 MR. BARRY GALENZOSKI: Yeah, I can
14 probably provide a little bit of perspective on that.
15 There was a -- a small allocation made to Venture
16 Capital. The Corporation -- there was some approaches
17 made to the Department of finance with respect to Venture
18 Capital funds in -- in the province, and although MPI
19 doesn't get directly involved in any of the Venture
20 Capital investments, that is done through the Department
21 of Finance, and so a small allocation was made towards
22 that particular asset class.

23 Pure Venture Capital would be limited to
24 about \$5 million of the total portfolio. We'd have less
25 than that currently on the books. And then the balance

1 making up that .4 percent is private equity and that is a
2 different type of fund, a little bit -- a little bit
3 different than pure Venture Capital funds.

4 MS. CANDACE EVERARD: And what have the
5 returns been with respect to the Venture Capital
6 component?

7 MR. BARRY GALENZOSKI: Venture Capital
8 returns are not great and our experience has not been
9 good, and that's one (1) of the reason why the
10 Corporation was interested in keeping that allocation
11 quite low.

12 MS. CANDACE EVERARD: Okay. Can you
13 comment on why the Corporation doesn't hold any
14 investments other than in North America?

15 MR. BARRY GALENZOSKI: I think that,
16 again, goes back historically to our asset allocation
17 studies that were made and the ones that we implemented,
18 with the exclusion of the last one, which we keep
19 reminded about at this venue. And that required that our
20 -- at that time, the efficient frontier was to invest in
21 the asset allocation that you currently see in front of
22 you now.

23 MS. CANDACE EVERARD: And the -- we're
24 going to come to that in a minute. The -- the study that
25 you're talking about is the Mercer report?

1 MR. BARRY GALENZOSKI: That's correct.

2

3 (BRIEF PAUSE)

4

5 MS. CANDACE EVERARD: Okay. If we can
6 turn to the Investment Policy Statement, which actually a
7 place -- or appears in a couple of places in the book of
8 documents. The -- the original filing of AI-11(b) is at
9 Tab 11 and the blackline copy of the IPS -- the
10 Investment Policy Statement -- that details changes over
11 last year is part of the response to question 9 in the
12 first round, which is at Tab 18.

13 So I -- I am going to ask specific
14 questions about the changes a little bit later on, but
15 for the purposes of this discussion, you can probably
16 look at either one.

17 And specifically, if you could look at
18 page 18 of the Investment Policy Statement, Article 7.1;
19 it's my understanding that the -- the chart shown at --
20 at Article 7.1 sets out the minimum, normal and maximum
21 ranges for equities and fixed-income instruments.

22 MR. BARRY GALENZOSKI: Yes, each of the
23 asset classes has those scales that are -- that range put
24 forward and the -- so it's documented in the Investment
25 Policy Statement.

1 MS. CANDACE EVERARD: And can you confirm
2 that there have been no changes in the target ranges from
3 last year's application?

4 MR. BARRY GALENZOSKI: I believe that the
5 allocations are the same.

6 MS. CANDACE EVERARD: And can you
7 confirm, looking at the US Equities line, why the range
8 is only between zero percent as a minimum and 5 percent
9 as a maximum, and why that's not a -- a greater portion?

10 MR. BARRY GALENZOSKI: Well, we -- we set
11 a range that had a maximum of 5 percent, mainly because
12 of concerns with respect to the -- the currency exposure
13 that we were getting on that particular fund. And we
14 capped it at the 5 percent level and it's been there for
15 several years now.

16 MS. CANDACE EVERARD: Thank you. Can you
17 explain the rationale for having equities as a component
18 of the portfolio?

19 MR. BARRY GALENZOSKI: Well the rationale
20 for having equities is based on the -- the
21 asset/liability studies that were provided. And the --
22 the hope is, obviously, to get a slightly better return
23 than you're going to get if you were 100 percent invested
24 in bonds, which -- which is where the Corporation was
25 about ten (10) or fifteen (15) years ago.

1 MS. CANDACE EVERARD: Now, I think it was
2 mentioned in evidence this morning, or at some point
3 earlier today, that the asset allocation is being
4 revisited or that there's a study ongoing?

5 MR. BARRY GALENZOSKI: Yes, we're
6 currently just starting a study on -- a new asset
7 allocation study, and so we just started on the first
8 steps of that just -- just recently.

9 MS. CANDACE EVERARD: And that's -- it's
10 Aon Consulting, I believe, was indicated that's been
11 engaged for that purpose?

12 MR. BARRY GALENZOSKI: Yes, we did -- we
13 did do an RFP on that, and Aon was the company that was
14 selected to do that.

15 MS. CANDACE EVERARD: And if -- if it was
16 said earlier, I apologize; but has there been a -- an
17 indication given of when that's expected to be completed?

18 MR. BARRY GALENZOSKI: Yes, I think I
19 indicated that we expect to report to the Investment
20 Committee of the Board in the January 31 meeting; in and
21 around that time frame of next year, 2008.

22 MS. CANDACE EVERARD: Yes. Thank you.

23 So, continuing in the Investment Policy
24 Statement, which I indicated as either at Tab 11 or
25 Tab 18, can you confirm for the purposes of the record

1 who is the author of this particular document?

2 MR. BARRY GALENZOSKI: Well, the
3 Corporation is the author. The -- the department
4 responsible for preparing this document is our Investment
5 Department that the Corporation has; a small department
6 of four (4) individuals.

7 MS. CANDACE EVERARD: So how does --

8 MR. BARRY GALENZOSKI: This also has been
9 approved by the Investment Committee Working Group which
10 consists of a joint committee of the Department of
11 Finance and MPI, and then that's referenced and -- and
12 forwarded for approval to the Corporation's Investment
13 Committee.

14 MS. CANDACE EVERARD: Thank you. You
15 just answered my next two (2) questions without me having
16 to ask them.

17 Okay, moving then to the -- the Department
18 of Finance that you just mentioned; I'm going to ask for
19 a series of factors and ask you to indicate the scope of
20 the authority or the scope of the role of the Department
21 of Finance in each of the following.

22 And the first one is its role in
23 establishing the investment policy statement. I know you
24 indicated that there are members that deal with the
25 approval, but can you elaborate on that?

1 MR. BARRY GALENZOSKI: Well, they would
2 be, I would say, on an equal footing to the Corporation.
3 We have this joint committee that recommends to the
4 Investment Committee on -- on that basis, and so we
5 reached consensus at that level and send that forward.

6 MS. MARILYN MCLAREN: And I think the
7 point is also that the Department of Finance folks have
8 their own reporting responsibility within the Department
9 of Finance. So there's dual reporting, there is a shared
10 governance with the Department of Finance having full
11 legislative authority to make the investments themselves.

12 MS. CANDACE EVERARD: And that was going
13 to be one (1) of the -- the other questions, is what its
14 involvement is; that is, the Department of Finance's
15 involvement in the operational management of the fund and
16 in acquiring the various investment instruments, so would
17 -- the same answer would apply?

18 MS. MARILYN MCLAREN: Yes.

19 MS. CANDACE EVERARD: In the Investment
20 Policy Statement, there is reference made to the
21 Investment Fund Directional Plan, which I take it is a
22 separate document. Is that something in which the
23 Department of Finance also has a hand?

24 MR. BARRY GALENZOSKI: Yes, again, it's
25 through that same committee: the Investment Committee

1 working group. That document is drafted by our
2 Investment Department and then vetted through that
3 particular group and then eventually goes to the
4 Investment Committee of the Board for information.

5 MS. CANDACE EVERARD: Okay, one (1) last
6 question with respect to the involvement of the
7 Department of Finance, and that relates to the
8 administration of the investments after purchase.

9 Can you explain that for the record?

10 MR. BARRY GALENZOSKI: Well, with respect
11 to the administration, the -- the Department of Finance
12 is totally responsible for the administration of the bond
13 portfolio, so the buy/sell decisions are made by them.

14 With respect to the equity component,
15 they're involved jointly with the Investment Committee
16 working group and the -- our Investment Committee on the
17 hiring of fund managers. And then the fund managers are
18 given a mandate and they then work within that mandate
19 and the funds that we provide them and they're free to
20 invest within their mandate.

21 MS. CANDACE EVERARD: And the mandate, I
22 take it, is created by the working group, would that be
23 right?

24 MR. BARRY GALENZOSKI: The mandate is
25 actually a product of the asset liability review where

1 we're looking for some different investment styles that
2 we might be interested in, so that we're not having
3 everybody invest in the same markets. For instance, on
4 the Canadian side; they'd have different styles, they'd
5 have maybe a different focus on the -- on the size of the
6 companies they're investing in, along that manner.

7 And so then they get their investment
8 mandate based on their particular style that they would
9 bring to the table and what the Corporation is looking
10 for to get a risk diversification. And then we monitor
11 against our -- our Investment Department monitors their
12 activities in relation to the mandate that they've got to
13 make sure that they're staying withing their mandate or
14 close to it.

15 And if there's any compliance issues, then
16 those are dealt with, depending on the -- the serious
17 nature of the compliance issue.

18 MS. CANDACE EVERARD: Okay, I indicated
19 that we were going to go through some of the changes to
20 the Investment Policy Statement over last year. And as I
21 said, that's at Tab 18 of the book of documents; it's the
22 response to the IR.

23 In particular, I'd -- I'd like to start at
24 page 6 and article 1.2; it would appear that there's been
25 a -- an addition to the language in that article, right

1 at the end. The words in that Order have been added and
2 this relates to the purpose of the fund.

3 Can you explain the rationale for the --
4 the additions of that language?

5 MR. BARRY GALENZOSKI: Well, it's just to
6 clarify that -- I guess our prime concern is that the
7 money is there at the end of the day to pay our
8 liabilities that they're set aside for.

9 And then after that, we'd like to minimize
10 the premiums that are payable. So that means we're not -
11 - we're not trying to emphasize getting the absolute
12 maximum return. Risk is very important to the
13 Corporation, and we want to make sure that there's some
14 high degree of certainty that the funds will be there
15 when they're required.

16 MS. CANDACE EVERARD: Thank you. Turning
17 to page 11 and article 4.7 of the document, there appear
18 to be a few additions in that particular section.
19 Perhaps you could begin by reading in the paragraph and
20 then explaining why the changes were made.

21

22 (BRIEF PAUSE)

23

24 MR. DON PALMER: Just -- just for
25 clarification, the -- the bolding in that one point two

1 (1.2) be in that order looks like it was added. The
2 words were actually in the -- in the original one.

3 MS. CANDACE EVERARD: I actually looked
4 at that. I looked at last years and they -- wasn't
5 there, because --

6 MR. DON PALMER: I'm sorry. I stand
7 corrected.

8 MS. CANDACE EVERARD: Thanks.

9 MR. BARRY GALENZOSKI: And if you could
10 repeat your question, please.

11 MS. CANDACE EVERARD: Sure. Page 11,
12 Article 4.7; if you could read in the paragraph, and then
13 explain the changes.

14 MR. BARRY GALENZOSKI: "4.7 The duration
15 of current liabilities of the
16 corporation are reviewed and
17 calculated annually by MPI's pricing
18 and economics department. As of
19 October 31, 2006, the duration of net
20 claim liabilities, including unearned
21 premiums at a 5 percent nominal
22 discount rate, was seven point zero
23 (7.0) years. Sub-durations include
24 bodily injury of nine point zero (9.0)
25 years, and physical damage at zero

1 point seven (0.7) years. In addition,
2 the approximate duration of the
3 corporation of liability for the
4 employers share of the employees
5 pension liability is sixteen point
6 three (16.3) years. Therefore, the
7 duration of the Corporation's total
8 liabilities is seven point eight (7.8)
9 years."

10 And the reason we -- why we update this on
11 an annual basis with respect to the durations that we
12 have on -- on certain liabilities; we, in the past,
13 didn't mention the -- the employees liabilities that are
14 included as part of this commingled fund that we call our
15 Investment Fund.

16 And these are the -- the liabilities that
17 the Corporation is responsible for. It's not the
18 employees' money that's mixed in there. The employees'
19 pension money, for instance, goes off to the Civil
20 Service Superannuation Board -- their individual
21 contributions. But the Corporation has some
22 responsibilities.

23 And as that fund is growing in size, we
24 wanted to make sure that when we're looking at our
25 overall duration of our portfolio that we're trying to

1 manage towards, that we have some idea as to what that is
2 for -- with some certainty. And so that's why we're
3 showing these individual calculations in here now. It's
4 just adding a little bit more detail.

5 And I think what you'll see throughout
6 this whole process is that the Investment Policy
7 Statement is -- is a document that has been getting
8 better and better as we go forward. In other words we do
9 more work associated with looking at something like
10 duration, and then we reflect that in the investment
11 policy statement and -- and other areas that you'll come
12 across also.

13

14 (BRIEF PAUSE)

15

16 MS. CANDACE EVERARD: Thank you. The
17 next change that I'd like to discuss is on page 15,
18 article 6.2. This is the paragraph that deals with the
19 commitment to Manitoba investments. And there was a
20 change made in the last sentence of the paragraph; the
21 word "yield" having been removed. Perhaps with respect
22 to this paragraph, you can elaborate on the commitment to
23 Manitoba investments, and then explain the change and the
24 deletion of the word "yield."

25

1 (BRIEF PAUSE)

2

3 MR. BARRY GALENZOSKI: The -- I'll just
4 deal with the -- the term "yield"; why that was removed.
5 It was just, it was rem -- it was removed because we then
6 identified the Government of Canada bonds, so we were
7 more specific about what we were aiming at rather than
8 just using the word "yield."

9 And this clause is really there just to
10 provide some indication that the Corporation is open to
11 the Department of Finance making some recommendations
12 with respect to these types of investments; the socially
13 responsible types of investments that could include
14 venture capital-type investments.

15

16 (BRIEF PAUSE)

17

18 MS. CANDACE EVERARD: Thank you. The
19 next change is on page 21, section 8.4. This paragraph
20 deals with the management of investment risk -- or invest
21 -- or interest rate risk. So I'd ask you to explain the
22 paragraph and then specifically explain the changes that
23 were made.

24 MR. BARRY GALENZOSKI: Yes, again this is
25 to just get a little more precise with a particular --

1 what we're looking at. It -- it talks about adding in
2 the -- we've added the words Floating rate, note cash
3 marketable and unmarketable bond components and the
4 effective duration of the real return bond component.

5 And we're trying to do is, we're -- we're
6 trying to measure our -- our overall liabilities and stay
7 within a certain percentage of the duration, so that we -
8 - we have a portfolio that's reasonably matched to our
9 liabilities.

10 MS. CANDACE EVERARD: Thank you. The
11 next set of changes is in article 10.3, which is on page
12 24, dealing with monitoring. Perhaps you can explain the
13 -- the performance presentation standards established by
14 the CFA Institute?

15

16 (BRIEF PAUSE)

17

18 MR. BARRY GALENZOSKI: Again, this is a -
19 - you know, the added detail that's -- that's been coming
20 into the Investment Policy Statement over the last few
21 years. And this talks about the quality of the -- of the
22 review that we're going to do on a quarterly basis on our
23 investment portfolio.

24 Where possible, we're going to present our
25 evaluations to -- particularly to our investment

1 committee in accordance with current performance
2 presentation standards established by the CFA Institute.
3 And -- and we're not using the words "where possible,"
4 but there is an understanding with our -- with our Board
5 that there are -- there are some reasons why we can't
6 completely comply.

7 For instance, these rules apply to firms
8 that invest funds. The Corporation doesn't actually
9 invest funds. We don't -- we're not an investor of
10 funds; we hire managers to do that for us. And so what
11 we're looking for is -- is a high level and a respected
12 level of reporting so that it's understood that we're
13 trying to do the absolute maximum as far as reporting in
14 a standard that will be understood and accepted by -- by
15 a reasonable person.

16 MS. CANDACE EVERARD: So this change to
17 the Investment Policy Statement does not represent a
18 shift in how the portfolio will be managed?

19 MR. BARRY GALENZOSKI: No, absolutely
20 not. It's simply on -- it's just really documenting what
21 we've been doing for some time and the method of
22 reporting to the Board.

23 MS. CANDACE EVERARD: Thank you. If you
24 can go back to Tab 14. Mr. Chairman, I note the time. I
25 just have a few more questions in this section, so I

1 think it will work out quite nicely. Tab 14 of the book
2 of documents, which is the response to five (5) in the
3 first round.

4 And I appreciate you said that there was
5 an update to this. What I'd ask you to look again is
6 attachment B, and I note that the -- the table reflects
7 certain deductions from the investment income reflected,
8 one (1) of which is management fees?

9 MR. BARRY GALENZOSKI: Yes, that's
10 correct.

11 MS. CANDACE EVERARD: And last year,
12 2006/2007, the actual management fees were just over \$3
13 million, is that right?

14 MR. BARRY GALENZOSKI: Yes, that is
15 correct.

16 MS. CANDACE EVERARD: And how are those
17 fees determined?

18 MR. BARRY GALENZOSKI: Those fees are a
19 combination of all forms of fees that we pay to the
20 investment fund managers based on the contracts that we
21 have or that the Department of Finance has with the --
22 the equity managers, for instance, as well as the fees
23 that are charged by the Department of Finance.

24 MS. CANDACE EVERARD: Do the fees include
25 any kind of performance payments for meeting targets or

1 that sort of thing?

2 MR. BARRY GALENZOSKI: No, they're
3 generally based on assets under management.

4 MS. CANDACE EVERARD: And you've probably
5 also answered my next question. I was going to note that
6 the management fees appear to have increased over the
7 last number of years. Would that strictly relate to the
8 value of the portfolio, or would there have been any
9 other fee increases that would have contributed to that?

10 MR. BARRY GALENZOSKI: Generally
11 speaking, it's -- it would be because the portfolio is
12 growing in value over time.

13 MS. CANDACE EVERARD: Sorry, can you just
14 repeat that answer?

15 MR. BARRY GALENZOSKI: Generally
16 speaking, it's because the value of the portfolio is
17 growing over time.

18 MS. CANDACE EVERARD: And can you confirm
19 whether there are any management fees incurred to the
20 Corporation in connection with the MUSH bonds?

21 MR. BARRY GALENZOSKI: Yes, that hasn't
22 changed from the previous...

23 MS. CANDACE EVERARD: So, can you give an
24 indication of how much of the approximately \$3 million
25 dollars in '06/'07 would have been related to the MUSH?

1 MR. BARRY GALENZOSKI: Well, I can tell
2 you that the Department of Finance would have been paid
3 fees in -- in excess of just over a million dollars; how
4 much of that relates to MUSH we'd have to take under
5 advisement and provide you with a number.

6 MS. CANDACE EVERARD: If you would get
7 that undertaking, I'd appreciate it.

8 MR. BARRY GALENZOSKI: It's pretty much
9 going to be in relation to the -- the -- they're
10 proportioned in the portfolio, so, you know, it's -- it's
11 probably going to be in and around the three hundred
12 thousand dollar (\$300,000) mark, in around there
13 someplace.

14 MS. CANDACE EVERARD: Okay. And there's
15 just one (1) other --

16 MR. BARRY GALENZOSKI: Is that still an
17 undertaking?

18 MS. CANDACE EVERARD: No, that's okay.
19 Thank you. There's one (1) other deduction on this table
20 that I wanted to discuss, which is the pension fund
21 transfer. If you could just confirm to the -- or for the
22 record, to whom that transfer is paid and for what
23 purpose.

24 MR. BARRY GALENZOSKI: It's not actually
25 paid, it's just a book transfer. That money goes to the

1 pension liability that the Corporation maintains for its
2 employees; it doesn't go to the Civil Service
3 superannuation. They make their own investment income on
4 the funds that they've got under management for the
5 employees.

6 This is recognising that we have a certain
7 value of a portfol -- part of our portfolio that relates
8 to the pension liability and that goes -- that's part of
9 the earnings on that -- on that fund.

10 MS. CANDACE EVERARD: Okay, thank you.
11 Mr. Chairman, I'm at the end of that section, so maybe
12 now would be a good time to adjourn for the day.

13 THE CHAIRPERSON: Thank you, Ms. Everard.
14 Okay, we will adjourn for today and we will come back at
15 9:00 for a full day. Thank you.

16

17 (PANEL RETIRES)

18

19 --- Upon adjourning at 4:46 p.m.

20

21 Certified Correct,

22

23

24 _____
Rolanda Lokey, Ms.

25