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MANITOBA PUBLIC UTILITIES BOARD

RE:

MANITOBA PUBLIC INSURANCE
DRIVER SAFETY RATING

Before Board Panel:

Graham Lane - Board Chairman
Len Evans - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
April 14, 2009

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APPEARANCES

Candace Everard) Board Counsel
Walter Saranchuk, Q.C.)
Kevin McCulloch) MPI
Byron Williams) CAC/MSOS
Myfanwy Bowman)
Raymond Oakes) CMMG
Donna Wankling (np)) CAA Manitoba
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3	CAC/MSOS-7	Document called "Strategies for	
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1 --- Upon commencing at 9:03 a.m.

2

3 THE CHAIRPERSON: Okay, good morning,
4 everyone. I see we're all back together again.

5 Mr. McCulloch, do you have any
6 undertakings to report on?

7 MR. KEVIN MCCULLOCH: I don't believe so.
8 Not at this point.

9 THE CHAIRPERSON: Because usually I miss
10 you and then you have something. So anyway, okay, so
11 we're back to Mr. Williams and Ms. Bowman.

12 Mr. Williams...?

13 MR. BYRON WILLIAMS: And -- and I can
14 indicate that I'll be going for a fair bit this morning,
15 certainly to the break and probably somewhat after that.
16 And Ms. Bowman has a few questions and then I'll have
17 just a couple after she's completed.

18

19 MPI PANEL, RESUMED:

20 MARILYN MCLAREN, Resumed

21 DONALD PALMER, Resumed

22

23 CONTINUED CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

24 MR. BYRON WILLIAMS: Just -- and I've
25 notified MPI I might be referring to this transcript

1 reference. If the Corporation could just have nearby the
2 transcript from Day 1 of the Hearing, pages 68 through 70
3 please.

4

5

(BRIEF PAUSE)

6

7 MR. BYRON WILLIAMS: And -- and Mr.
8 Palmer, I see you have the transcript. I'm probably
9 going to be getting to a couple of comments by Ms.
10 McLaren, so -- but you'll -- you'll share -- I'm sure
11 you'll -- you'll get along well and share with each
12 other.

13 But just by way of context, and, Mr.
14 Palmer, I -- I don't think we need elaboration here, this
15 series of questions relates to PUB Information Request 1-
16 1 and the stated goals of the DSR program.

17 And in -- at a general level, sir, that's
18 where these -- these inquiries start, sir?

19 MR. DONALD PALMER: Yes. The goals of
20 the program were in our original evidence at SM-1.

21 MR. BYRON WILLIAMS: And just to let you
22 know where I'm going, if we go to the top of -- the
23 bottom of page 68, the top of page 69, you can -- and
24 I'll just ask you to confirm without elaborating, that
25 Ms. Everard is asking, basically, the Corporation why one

1 of the stated goals is not to reduce claims costs and
2 accidents.

3 You'll confirm that's -- that's the
4 question being posed?

5 MR. DONALD PALMER: Yes.

6 MR. BYRON WILLIAMS: And you'll also
7 confirm that you -- you chipped in with a -- a brilliant
8 answer on -- on page 69? Without elaborating, but you'll
9 -- you responded and then Ms. McLaren responded as well,
10 correct?

11 MR. DONALD PALMER: "Brilliant" is your
12 words not mine.

13 MR. BYRON WILLIAMS: And, Ms. McLaren,
14 just -- where I want to go is -- there's -- I want to
15 refer you to your response starting on page 69 and then
16 moving over to page 70. At the bottom of page 69 you
17 make reference to a literature review and then at the --
18 the top of page 70, starting at line 3 and going to line
19 5, you make a statement, and I'll just ask you to confirm
20 it and then I'll get you to elaborate in a minute, that:

21 "The structure of this program does not
22 follow what has proven to be the
23 classic requirements of effective
24 behaviour modification."

25 Do you see that, Ms. McLaren?

1 MS. MARILYN MCLAREN: I see that.

2 MR. BYRON WILLIAMS: And again, just
3 going down a -- another couple of lines, to lines 6
4 through 8 -- through 9, excuse me, you also state:

5 "From a psychological perspective
6 influencing someone's behaviour by
7 charging them an amount, perhaps months
8 after the event, is not classic
9 effective behaviour modification."

10 And that's your statement?

11 MS. MARILYN MCLAREN: Yes.

12 MR. BYRON WILLIAMS: And then just going
13 down a little bit further to lines 21 through 23, you --
14 you state:

15 "I don't know how we would ever turn
16 back and measure that any outcome truly
17 was driven by the program itself."

18 Is that fair?

19 MS. MARILYN MCLAREN: Yes.

20 MR. BYRON WILLIAMS: And so I want to
21 break down these statements into a few smaller questions.

22

23 By this program, of course up on line --
24 page 70, line 3, you're referring to Driver Safety
25 Rating, is that correct?

1 MS. MARILYN MCLAREN: Yes.

2 MR. BYRON WILLIAMS: And I wonder if you
3 could indicate to me what you meant by classic
4 requirements of behaviour modification?

5 MS. MARILYN MCLAREN: Going back in time
6 a fair ways now, some of my psychology courses, my
7 undergrad program, it needs to be -- reinforcement needs
8 to be immediate, needs to be repeated, we need to guard
9 against extinguishment, I think is the phrase, later down
10 the road.

11 So in -- in that narrow context of
12 behaviour modification, it does not apply in a -- in a
13 driving situation at all or an -- an insurance rating
14 system. Where you come from an insurance rating system,
15 where you know you're on solid ground, is with respect to
16 the predictive nature of the data, not in terms of
17 actually formally being able to expect to and measure any
18 specific behaviour change in individuals.

19

20 (BRIEF PAUSE)

21

22 MR. BYRON WILLIAMS: Thank -- thank you
23 for that. And -- and -- and just to follow-up that --
24 that statement and then I'll -- I'll come back to -- to
25 my line of questioning.

1 Just so I understand, I think the words
2 you -- you used were unable to ex -- expect to and
3 measure any behavioural change, just focussing on -- from
4 a behaviour modification perspective, just so I
5 understand your point, are -- are you saying that (a) you
6 -- you're -- you're not confident that you will change
7 behaviour, and (b) even if you did, you're not certain
8 how you would measure it?

9 Do I -- or am I -- pushing you too
10 far?

11 MS. MARILYN MCLAREN: That would go too
12 far.

13 MR. BYRON WILLIAMS: So you're not sure
14 you can measure change.

15 Would I be correct in suggesting that
16 you're not sure you can effect change, in terms of
17 driving behaviour?

18 MS. MARILYN MCLAREN: In terms of
19 measuring it -- it comes down to how many other variables
20 are there, and, you know, some of the -- perhaps at some
21 point regressions modelling and things we can do. You
22 know, it's hard to say what we may be able to isolate.
23 In -- in certain circumstances that -- that's always a
24 possibility.

25 We're absolutely -- everything we do from

1 a road safety perspective and -- and also from a rating
2 perspective, is absolutely intended to encourage better
3 driving behaviour. That's absolutely what we're trying
4 to do. So there's -- there's no suggestion at all that
5 that's not what we're attempting to do.

6 MR. BYRON WILLIAMS: And we'll come back
7 to regression modelling or potential ways to measure in -
8 - in just a few moments.

9 Going to your -- to your statement on
10 lines 6 through 8 -- through 9:

11 "From a psychological perspective
12 influencing someone's behaviour by
13 charging them an amount, perhaps a
14 month -- a month after the event, is
15 not classic effective behaviour
16 modification."

17 I take it in that sense you're referring
18 to the fact that changes -- or changes in -- in terms of
19 financial consequences flowing from Driver Safety Rating
20 often are implemented -- well, they are -- are intended
21 to be implemented at the time of renewal, which in many
22 cases may be a number of months after the -- after the
23 event.

24 Is -- is that your point there?

25 MS. MARILYN MCLAREN: It was really just

1 a follow on to the con -- to the statements in three (3),
2 four (4) and five (5), that we talked about earlier. It
3 was really exactly the same context.

4 MR. BYRON WILLIAMS: From a behavioural
5 modification perspective, do you see a -- weakness of the
6 Driver Safety Program is that in many cases the financial
7 consequences are not immediate?

8 MS. MARILYN MCLAREN: No. No, that's not
9 what I was suggesting at all.

10 MR. BYRON WILLIAMS: And that's not your
11 view?

12 MS. MARILYN MCLAREN: No, I think this
13 program -- some -- some of the inherent features of the
14 scale -- the program that has been developed -- is much
15 more likely to cause changes in behaviour, and the simple
16 fact of the scale, itself, as opposed to some of the one
17 (1) time surcharges.

18 MR. BYRON WILLIAMS: If I understand your
19 point on -- on that, Ms. McLaren -- and just so I
20 understand, though, in an ideal world with -- would it be
21 preferable to have the financial consequences immediate?

22 MS. MARILYN MCLAREN: No, I don't believe
23 so, because I think it wouldn't -- it would cause us to
24 have to break many of the other much more powerful
25 components to the program. The point about any surcharge

1 being quickly thereafter, the -- the classic behaviour
2 modification -- you know, the comments that I made
3 between three (3) and eight (8) that we've been talking
4 about the last few minutes, it would have to be repeated.
5 That's one (1) of the things that our program does,
6 because it's a scale and because there's movement on the
7 scale through time.

8 So if there was an at-fault accident and
9 then immediately thereafter a penalty within the next few
10 weeks, to be effective from that classic behaviour
11 modification theory, there'd probably would have to be
12 several more penalties following quickly after the first
13 one. That doesn't make sense at all from anybody's
14 insurance rating perspective.

15 MR. BYRON WILLIAMS: And just to
16 finalize, in terms of the behaviour modification, the --
17 the three (3) elements you identified were immediate,
18 repeated, and guard against extinguishment.

19 Is that correct?

20 MS. MARILYN MCLAREN: I believe so.

21 MR. BYRON WILLIAMS: In terms of guard
22 against extinguishment, just identify for me what you
23 mean by that.

24 MS. MARILYN MCLAREN: I think there's
25 research that shows behaviour tends to return to long-

1 standing previous patterns in the absence of structured
2 reenforcement to do otherwise. In other words,
3 extinguishing the new behaviour if it does not become
4 embedded and part of the...

5 MR. BYRON WILLIAMS: And -- and in -- in
6 the context of Driver Safety Rating structured
7 reenforcement, elements of that might be continued
8 publicity about the program, heightened enforcement, in
9 terms of sending a messa -- and heightened enforcement
10 sending a message that people are -- maybe more likely to
11 be caught and that there might be consequences from it.

12 Would those be two (2) elements of
13 structured reenforcement?

14 MS. MARILYN MCLAREN: They -- increased
15 traffic enforcement is -- certainly would do that. It's
16 really not anything we've talked about in these
17 proceedings; it has really nothing to do with the Driver
18 Safety Rating. But what we do know about road safety and
19 driving behaviour is that behaviour changes as the
20 perceived risk of being caught breaking the law
21 increases. That does mean it has to be sustained. It
22 does mean it has to be robust.

23 In terms of this program itself though,
24 some of the public information will be valuable, but the
25 best thing that I think will have the biggest impact is -

1 literature, in terms of merit programs or programs akin
2 to the Driver Safety Rating, which suggests that the two
3 (2) keys to making the initial effect of -- of simp --
4 these programs long-term are enhanced publicity and
5 enhanced enforcement?

6 MS. MARILYN MCLAREN: I'm not familiar
7 with research such as that. Maybe you can provide a
8 reference.

9 I think publicity clearly is important. I
10 think we can do one better than that by personalizing the
11 information. And enhanced enforcement tends to improve
12 driving; we -- we know that; evidence exists for sure
13 so...

14 MR. BYRON WILLIAMS: I --I don't have it
15 right at hand, but I'll -- I think we will come to it
16 later, but I think there's some information from Europe,
17 which I'm certainly happy to -- to share with
18 Corporation.

19 In terms of personalized communication, is
20 the Corporation familiar with any of the literature
21 coming out of California, for example in driver
22 improvement programs and their effectiveness, testing the
23 -- the relative effectiveness of -- of different
24 mechanisms to improve behaviour?

25 MS. MARILYN MCLAREN: I'm not.

1 MR. BYRON WILLIAMS: Just for example,
2 Masten and Peck from 2004, that doesn't ring a bell with
3 the Corporation? Okay.

4

5 (BRIEF PAUSE)

6

7 MR. BYRON WILLIAMS: Mr. Palmer, I
8 wouldn't sweat it. I don't think that there's anything
9 tremendous that turns on it.

10 MR. DONALD PALMER: The -- the trusty
11 back row has both of those studies. I personally haven't
12 read them.

13 MR. BYRON WILLIAMS: They're very
14 impressive, that back row.

15 MR. DONALD PALMER: Absolutely.

16 MR. BYRON WILLIAMS: Mr. Palmer, we were
17 on PUB-1-1 a little while ago, or I think you had turned
18 there, and you'll agree with me that the question itself
19 was asking you how program success was to be measured,
20 that's correct?

21 MR. DONALD PALMER: That's correct.

22 MR. BYRON WILLIAMS: And I recognize you
23 had a bit of a discussion on this subject with Ms.
24 Everard, so I'll try not to walk down there, but you'd
25 agree that as a general rule when one is initiating new

1 programs it's preferable to have measurable benchmarks
2 defined beforehand against which to measure the program's
3 success going forward; that would be fair?

4 MR. DONALD PALMER: Yes.

5 MR. BYRON WILLIAMS: And ideally, one
6 wants historical data and expected unbiased future values
7 that would prevail absent the new program as a -- kind of
8 as a trend for the baseline case.

9 Would that be fair?

10 MR. DONALD PALMER: Yes, I would agree
11 with that. Of course it's hard to get the baseline in
12 the future without the program if the program has already
13 been implemented.

14 MR. BYRON WILLIAMS: I'm not sure I heard
15 that -- that answer, Mr. Palmer.

16

17 (BRIEF PAUSE)

18

19 MR. DONALD PALMER: The baseline forecast
20 can be created, and we've done that at some detail in two
21 (2) instances that I can recall. One (1) -- the first
22 one was at the -- when we implemented the personal
23 injury protection plan.

24 And we had a comparison of the injury
25 costs under PIPP compared to what they would have been

1 under tort, and that was using the trends that we -- we
2 had observed and -- and pulling them forward.

3 The second instance in much more recent
4 memory is that of the immobilizer program and, again, we
5 created a -- a baseline forecast and using the trends
6 that were going forward and then compared those trends to
7 what our actual observed was.

8 So absolutely, I -- I agree with that.
9 The -- the difficulty, of course, is those -- in those
10 trends and they're meaningful but there's always some
11 question that that's exactly where you would have been,
12 because, as Ms. McLaren outlined, there are other
13 intervening factors that can happen in the meantime.

14 MR. BYRON WILLIAMS: And that's fair
15 enough, Mr. Palmer. Of course, part of the analytical
16 process would -- might involve identifying those other
17 intervening actors and -- actions and -- and weighing the
18 appropriate weight; would that be fair, sir?

19 MR. DONALD PALMER: Sure.

20 MR. BYRON WILLIAMS: And just to go back,
21 I think we've agreed that ideally we want measurable
22 benchmarks to find beforehand and also that ideally we
23 want historical data and expected trends for a baseline
24 case; would that be fair?

25 MR. DONALD PALMER: Yes.

1 MR. BYRON WILLIAMS: And then ideally we
2 -- we'd like the Corporation to set targets to be
3 surpassed. That -- that's one way to measure the
4 effectiveness of the program?

5 MR. DONALD PALMER: Yes.

6 MR. BYRON WILLIAMS: And just in your
7 response to Manitoba Public -- PUB-1-1, and again without
8 asking you to elaborate at this point in time, you
9 identified three (3) stated goals and talked briefly
10 about how progress towards these goals might be -- be
11 measured.

12 And -- is that correct, sir?

13 MR. DONALD PALMER: Yes.

14 MR. BYRON WILLIAMS: I want to start kind
15 of backwards, we'll start with number 3, and that goal is
16 improve public acceptance which you suggest will be
17 tracked by customer survey and customer feedbacks,
18 correct?

19 MR. DONALD PALMER: Yes.

20 MR. BYRON WILLIAMS: I wonder if you can
21 identify for me because I -- I'm trying to get a sense of
22 what -- which -- how you measure it and what your targets
23 are.

24 How is that public acceptance measured now
25 in terms of what are the criteria in which MPI evaluates

1 itself?

2 MR. DONALD PALMER: Primarily through
3 surveys. We have done many surveys both very targeted
4 and omnibus surveys on a quarterly basis to measure
5 public acceptance.

6 There we have -- also track all comments
7 and -- and they'd come through our web site through
8 customer relations on a more anecdotal basis but
9 certainly we measure and -- and we track all those
10 comments.

11 MR. BYRON WILLIAMS: I know the tool that
12 you use, Mr. Palmer. What's the -- what's the current
13 standard? What's the -- the -- the ideal measure as it
14 is today?

15 MS. MARILYN MCLAREN: The ideal measure
16 of?

17 MR. BYRON WILLIAMS: Well you're --
18 you're saying you're going to track -- you're going to
19 measure the success of driver safety rating in terms of
20 improved public acceptance.

21 How do you define improved public
22 acceptance today? What is your target in terms of
23 improved public acceptance under Driver Safety Rating?

24 MS. MARILYN MCLAREN: Okay. I think
25 first the third goal refers more specifically to public

1 understanding but the improved public acceptance which
2 goes on to say as with measurement of understanding.

3 So basically, what we have is a wealth of
4 information that's been shared as additional information
5 as part of this process that talks about the public's
6 limited understanding of the existing program and a
7 number of existing program features that cause
8 frustration and concern on the part of our customers. We
9 have a wealth of information about that.

10 What we'll do before the program starts
11 which is many months from now which is -- we never talked
12 specifically about why we are here so early but we will
13 get to that further to this question and -- and others
14 that you raised last week.

15 We will go through those surveys and the
16 public consultation document and we will select a certain
17 number of those specific questions and we will select
18 those as the ones we will continue to track the answers
19 to through time to gauge whether or not the program
20 significantly improves the public's ability to understand
21 what it is we're doing here from a merit discount
22 surcharge system and to their satisfaction addresses some
23 of the -- the problem points with the current program.
24 We'll do that and then we will track the results through
25 time and we would expect to see an improving trend.

1 MR. BYRON WILLIAMS: And -- and just so -
2 - so I understand that answer, you haven't set a specific
3 target as of yet although the -- the words you use are
4 "significant improvement;" would that -- that be fair?
5 That's something that -- that will be developed as this
6 program moves along then?

7 MS. MARILYN MCLAREN: That's right. The
8 Corporation's been very clear about what it's been trying
9 to fix with respect to the existing multiple programs and
10 we have a lot of feedback from the public in terms of the
11 public consultation and the quantitative surveys that
12 were done. From that, we will select how best to measure
13 the success of this program from that perspective, from
14 their understanding and acceptance and -- and we'll track
15 it.

16 MR. BYRON WILLIAMS: And you'll share
17 that with the Board in terms of what your target is when
18 it's set prior to the implementation of the program?

19 MS. MARILYN MCLAREN: I think we've been
20 pretty open about sharing all of that kind of public
21 survey information; I wouldn't expect this to be any
22 different.

23 MR. BYRON WILLIAMS: And in terms of goal
24 number 1, improving the relationship between rate and
25 risk, I wonder if you can elaborate a little bit more on

1 -- in terms of the -- the targets that the -- the
2 Corporation has set or intends to set in terms of this
3 goal?

4

5 (BRIEF PAUSE)

6

7 MR. DONALD PALMER: The -- the program
8 that we've developed in terms of the retrospective
9 modelling and the expected claims frequency by DSR level,
10 we have a pretty good fit from an increased predictive
11 nature that we will continue to measure to make sure that
12 we have an even better fit.

13 In addition, some of the claims experience
14 by the loss cost by DSR level, again we will be analysing
15 to ensure that we've got improved fit on that -- that
16 perspective.

17 MR. BYRON WILLIAMS: Can you elaborate
18 just a little bit on how one might examine the claims
19 experience by loss costs for a better fit?

20 MR. DONALD PALMER: Taking the actual
21 claims per driver compared to their DSR level and
22 measuring that.

23 MR. BYRON WILLIAMS: You probably don't
24 need to turn there, but if you wish to, in your response
25 to CAC/MSOS-1-15. Of course, you turn there.

1 techniques. We have various costing frameworks that we
2 have isolated the -- the cost to the Corporation of some
3 of the driving behaviours.

4 We have filed...

5

6 (BRIEF PAUSE)

7

8 MR. DONALD PALMER: We have filed studies
9 on the cost of seatbelt usage. We have filed studies on
10 the cost of drunk driving to the Corporation. At the
11 next hearing, it's planned to file the speed costing
12 framework.

13 So all of those, we can measure all of
14 those things and, certainly, the Driver Safety Rating has
15 an impact on -- on all three (3) of those, because they
16 are measurable inputs to our -- to our DSR Program.

17 So there are -- by looking at all of
18 those, and -- and improving the results and -- and
19 reducing the costs from speeding and from impaired
20 driving and from driver safety, or from seatbelts, that
21 are all measurable impacts of DSR.

22 MR. BYRON WILLIAMS: Thanks, Mr. Palmer.
23 I'll -- I'll ponder that and -- and probably won't come
24 back to it, but I might.

25 Just knowing that you like to follow the

1 references, I -- I want to direct the Corporation's
2 attention to the response to CAC/MSOS 1-1. And it's --
3 and the attachment to -- the attachment to this is AI-19
4 from the 2000 Rate Application and, specifically, page
5 12.

6 Do you have that, Mr. Palmer?

7 MR. DONALD PALMER: I have it.

8 MR. BYRON WILLIAMS: And we've talked
9 about this already today, but I just want to make sure I
10 understand the Corporation's position.

11 Referring you to a bit over halfway down
12 page 12, you see number 6 and then you'll see the first
13 paragraph under the heading -- there's a statement:

14 "The Corporation does not anticipate
15 that the new program will significantly
16 impact claims costs because most claims
17 are caused by good drivers, that is
18 drivers who have been claims and
19 conviction free for a number of years."

20 Have I made that statement correctly, sir,
21 read it correctly?

22 MR. DONALD PALMER: Yes, that's the quote
23 from the 2006 Report, yes.

24 MR. BYRON WILLIAMS: It's from the 2000 -
25 - yeah, and just what I want to understand is, is it

1 still the Corporation's position that the new program
2 will -- will not significantly impact claims costs?

3 MS. MARILYN MCLAREN: Not necessarily.
4 We don't know. Our point is that we have no legitimate
5 means to predict any amount of reduced claims costs or --
6 or any timing of such reductions.

7 MR. BYRON WILLIAMS: So, while you
8 certainly consider this an improved program compared to
9 Bonus-Malus from the loss, potential loss prevention
10 perspective, the jury is still out in terms of whether
11 this will serve as a -- a loss prevention device; would
12 that be fair?

13 MS. MARILYN MCLAREN: Yes, we certainly
14 believe it's an improvement over what we have, but the
15 jury would still be out in terms of to what extent or
16 when any such actual crash reduction directly
17 attributable to the Program may occur.

18 MR. BYRON WILLIAMS: And one (1) of the
19 reasons that the -- the jury is still out is that the
20 Corporation has not found a lot of empirical work that
21 will -- would assist it in predicting the anticipated
22 impact of a program such as this; would that be fair?

23 MS. MARILYN MCLAREN: That's fair. And
24 it really does come back to the fact that we're talking
25 about behaviour. The two (2) examples Mr. Palmer gave

1 you a few minutes ago but when we have tried to forecast
2 against the base forecast, when it came to theft
3 reduction, when it came to introducing PIPP, we weren't
4 talking about behavioural changes, we're talking about
5 fundamental coverage change, and a structured mechanical
6 intervention on the ability to steal vehicles.

7 MR. BYRON WILLIAMS: So -- so I don't
8 want to talk at this point in time about any empirical
9 research. I just want to talk at the high level in terms
10 of theory just
11 -- and then I will move into a bit of research.

12 Speaking purely in theoretical terms, one
13 (1) way in which this program might theoretically incur
14 safer driver behaviour is -- is through deterrence; would
15 that be fair? And if you need me to elaborate on that
16 I'm -- I'm certainly happy to.

17 MS. MARILYN MCLAREN: In terms of the
18 threat of higher penalties.

19 MR. BYRON WILLIAMS: Yeah, and by that
20 and I'll -- yeah, one (1) way, the theoretical way,
21 there's a financial consequence in the form of higher
22 premiums for careless or -- or reckless driving.

23 And -- so theoretically that's one (1) of
24 the potential impacts of this program, correct?

25 MS. MARILYN MCLAREN: That would be the

1 stick component of the proverbial carrot and stick, yes.

2 MR. BYRON WILLIAMS: And in terms of the
3 stick component I'm going to suggest to you that -- that
4 you hope that these premiums might have a general
5 deterrent effect on all drivers such as they change their
6 behaviour; would that be fair?

7 MS. MARILYN MCLAREN: Sure, that's fair.

8 MR. BYRON WILLIAMS: You would also hope
9 for a -- what, using a legal parlance, is a specific
10 deterrent effect on someone who's actually received a --
11 a demerit or five (5) demerits or two (2) demerits such
12 that they -- they change their behaviour.

13 So -- do you understand what -- you'll
14 agree with that?

15 MS. MARILYN MCLAREN: Yes, agreed.

16 MR. BYRON WILLIAMS: Okay. And -- and I
17 just wonder if the Corporation is aware of any research
18 that points to a drop in crashes as a consequence either
19 of the imposition of a demerit point or as a consequence
20 of a program like DSR?

21

22 (BRIEF PAUSE)

23

24 MR. DONALD PALMER: We are aware of that
25 literature and we're just scurrying to go get it.

1 MR. BYRON WILLIAMS: And, Mr. Palmer, I'm
2 not looking for a -- a -- you know, because it's not fair
3 to you to expect you to have memorized this material.

4 But in -- in the context of demerit points
5 for example, are you aware whether or not there was some
6 research based out of Ontario in 2003 that found that
7 most drivers do adapt their driving behaviour so that the
8 crash -- crash rate drops significantly about a month
9 after receiving demerit points, but after that point
10 there was no difference in crash rates?

11 In general terms, are you familiar with
12 that literature?

13 MR. DONALD PALMER: In general terms,
14 that specific study at this point -- I -- I have many
15 studies in my hair -- my head and they sort of blur
16 together so that specific one in Ontario, again, if you
17 have a reference we'd be happy to look at it.

18 MR. BYRON WILLIAMS: That's the Lancet
19 report by R-E-D-E-L-M-E-I-E-R. And, Mr. Palmer, I guess
20 it -- it's fair to say that the -- the Corporation is
21 aware that there's been some efforts to -- to look at
22 this material but at this point in time it's not
23 intimately familiar with -- with the details of this
24 research; would that be fair?

25 MR. DONALD PALMER: That's fair.

1 MR. BYRON WILLIAMS: And speaking again
2 of demerit point programs, are you aware of any European
3 research from jurisdictions such as Denmark, Italy,
4 Spain, Ireland or France which examines the early impact
5 of the introduction of demerit point programs?
6

7 (BRIEF PAUSE)

8
9 MR. DONALD PALMER: In one (1) of the
10 studies from the Netherlands the SWOV fact sheet -- and I
11 don't know what SWOV stands for -- international studies
12 show that the introduction of a demerit point system has
13 a limited long-term road safety effect.

14 MR. BYRON WILLIAMS: So -- and -- and I
15 guess the -- the point is that there -- there is some
16 work out there that -- that looks at both the short-term
17 and the -- and the long-term effect of these programs; is
18 that fair?

19 MR. DONALD PALMER: Yes.

20 MR. BYRON WILLIAMS: And certainly as --
21 as the -- as the program develops the -- the Corporation
22 will no doubt review literature in this vein to assist it
23 in -- in better -- better measuring the potential loss
24 prevention impacts of programs such as this; would that
25 be fair?

1 MR. DONALD PALMER: Yes, we'll -- we'll
2 continue to keep an eye on the research. We will also
3 have our own data that we will measure and -- and
4 certainly the -- and -- and I don't know in terms of the
5 -- the continued communication that we're planning under
6 the DSR program, don't know if that kind of ongoing
7 communication was included in some of the other demerit
8 programs. Certainly that will be a very important
9 component for us.

10 MS. MARILYN MCLAREN: But I think we need
11 to take a step back here just for a minute. The Driver
12 Safety Rating is Manitoba's Basic insurance discount
13 surcharge program. It has -- includes virtually no
14 changes to the demerit point system that was in place
15 before 1971. Manitoba has had a demerit point system for
16 decades and decades before the Corporation was
17 established.

18 The schedule that we looked at with Ms.
19 Bowman and perhaps Ms. Everard too, I don't remember, but
20 that is virtually unchanged from where it's been for many
21 years; that's the demerit point -- specifically the
22 context of demerit point programs are giving people
23 demerit points for traffic infractions. This is really
24 not about that at all, only inasmuch as it continues to
25 be included much as it always has been included for

1 decades.

2 MR. BYRON WILLIAMS: The one (1) material
3 change would be the -- in certain -- for -- for certain
4 types of accidents for which previously demerit points
5 were not awarded, it would be, that would be fair?

6 MS. MARILYN MCLAREN: Absolutely. The
7 one (1) change to the demerit schedule is the inclusion
8 of five (5) demerits for at-fault accidents.

9 MR. BYRON WILLIAMS: And that's a
10 material change?

11 MS. MARILYN MCLAREN: It's a material
12 change to the schedule, adding something that is -- is
13 not conviction related -- not necessarily conviction
14 related.

15 MR. BYRON WILLIAMS: And it's possible
16 that that material change may have a material impact on
17 driver behaviour?

18 MS. MARILYN MCLAREN: We'll find out,
19 definitely, but, you know, it's not like this is the
20 first time accidents have counted towards someone's
21 insurance discount or surcharge or their driving record.
22 So what we were trying to do here is simplify the process
23 and remove other forms of sanction against at-fault
24 accidents and include them on the demerit schedule.

25 MR. BYRON WILLIAMS: I want to turn --

1 I'm going to be referring MPI and spending some time
2 there on -- from your application SM-5, the -- the
3 technical document.

4 And -- and a bit later I'll also be making
5 a bit reference -- a -- a brief reference to CAC/MSOS
6 Exhibit Number 5, so if you want to have that in your
7 hand.

8 And, Mr. Palmer, given -- you might want
9 to just also open up the Corporation's response to
10 PUB/MPI 1-4 for just one (1) second.

11

12 (BRIEF PAUSE)

13

14 MR. BYRON WILLIAMS: So just for the
15 benefit of those following along, there's three (3)
16 references that I made: SM5; CAC/MSOS Exhibit number 5;
17 and also PUB Information Request 1-4.

18

19 (BRIEF PAUSE)

20

21 MR. DONALD PALMER: I have all of those.

22 MR. BYRON WILLIAMS: And again, Mr.
23 Palmer, I apologize for dragging you through this for a -
24 - a very small point, but as a -- as an attachment to PUB
25 MPI 1-4, again there's a document called "Who's at Fault"

1 which I've referred you to previously. And I'll refer
2 you to page 8 of that -- of "Who's at Fault"
3 specifically, sir.

4 Again, I -- I don't think that -- that
5 it's -- others need to -- to turn there. Page 8, on the
6 bottom, Mr. Palmer.

7 MR. DONALD PALMER: And at the top, the
8 page says, "If you're at fault."

9 MR. BYRON WILLIAMS: Thank you.
10 Just looking at the third paragraph on
11 this page, again, there's a discussion of various
12 determinations of fault. You'll see in the third
13 paragraph there's a reference to "If the other driver was
14 only 25 percent at fault."

15 And my -- do you see that, Mr. Palmer?

16 MR. DONALD PALMER: Yes.

17 MR. BYRON WILLIAMS: And my question to
18 you: Is it conceivable that there can be a 75/25 percent
19 fault finding?

20 MR. DONALD PALMER: Yes.

21 MR. BYRON WILLIAMS: I wonder if you can
22 give -- give me some examples of where that might take
23 place?

24

25 (BRIEF PAUSE)

1 MR. DONALD PALMER: I don't have a -- a
2 specific, but I can tell you that any claim liability
3 between 51 and 99 percent is very, very rare. We're
4 talking -- and this was included as an attachment in 1-4,
5 as well, that there are approximate -- we have five (5)
6 years of data from 2003 through 2007. Each year there's
7 around fifty (50) to fifty-five thousand (55,000) at-
8 fault claims and in the 51 to 99 percent, there's
9 somewhere around -- the maximum was five hundred (500) of
10 those incidents, so -- and it goes down, for 2007, down
11 to just under four hundred (400).

12 So it's something under 1 percent that
13 have that -- in that range.

14 MR. BYRON WILLIAMS: So they happen but
15 they're in the range of 1 percent; would that be fair?

16 MR. DONALD PALMER: That's fair.

17 MR. BYRON WILLIAMS: Turn to SM-5.1, and
18 again realizing that Ms. Everard has canvassed some of
19 this area, but -- but, Mr. Palmer, I -- I want to start
20 on your -- your initial research on predictive variables
21 on the driving rating scale. And then a bit later we'll
22 come to the retrospective modelling.

23 Is that fair -- okay, sir?

24 MR. DONALD PALMER: Sure.

25 MR. BYRON WILLIAMS: Okay. And -- and in

1 terms, just -- in terms of your look at -- at a high
2 level, in terms of your research on predictive variables,
3 would it be fair to say, again at a very high level, that
4 you were looking at two (2) different rating variables,
5 at-fault accidents by themselves and then at-fault
6 accidents and convictions; would that be fair?

7 MR. DONALD PALMER: Yes.

8 MR. BYRON WILLIAMS: And again, in your
9 research on predictive variables not getting to the
10 retrospective model, you looked at them, some -- some
11 data, both over one (1) year and then over a couple of
12 additional years, at a high level?

13 MR. DONALD PALMER: Yes.

14 MR. BYRON WILLIAMS: Turning just to the
15 table on the -- the bottom of -- of page -- page 1, and
16 this Ms. Everard has covered this, but generally we'll
17 note the claims free years are in the column number 1 and
18 the at-fault claims frequency is in column number 4; is
19 that right, sir?

20 MR. DONALD PALMER: Yes.

21 MR. BYRON WILLIAMS: And, generally, we
22 can say -- state that as the number of claims-free years
23 increases, the at-fault claims frequency in 2004/'05
24 decreased; is that right?

25 MR. DONALD PALMER: Yes.

1 MR. BYRON WILLIAMS: And -- and just if
2 we look at that -- let's go to the fourth column,
3 2004/'05 at-fault claims frequency, that figure of zero
4 point one zero four (0.104) is essentially determined by
5 taking the number of at-fault claims, being six thousand
6 and forty-three (6,043) and dividing them by the number
7 of drivers with zero claims for a year being fifty-eight
8 thousand one hundred and forty-three (58,143); is that
9 right, sir?

10 MR. DONALD PALMER: That's correct.

11 MR. BYRON WILLIAMS: And you'll see at
12 the -- at the -- at the second last line from the bottom,
13 in terms of the claims-free ten (10) or more years,
14 you'll see the percentage change and frequency of minus
15 34.5 percent.

16 Do you see that, Mr. Palmer?

17 MR. DONALD PALMER: Yes.

18 MR. BYRON WILLIAMS: Just directing your
19 attention to page 2 of your evidence, in SM-5, the first
20 paragraph, you'll see at the -- the last line there a
21 statement that:

22 "While driver's with ten (10) or more
23 claims-free years are significantly
24 lower risks than all other drivers..."

25 And -- and the phrase used is "minimum

1 risk reduction of 34.5 percent."

2 Do you see that sir?

3 MR. DONALD PALMER: Yes.

4 MR. BYRON WILLIAMS: I wonder if it would
5 be more accurate to substitute the -- the word -- instead
6 of "minimum risk reduction," "average risk reduction" for
7 this aggregated group, sir?

8 Would that be a better choice of words?
9 Be thirty-four (34) --

10 MR. DONALD PALMER: I -- I would agree
11 with that.

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: Now, just flipping
16 back to page 1 before; this group, the second-last line,
17 claims-free ten (10) or more, it's a -- relative to the
18 rest of the groups, it's a huge group, is it not, Mr.
19 Palmer?

20 MR. DONALD PALMER: Thankfully, yes.
21 Most of the drivers are ten (10) or more claims-free
22 years, yes.

23 MR. BYRON WILLIAMS: And in fact, if --
24 if we look at the population cited in this table, it
25 comprises over half the total number of drivers in the

1 sample; would that be fair?

2 MR. DONALD PALMER: Yes.

3 MR. BYRON WILLIAMS: And you can accept
4 my math, subject to check; it's more than six (6) times
5 the size of the next largest in size group, which is the
6 zero claims-free year; would that be fair?

7 MR. DONALD PALMER: Yes.

8 MR. BYRON WILLIAMS: In terms of your
9 research into this particular year, did you check the ten
10 (10) and more year -- years group to determine whether
11 the claims experience was homogenous or whether there was
12 a further decline in the -- in risks as claims-free years
13 went from ten (10) to eleven (11), et cetera?

14

15 (BRIEF PAUSE)

16

17 MR. DONALD PALMER: At the time, this was
18 the only data that we had, so we had a -- a limit at ten
19 (10) or more. So we -- that's all we had. We didn't --
20 we didn't have specifically eleven (11) years, twelve
21 (12) years, thirteen (13), and so on.

22 But I can -- I can tell you when we did
23 our retrospective model and then we started expanding
24 into increasing number of merits, that there was a
25 decrease as we go out beyond ten (10).

1 MR. BYRON WILLIAMS: So, would it be fair
2 to say that there are material differences within this
3 group as one goes from ten (10) to eleven (11), eleven
4 (11) to twelve (12), sir?

5 MR. DONALD PALMER: There is a decreasing
6 trend. We've got as far as fifteen (15), but that's as
7 far as we've gone, so we haven't -- we haven't seen where
8 that levels off or tails off.

9 MR. BYRON WILLIAMS: Now, this is just in
10 terms of this particular table, this is highly aggregated
11 data in terms of the ten (10) or more claims-free, sir?

12 MR. DONALD PALMER: Yes.

13 MR. BYRON WILLIAMS: Is it fair to say
14 that within this highly aggregated group that -- that
15 this group is not homogenous?

16

17 (BRIEF PAUSE)

18

19 MR. DONALD PALMER: Could you repeat the
20 question, please?

21 MR. BYRON WILLIAMS: I'll try and
22 rephrase it. Is it your view that the -- the group being
23 claims-free ten (10) or more years is homogenous in terms
24 of its relative risk?

25 MR. DONALD PALMER: Not completely

1 homogenous, no, as any sample or -- or group is not
2 completely homogenous. There is likely a decreasing
3 frequency as we go out beyond ten (10) years and it
4 likely levels off at some -- at some point. We don't
5 have the data to see what that level is.

6 MR. BYRON WILLIAMS: Thank you for that
7 answer, and -- and just -- I'm going to jump for just one
8 (1) second to the retrospective modelling results.

9 Based on those results, is it your view
10 that the -- the trend of decreasing frequency as one
11 moves down claims-free or moves up claims-free years it
12 levels off at fifteen (15) or is it possible that it
13 extends beyond that, sir?

14 MR. DONALD PALMER: It's possible it
15 could go beyond that.

16 MR. BYRON WILLIAMS: Is it likely?

17 MR. DONALD PALMER: Don't know.

18 MR. BYRON WILLIAMS: Again, and I -- in
19 terms of your general conclusions in -- in this section
20 you -- you conclude that claims-free years -- that the
21 claims-free year variable is an excellent predictor of
22 driver risk, correct?

23 MR. DONALD PALMER: Yes.

24 MR. BYRON WILLIAMS: And that would be
25 consistent with the -- the many years of research that

1 have been undertaken in -- in this general area; would
2 that be fair?

3 MR. DONALD PALMER: Yes.

4 MR. BYRON WILLIAMS: And just so I
5 understand your analysis, for the purposes of your --
6 your research, you define claims-free as the number of
7 years in which the driver had an active licence and did
8 not report an at-fault claim; would that be fair, sir?

9 MR. DONALD PALMER: That's fair.

10 MR. BYRON WILLIAMS: And again,
11 recognizing that the numbers are small, but am I right in
12 concluding that at this stage of your analysis you drew
13 no distinction between a person who is 100 percent at
14 fault and 50 percent at fault; would that be correct?

15 MR. DONALD PALMER: That's correct.

16 MR. BYRON WILLIAMS: And if pushed on
17 that point, and -- and I think the PUB in -- in the
18 response to 1-4C did so if you're looking for a reference
19 -- I'll let you get there, Mr. Palmer.

20 You realize you may be asked, why would
21 one get the same number of demerits for an accident in
22 which one is found 50 percent at fault as in an accident
23 which you're 100 percent at fault; would that be fair,
24 sir?

25 MR. DONALD PALMER: I could expect to get

1 the question, yes.

2 MR. BYRON WILLIAMS: And I presume that
3 the Corporation's response to that is that based on the
4 data that it has, there does not appear to be a
5 significant difference between drivers with one (1) at-
6 fault claim and drivers with exactly one (1) greater than
7 50 percent at-fault claim; would that be fair?

8

9 (BRIEF PAUSE)

10

11 MR. DONALD PALMER: There is not much
12 difference between a 50 percent and a 100 percent.

13 MR. BYRON WILLIAMS: So in terms of
14 justifying the assignment of an equal number of demerits,
15 you would argue, I would expect, that the assignment of
16 an equal number of demerits to someone who's 100 percent
17 at fault versus someone who's 50 percent at fault is
18 deemed appropriate because they bring a similar level of
19 future risk; would that be fair?

20 MR. DONALD PALMER: Yes.

21 MR. BYRON WILLIAMS: So there's no -- in
22 assigning the -- the demerits, there's no judgment on who
23 bore a relatively greater responsibility. It's
24 reflective of -- it's reflective of predicted value?

25 MR. DONALD PALMER: Yes.

1 MR. BYRON WILLIAMS: And -- and just so I
2 understand the mechanism of this, if a driver's found 100
3 percent at fault that particular driver will be assigned
4 five (5) demerits, correct?

5 MR. DONALD PALMER: Yes.

6 MR. BYRON WILLIAMS: And if in a two (2)
7 vehicle accident, both drivers are found 50/50 -- 50/50
8 responsible, each will be assigned five (5) demerit
9 points?

10 MR. DONALD PALMER: Yes.

11 MR. BYRON WILLIAMS: Recognizing that
12 it's -- recognizing that it's --

13 MR. DONALD PALMER: Excuse me. Just one
14 (1) -- one (1) point that I would like to make on that.
15 Again, there are relatively few of them. We're talking -
16 - they look to be about in the 3 percent -- 3 to 4
17 percent range are 50/50. That's on PUB/MPI 1-4A
18 attachment.

19 So, yes, but there's -- you're right,
20 they're both assigned five (5) demerits but there's not a
21 relatively -- there's not a huge number of them.

22 MR. BYRON WILLIAMS: Going to an even
23 smaller number, Mr. Palmer, that being those who might be
24 found, let's say, less than 50 percent responsible, am I
25 correct in suggesting that if I'm only 25 percent at

1 fault I'll have no demerit -- demerits assigned?

2 MR. DONALD PALMER: That's correct.

3 MR. BYRON WILLIAMS: And again, perhaps
4 the sample is too small but has the Corporation done any
5 analysis of the 25 percent or, let's say, less than 50
6 percent at fault, its predictive value in terms of future
7 at-fault claims?

8

9 (BRIEF PAUSE)

10

11 MR. BYRON WILLIAMS: It's probably number
12 5, Mr. Palmer.

13

14 (BRIEF PAUSE)

15

16 MR. DONALD PALMER: That's the flip --
17 flipside of the fifty-one (51) to ninety-nine (99). And
18 so we -- we have the measurement but there are so few of
19 them that it's really not reliable.

20 MR. BYRON WILLIAMS: Thank you for that,
21 Mr. Palmer. I want to turn to Section SM-5.12.

22 And I apologize for this, Mr. -- Mr.
23 Palmer. I'm going to just -- just before we go there
24 -- just based on your review of the -- the literature,
25 are you aware that some researchers, for example Smiley &

1 Hauer from Ontario, have looked both at at-fault
2 accidents and not-at-fault accidents as a way to predict
3 future crashes.

4 Are you aware of that?

5 MR. DONALD PALMER: Again, not sure of
6 the specific reference but, yes, I'm aware of that.

7 MR. BYRON WILLIAMS: We'll actually come
8 to it -- to it later, so in -- in fairness, I'll -- I'll
9 wait till the -- till that. I -- I thought you might
10 just generally be familiar with that study.

11 Okay, turning to Section 5.12, we -- we're
12 turning, in this section, Mr. Palmer, from looking
13 exclusively at conviction-free years to looking at a
14 composite variable, being the number of at-fault claims
15 and conviction-free years and its predicted value.

16 Is that not right, sir?

17 MR. DONALD PALMER: That's correct.

18 MR. BYRON WILLIAMS: And those results
19 are presented in the table at the top of page 3, and we
20 see again, in column 4, a declining at-fault claim
21 frequency based upon the variable of being both claim and
22 -- a certain number of years claim free and a certain
23 number of years conviction free; is that right, sir?

24 MR. DONALD PALMER: That's correct.

25 MR. BYRON WILLIAMS: Now, at the bottom

1 of page 3, you -- you state that the at-fault claims
2 frequently -- frequency declines by approximately point
3 zero zero seven (.007) for each additional clean year; is
4 that right, sir?

5 MR. DONALD PALMER: That's correct.

6 MR. BYRON WILLIAMS: And if I wanted to
7 determine where this zero point zero zero seven (0.007)
8 figure comes from, I would look to the -- the fourth
9 column on this table on page 3.

10 And I'm going to suggest to you that what
11 you essentially did is took the at-fault claims frequency
12 for zero clean years, being zero point one point (sic)
13 zero three (0.1.03), subtracted the at-fault claims
14 frequency for ten (10) or more clean years, being zero
15 point zero two nine (0.029), to get a figure of zero
16 point zero seven four (0.074) and then divide it by ten
17 (10); is that right?

18 MR. DONALD PALMER: That's correct.

19 MR. BYRON WILLIAMS: Now you can turn to
20 page 9 of your evidence, or of this section, if you wish,
21 or you can just trust me. Of course, you're going to
22 flip there.

23 In terms of the -- the significance of the
24 point zero zero seven (.007) figure, it was a -- a figure
25 that you used in the development of the initial Driver

1 Safety Rating Scale; would that be fair, sir?

2 I'll give you details in a minute but,
3 generally, is that fair?

4

5 (BRIEF PAUSE)

6

7 MR. DONALD PALMER: That's correct. The
8 analysis here was to determine approximately the number
9 of levels on the scale that we'd be looking at
10 differentiating.

11 So, yes, I would agree with that.

12 MR. BYRON WILLIAMS: And, essentially,
13 the zero to ten (10) on the -- on the good side, and the
14 -- the going down to twenty (20) on the -- on the
15 negative side, in terms of developing that initial scale,
16 that -- this figure of point zero seven (.07) was used in
17 the development of that; is that fair?

18 MR. DONALD PALMER: Yes.

19 MR. BYRON WILLIAMS: And, essentially,
20 what you did was you assumed that this was the average
21 amount of risk reduction for every one (1) step
22 improvement on the DSR scale; is that fair?

23 MR. DONALD PALMER: Yes.

24 MR. BYRON WILLIAMS: I just want to just
25 turn your attention to CAC/MSOS Exhibit Number 5, that

1 should be a two (2) page document, the first page being
2 data from table, page 3, SM-5.

3 Do you have that, Mr. Palmer?

4 MR. DONALD PALMER: I have it.

5 MR. BYRON WILLIAMS: And just as a
6 bookkeeping technique, first of all, in terms of the --
7 the very simplistic calculations on these two (2) pages,
8 the Corporation does not take issue with them. They've
9 been checked?

10 MR. DONALD PALMER: Yeah, they're fine.

11 MR. BYRON WILLIAMS: And essentially,
12 you'll agree with me -- and your people may -- observers
13 may want to have the table from page 3 nearby, as well.
14 What essentially this table does is look at the at-fault
15 claims frequency for each year and then, for example, it
16 calculates the difference between, in -- in -- in terms
17 of at-fault claims frequency between successive years.
18 Is that correct, Mr. Palmer?

19 MR. DONALD PALMER: That's correct.

20 MR. BYRON WILLIAMS: And that wasn't a
21 very well asked question. So just to illustrate this:
22 For example, year 1 we see an at-fault claims frequency
23 of zero point one zero three (0.103) and if we subtract
24 from that the clean years of -- from your -- your -- the
25 figure immediately below it, being zero point zero eight

1 eight (0.088), we get the figure in the right-hand column
2 being zero point zero one five (0.015). Is that right?

3 MR. DONALD PALMER: That's correct.

4 MR. BYRON WILLIAMS: And this exercise is
5 performed for the -- the -- the remainder of the number
6 of clean years on a -- a year-to-year comparison, is that
7 right, sir?

8 MR. DONALD PALMER: That's correct.

9 MR. BYRON WILLIAMS: If I wanted to look
10 to where the -- the impact of the increase in number of
11 clean years is highest, I'm going to suggest to you, Mr.
12 Palmer, that in the early years, as one goes from zero
13 (0) to one (1), one (1) to two (2), et cetera, we see a
14 fairly -- a sharp -- relatively higher decline in the at-
15 fault claims frequency for those early years; is that
16 right, sir?

17 MR. DONALD PALMER: That's correct.

18 MR. BYRON WILLIAMS: And then again, the
19 very last line being ten (10) or more, again we see a --
20 a -- a sharp decline, as well, in terms of at-fault
21 claims frequency; is that right?

22 MR. DONALD PALMER: And as you pointed
23 out previously, that's a much larger group that there is
24 some spread of risk within that. So I wouldn't say that
25 all of a sudden at ten (10) or more it has that large

1 decrease, there's probably some gradual decrease in the
2 at-fault claims frequency as each clean year is added to
3 the data.

4 MR. BYRON WILLIAMS: I appreciate that --
5 that, Mr. Palmer.

6 And accepting that, so you'll agree with
7 me then that the -- the sharpest decline in at-fault
8 claims frequency, leaving aside ten (10) or more, is in
9 the -- the early years between year 0 and year -- excuse
10 me, zero (0) clean years and four (4) clean years; would
11 that be fair? Excuse me, five (5) clean years?

12 MR. DONALD PALMER: Yes, I would agree
13 with that.

14 MR. BYRON WILLIAMS: If I were to look at
15 the average change going from four (4) clean years to
16 nine (9) clean years, I'd basically be subtracting zero
17 point zero five eight (0.058) minus zero point zero four
18 four (0.044) and then be dividing by five (5). Would
19 that be correct, Mr. Palmer, if I wanted to do that
20 calculation?

21 MR. DONALD PALMER: That's fair.

22 MR. BYRON WILLIAMS: And I wonder if
23 you'll accept, subject to check, that the -- the average
24 change in -- in -- in this period is about zero point
25 zero zero two eight (0.0028); would that be fair?

1 MR. DONALD PALMER: I -- I had it in my
2 mind at point zero zero three (.003) so, sure.

3 MR. BYRON WILLIAMS: Whether it's point
4 zero zero three (.003) or point zero zero two eight
5 (.0028), that's a fair bit smaller than point zero zero
6 seven (.007); is that fair?

7 MR. DONALD PALMER: Yes.

8

9 (BRIEF PAUSE)

10

11 MR. BYRON WILLIAMS: And then just going
12 again to the change, going to year 10 of point zero one
13 five (.015), that's more than five (5) times greater than
14 the average yearly reduction in going from years four (4)
15 to nine (9); is that fair?

16 MR. DONALD PALMER: Yes.

17 MR. BYRON WILLIAMS: And that's likely
18 due to the non-homogeneity within this group; would that
19 be fair?

20 MR. DONALD PALMER: That's correct.

21 MR. BYRON WILLIAMS: Just another small
22 point at the bottom of this page, being page 3, you see a
23 reference to drivers with ten (10) or more clean years
24 having significantly better experience than all other
25 drivers with a minimum reduction in risk of 33.5 percent.

1 Would I be correct in suggesting to you
2 that it would be appropriate to replace the word
3 "minimum" with the word "average", sir?

4 MR. DONALD PALMER: Yes, same logic as we
5 had previously.

6 MR. BYRON WILLIAMS: Mr. Chairman, I have
7 a -- a bit more to go through this in this section but
8 with your permission this might not be a bad time to have
9 a break.

10 THE CHAIRPERSON: Very good, Mr.
11 Williams. We'll be back in fifteen (15), twenty (20)
12 minutes, thank you.

13

14 --- Upon recessing at 10:17 a.m.

15 --- Upon resuming at 10:38 a.m.

16

17 THE CHAIRPERSON: Mr. McCulloch...?

18 MR. KEVIN MCCULLOCH: Yes, Mr. Chairman,
19 there was one (1) undertaking given last week dealing
20 with the number of multi-vehicle collisions versus
21 single-vehicle collisions and Mr. Palmer has that
22 information now to put on the record.

23 MR. DONALD PALMER: Yes, Mr. Williams
24 asked me for -- that the larger -- the majority was
25 multi-vehicle and about 75 percent are multi-vehicle and

1 the remaining 25 percent are single-vehicle.

2 THE CHAIRPERSON: Thank you, Mr. Palmer.

3 Okay, Mr. Williams.

4

5 (BRIEF PAUSE)

6

7 CONTINUED BY MR. BYRON WILLIAMS:

8 MR. BYRON WILLIAMS: Thank you for that
9 undertaking. Just in terms of that, do you have a gross
10 number, Mr. Palmer, that -- that I -- that I could
11 associate with that?

12 MR. DONALD PALMER: That's eighty-nine
13 thousand four hundred and twenty (89,420) total accidents
14 of which -- or incidents of which sixty-seven thousand
15 and eighty-six (67,086) are multi-vehicle and twenty-two
16 thousand three hundred and thirty-four (22,334) are
17 single-vehicle.

18 So the exact percentage is 75.02 percent
19 being multi and 24.98 percent being single. And that's -
20 - that's one (1) year.

21 MR. BYRON WILLIAMS: And --

22 MR. DONALD PALMER: '08/'09 to be
23 specific.

24 MR. BYRON WILLIAMS: So it's hot off the
25 presses?

1 MR. DONALD PALMER: Yes.

2 MR. BYRON WILLIAMS: In terms of those
3 multi-vehicle accidents, again the majority of those
4 would be car-on-car; would that be fair?

5

6 (BRIEF PAUSE)

7

8 MR. DONALD PALMER: Remember that trucks
9 aren't passenger vehicles. Half-ton trucks are still
10 labelled as trucks. So about 42 percent of the multi are
11 car-on-car.

12 MR. BYRON WILLIAMS: And how much is car-
13 on-truck or truck-on-car, Mr. Palmer?

14 MR. DONALD PALMER: Truck-on-car is 16
15 percent. Car on that category, unknown, is about
16 28 percent.

17 MR. BYRON WILLIAMS: And what's the
18 category unknown, Mr. Palmer, just --

19 MR. DONALD PALMER: Unknown.

20 MR. BYRON WILLIAMS: Do you have any
21 speculation, just --

22 MR. DONALD PALMER: It would likely be
23 that the second vehicle was unreported so -- so we don't
24 have the information. So there's no reason to believe
25 that it would be any different than the distribution of

1 car-on -- probably 42 percent of those would be car-on-
2 car and 16 would be car-on-truck.

3 MR. BYRON WILLIAMS: And this is a
4 product of the imprecision of my questioning, not the
5 imprecision of your answering, so I apologize for this.
6 But in terms of the 42 percent car-on-car, for example,
7 would that be 42 percent of the eighty-nine thousand
8 (89,000) figure or 42 percent of the sixty-seven thousand
9 (67,000) figure?

10 MR. DONALD PALMER: Forty-two (42) of the
11 sixty-seven (67).

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: Out of probably just
16 idle curiosity, Mr. Palmer, that leaves about 14 percent
17 of the sixty-seven thousand (67,000) unaccounted for; is
18 that right?

19 MR. DONALD PALMER: Yes. And the biggest
20 of that is truck colliding with unknown.

21 MR. BYRON WILLIAMS: Thank you for that.
22 And when I left you, we were on a rivetting discussion of
23 the technical document. We were just finishing up SM-
24 5.12, so I'll just refer you to the top of page 4 for
25 just one (1) minute, Mr. Palmer, please.

1 In terms of the Corporation's examination
2 of the predictive value of the -- the combined variables
3 of at-fault claims and convictions, it concluded that
4 they are important for determining driver risk; is that
5 correct, sir?

6 MR. DONALD PALMER: Yes.

7 MR. BYRON WILLIAMS: Just so I understand
8 your methodology for a second or two (2), certainly from
9 your -- our earlier discussion, I know the Corporation
10 conducted a preliminary examination of the at-fault claim
11 variable separately, as a -- as a separate indicator; is
12 that correct?

13 MR. DONALD PALMER: Yes.

14 MR. BYRON WILLIAMS: Did it conduct an
15 examination of the conviction variable separately?

16 MR. DONALD PALMER: No.

17 MR. BYRON WILLIAMS: Based upon your
18 review of -- of the literature, would MPI agree that it
19 is a fair statement that most studies looking at this
20 type of predictive variable have included a preliminary
21 or univariate analysis of each potential variable; is --
22 is that a fair statement?

23 If you're not able to answer --

24 MR. DONALD PALMER: I -- I can't answer
25 in most since I'm not familiar with all of the

1 literature. So -- so to say most, I -- I would say that
2 some of the studies certainly would've looked at
3 separately.

4 MR. BYRON WILLIAMS: And just technically
5 from a perspective of best practice, can you conceive of
6 any reason why there -- there -- that there might be to
7 perform a univariate analysis before a bivariate?

8 MR. DONALD PALMER: It certainly depends
9 on what you're studying and what your outcome would be.
10 When we embarked on -- on this, certainly -- and we knew
11 that claims, at-fault claims was something that we were
12 going to count. We knew that there was predictive value
13 in that.

14 We knew from the surveying that -- that
15 people generally believe that we should count at-fault
16 claims.

17 There was less unanimity on the selection
18 of whether we should add convictions to that. We hear
19 people saying, Yeah, I speed a bit, but I've never had an
20 accident, so it -- it's something that probably shouldn't
21 be counted.

22 And, so, we -- we heard comments like that
23 at focus groups and -- and whatnot, so -- so we added --
24 there was no point that we were considering using only
25 convictions, so, on that basis, we didn't study it.

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(BRIEF PAUSE)

MR. BYRON WILLIAMS: And I appreciate that answer, and I'm not sure much turns on this. Methodologically, can you conceive of any reason why one might want to study convictions separately?

MS. MARILYN MCLAREN: Mr. Williams, it probably depends, as Mr. Palmer was talking about, what you're trying to accomplish.

There may be reasons to do that, depending on what people were trying to accomplish. For our purposes, it wasn't necessary, wasn't appropriate.

MR. BYRON WILLIAMS: I understand that. I -- I'm just going to a more precise technical question, and we don't need to talk about multi-collinearity or things like that, but from a technical perspective, can you see any reason why one might want to look at convictions separately, Mr. Palmer?

MR. DONALD PALMER: In more of an academic exercise or a more academic forum, I could see that.

MR. BYRON WILLIAMS: And why, just so I understand your point?

MR. DONALD PALMER: It's just isolation

1 of factors.

2 MR. BYRON WILLIAMS: In your analysis in
3 Section 5.12, is it fair to say that the specific type of
4 conviction, whether it was speeding or -- or not having
5 seatbelt, et cetera, was not considered in the analysis
6 at this stage; is that fair?

7 MR. DONALD PALMER: This was preliminary
8 studies and -- and that was not considered. You're
9 right.

10 MR. BYRON WILLIAMS: Ms. McLaren, this is
11 probably to you but if you want to flip it back to Mr.
12 Palmer -- maybe the first question is to Mr. Palmer and
13 then I'll flip it over to you, but -- no, let me just
14 start with you and then I'll flip it back and forth. I
15 apologize.

16 I -- I think you've described, kind of,
17 the Driver Safety Rating concept in your previous
18 testimony. I think I wrote down something like, As it
19 moves into the future, you -- I -- my understanding was
20 you portrayed it as somewhat of a dynamic concept in that
21 it could evolve into the -- in the future; is that
22 correct?

23 MS. MARILYN MCLAREN: Yes, definitely.

24 MR. BYRON WILLIAMS: And, again, just to
25 assist my clients, when you spoke of it potentially

1 evolving, what -- what -- what did you mean by that?

2 MS. MARILYN MCLAREN: Well, as -- as
3 we've seen in the past, the Government may very well
4 decide to add traffic infractions or Criminal Code
5 convictions to the scale. They may decide to change some
6 of the demerit point assignments.

7 The Corporation may recommend additional
8 merit levels. We may apply in the next several
9 applications for some of the discounts and -- and
10 increases to the surcharge as we've suggested in the
11 additional information. It -- it may change.

12 So with respect to what moves you on the
13 scale, how much does it move you, what are the rates
14 associated with your placement on the scale, all of those
15 things will be dynamic into the future to the extent that
16 the three (3) parties, as we talked about earlier -- the
17 Corporation, the Government and this Board -- decides
18 that that's advisable.

19 MR. BYRON WILLIAMS: Thank you for that
20 thoughtful answer.

21 And would it also be fair to say, based
22 upon -- would it also be fair to say that what gets you
23 on the scale, there might be the potential to change? I
24 think you referred to adding -- the Government suggesting
25 adding certain things, for example?

1 MS. MARILYN MCLAREN: Definitely, yeah.

2 MR. BYRON WILLIAMS: I'm going to turn to
3 Mr. Palmer for a second and then I'll probably come back
4 to you, Ms. McLaren.

5 Mr. Palmer, I'm going to use a very
6 specific definition of severity for you or I'm going to -
7 - to use a definition of one (1) casualty crash in which
8 the driver was seriously injured. Is that something we
9 can work with?

10 MR. DONALD PALMER: I can work with that
11 if that's your definition; that's certainly not my
12 definition.

13 MR. BYRON WILLIAMS: Using that
14 definition, it's fair to say that in the analysis
15 represented in Section 5.12 or in the Corporation's
16 analysis, it did not measure severity as represented by
17 one (1) casualty crash in which the driver was seriously
18 injured as a predictor of accidents; would that be fair?

19 MR. DONALD PALMER: That's correct.

20 MR. BYRON WILLIAMS: And that type of
21 analysis would it be fair to say was not included in your
22 retrospective modelling as well?

23 MR. DONALD PALMER: That's correct.

24 MR. BYRON WILLIAMS: And again, I can --
25 and -- and we don't need to go here but I can give you a

1 cite if you desire, but based on your review of the
2 literature, is the Corporation aware of any research that
3 suggests that drivers who are involved in at least one
4 (1) casualty crash in which they were seriously injured
5 were significantly over-represented in subsequent
6 crashes?

7 MR. DONALD PALMER: I'd appreciate a
8 specific reference, but in general terms I can believe
9 that that would be a conclusion of a study somewhere.

10 MR. BYRON WILLIAMS: Okay. And -- and
11 the -- again, because this wasn't in your literature
12 review the -- the reference is Monash University Accident
13 Research Centre, the relationship between demerit points
14 accrual, A-C-C-R-U-A-L, and crash involvement April '97?
15 And just for the reporter, "Monash" is M-O-N-A-S-H.

16 MR. DONALD PALMER: I -- I have that
17 study.

18 MR. BYRON WILLIAMS: Okay. And I don't
19 really want to -- because I'm not -- but it -- it
20 wouldn't be something that would surprise you if -- if
21 there was a suggestion that at least one (1) casualty
22 crash in which someone was seriously injured was
23 significantly over-represented in subsequent crashes?
24 And page 45 is the reference if you're looking for it,
25 Mr. Palmer.

1 (BRIEF PAUSE)

2

3 MR. DONALD PALMER: Again, those injured
4 in 1991/'92 were significantly over-represented in
5 1993/'94 crashes.

6 MR. BYRON WILLIAMS: Now, you indicated
7 that it would not surprise you. Why wouldn't that
8 surprise you, Mr. Palmer, that sort of finding of
9 significant over-representation of drivers who were
10 seriously injured?

11

12 (BRIEF PAUSE)

13

14 MR. DONALD PALMER: Again, the question
15 is, and I'm not sure relative to what, I can see that
16 casualty -- drivers involved in at least one (1) casualty
17 crash were overly represented in '93/'94 crashes. I
18 don't know if that's for people who weren't injured. I
19 don't know if that's people who weren't in a crash.

20 I -- I don't have that reference point so
21 -- so I believe that people who have accidents are more
22 likely to have future accidents. Whether they're injured
23 or not, I don't necessarily have -- have that benchmark.
24 I -- I can also tell you that we did file in PUB 1-33 the
25 severity of crashes by DSR level and there wasn't

1 significant difference in the -- in the crash depending
2 on what the original DSR level was.

3 So -- so I can't -- I can't tell you the
4 converse of that, whether severe crashes results in more
5 crashes. I can tell you that once you have added DSR
6 level that's not a predictor of the severity of a future
7 crash.

8 MR. BYRON WILLIAMS: And you can
9 certainly refer either to the Executive Summary on page
10 60 but I wonder if you'd accept, subject to check, that
11 the conclusion of the Monash report was that omitting
12 serious injury involvements by the driver from a model
13 that includes prior offence data leads to a less
14 informative model in terms of prediction.

15 Would that -- would that -- would that
16 surprise you?

17 MR. DONALD PALMER: Could you repeat that
18 because I think the way that you worded it would surprise
19 me?

20 MR. BYRON WILLIAMS: And I'll have to dig
21 up the -- the reference for you, Mr. Palmer. But would
22 it surprise you if I suggested to you that in the Monash
23 research they -- they found that omitting serious injury
24 involvements led to a less informative model in terms of
25 prediction of a future crash involvement?

1 might be seen as unfair?

2

3

(BRIEF PAUSE)

4

5 MS. MARILYN MCLAREN: No, I -- in all my
6 experience, people have never talked to me or -- or
7 submitted formal complaints that I've reviewed on that
8 comparative basis. There's really no difference in
9 assigning five (5) demerits for any at-fault accident as
10 surcharging any at-fault accident. So the -- the rules
11 of what counts as a so-called punishable at-fault
12 accident on the new scale or the old system have not
13 changed.

14 People have never talked to me on that
15 comparative basis. People feel offended sometimes and --
16 and unfairly treated if they're held at-fault for
17 something that they truly believe in their mind to be
18 really have just been an accident, the minor fender
19 bender on a -- on a wintry day. So they will be as
20 concerned about that with five (5) demerits as they have
21 been with the two hundred dollar (\$200) surcharge. That
22 won't change with this system. And -- and they've never
23 dealt with it on a comparative basis with me.

24 MR. BYRON WILLIAMS: So moving away from
25 consumers for a second, and -- and I won't belabour this

1 point because I think I understand your position,
2 analytically can you see any difference in, or any --
3 excuse me, let me rephrase that. Analytically, do you
4 see any problem in the same treatment for conduct that
5 might be considered careless as versus conduct that might
6 be considered reckless?

7 MS. MARILYN MCLAREN: I think those
8 behaviours should be treated differently. I'm not
9 convinced they should be treated differently by an
10 insurer. There are fundamentally different convictions
11 for careless driving versus dangerous driving. And
12 imprudent driving is even less serious than careless
13 driving.

14 So there are differences built into the --
15 the HTA, the -- the Drivers and Vehicles Act and so on
16 and so forth. I'm not sure that insurers should be
17 dealing with those things. There is all kinds of
18 multiple programs and multiple strategies going on and
19 things like this.

20 So, no, I don't necessarily think that, as
21 the insurer, we should be treating the outcome of crashes
22 based on that, because in -- in the absence of a
23 conviction for dangerous driving or something serious, we
24 would be speculating. We would be speculating as to
25 exactly what the circumstances were and what the outcome

1 was.

2 If, in fact, someone causes an accident
3 and they are convicted of dangerous driving, absolutely,
4 there will be a more significant impact on them through
5 the Driver Safety Rating as there is today; ten (10)
6 demerits, I believe, as well as five (5) for the at-fault
7 accident, fifteen (15) compared to five (5); fifteen (15)
8 compared to perhaps seven (7) if someone else was
9 convicted of imprudent driving.

10 So there are significant differences and
11 significant differences in penalties built into the DSR,
12 but absent those convictions, based on crash severity or
13 -- or -- or claims severity, no, I don't think it would
14 be appropriate for us to somehow have different impacts,
15 based on our assessment of what the quantum of the claim
16 meant to the circumstances.

17 MR. BYRON WILLIAMS: I teed that one up
18 for you, eh, Ms. McLaren. Turning to -- to page 6 of SM-
19 5.

20 And, Mr. Palmer, I'm going to be looking
21 at both -- both page 6 and page 7, and as I understand at
22 -- at this section, you're looking at at-fault frequency,
23 at-fault claims, excuse me, frequency, twelve (12) to
24 twenty-four (24) months prior and minor convictions
25 twelve (12) to twenty-four (24) months prior is the

1 independent variables, and you're -- you're looking to
2 see how they -- they perform in terms of predicting at-
3 fault accident frequency in the current year. Is that
4 fair, sir?

5 The question was probably inelegantly
6 phrased.

7 MR. DONALD PALMER: Looking at claims and
8 convictions in the twelve (12) to twenty-four (24) month
9 previous period and zero (0) at-fault claims or
10 convictions in the recent -- more recent twelve (12)
11 month period.

12 MR. BYRON WILLIAMS: Fair enough. And --
13 and thank you for -- for phrasing that more accurately.

14 I want to draw your attention to page 7,
15 and I'm going to read you two (2) paragraphs:

16 "The results indicate that the at-fault
17 claims and minor convictions data from
18 two (2) years ago is still providing
19 predictive information about the
20 expected at-fault claims experience in
21 the next year."

22 And I'm going to skip a little bit.

23 "... but the importance of these
24 factors has declined."

25 And then you look at reasons why the risk

1 might be declining. And then you state:

2 "The above analysis provides some
3 initial evidence that a scale-based
4 approach to measuring driver risk is
5 more suitable than a one (1) time
6 surcharge penalty approach."

7 Recognizing I skipped over a bit, I --
8 I've got the high points, Mr. Palmer?

9 MR. DONALD PALMER: Yes.

10 MR. BYRON WILLIAMS: In terms of -- just
11 in terms of your inference that -- that this analysis
12 provides some initial evidence suggesting a scale base
13 rather than a one (1) time surcharge approach, I'm
14 presuming that you were relying on the high adjusted R
15 squared for this conclusion. Is...

16

17 (BRIEF PAUSE)

18

19 MR. DONALD PALMER: No, I -- I wouldn't
20 say that that was the -- the concluding factor. It's
21 just that two (2) years ago was still predictive of risk,
22 and -- and measurement of the risk is a prospective
23 exercise.

24

25 So we wanted to ensure that there was
still some ongoing risk that, even though it did diminish

1 over time, it was still relevant to the measurement of
2 the risk on a prospective basis.

3 MR. BYRON WILLIAMS: And hopefully
4 there's no trick in this question but, Mr. Palmer, one
5 (1) of the tests you -- you would have performed to
6 conclude whether this was true data and -- and not an
7 accidental observation, you would have done a -- an R
8 squared analysis and an adjusted R squared analysis,
9 correct?

10 MR. DONALD PALMER: That's correct.

11 MR. BYRON WILLIAMS: I -- I wonder if you
12 can indicate to me what sort of results would have led
13 you to believe that a one (1) time penalty was -- was
14 warranted versus a -- a scale-based approach?

15

16 (BRIEF PAUSE)

17

18 MR. DONALD PALMER: If I can direct your
19 attention to the table on the bottom of page 6, the
20 fourth column, there is still a real difference between
21 the first entry on that -- in that column of frequency of
22 5 percent versus -- at the bottom, when we see two (2) or
23 more claims and two (2) or more convictions in the two
24 (2) year period prior being 18 percent, so there is
25 really a strong difference. And it -- and it --

1 there's very little randomness in -- in the scale there.
2 It's not exclusively increasing, but -- but there's very
3 much an increasing trend.

4 MR. BYRON WILLIAMS: So -- and just so I
5 understand your point, there were -- there -- the two (2)
6 factors you've outlined is increasing -- an increase in
7 the scale from -- and also relatively little -- little
8 randomness in -- in terms of the results; is that right,
9 sir?

10 MR. DONALD PALMER: That's correct.

11 MR. BYRON WILLIAMS: And so just to
12 answer my question then, if you were looking -- and this
13 is very helpful, so -- but if you were looking for
14 something suggesting a -- a one (1) time penalty or
15 surcharge, how would this table have looked differently,
16 so I understand?

17 MR. DONALD PALMER: There wouldn't have
18 been the consistency in that -- that increase in that
19 they would have been either all the same or very much
20 randomly fluctuating.

21 MR. BYRON WILLIAMS: Indicating with your
22 fingers, lines running up and down rather than in a
23 fairly straight inclining trend line; is that correct?

24 MR. DONALD PALMER: That's -- randomly
25 fluctuating was what I was indicating with my finger,

1 yes.

2 MR. BYRON WILLIAMS: Don't worry, Mr.
3 Palmer, we're almost through SM-5, a couple more areas
4 though.

5 Turn, if you might, to --

6 MR. DONALD PALMER: The rest of the panel
7 is more relieved than I am.

8 MR. BYRON WILLIAMS: Turn, if you might,
9 to page 10 which addresses the DSR retrospective model.

10 MR. DONALD PALMER: Yes.

11 MR. BYRON WILLIAMS: Hitting the high
12 notes of this analysis, am I correct in suggesting that
13 MPI, in this section, reports the results of using a
14 simulation of the proposed DSR plan on -- on MPI data for
15 the years 2001 through 2006?

16 MR. DONALD PALMER: That's correct.

17 MR. BYRON WILLIAMS: And -- and just --
18 and I understand that there were certain operational
19 rules but is my understanding correct then, for example,
20 the movement on -- through this modelling exercise would
21 be similar to the operational rules described in SM-5,
22 for example, if I had an at-fault accident I would go
23 down by -- I would go down by five (5) and if I had a
24 minor conviction I would go down by two (2); is that
25 right, sir?

1 MR. DONALD PALMER: I would say more than
2 similar. I would say identical.

3 MR. BYRON WILLIAMS: Thank you for that.
4 So it would be fair to say that -- or would it be fair to
5 say that MPI did not do retrospective modelling based
6 upon any different combination of demerits or at-fault
7 accidents and convictions.

8 Would that be fair, sir, in this analysis?
9

10 (BRIEF PAUSE)

11
12 MR. DONALD PALMER: In preparation for
13 the proposal to government, we did all kinds of different
14 models. So there -- there were different movement steps.
15 There was all kinds of different things.

16 This was the basis of the modelling on the
17 final program that was embedded in regulation. So this -
18 - but -- but we did -- we did other models in preparation
19 for our proposal to government.

20 MR. BYRON WILLIAMS: Thank you, Mr.
21 Palmer. Could you give me some -- some indication of
22 some of the different models that you -- you might have
23 employed in -- in your modelling exercise?
24

25 (BRIEF PAUSE)

1

2 MR. DONALD PALMER: We ran in excess of
3 twenty (20) different combinations of various movement on
4 the step for accidents and various movement on the step
5 for convictions.

6 So this was -- was one that really
7 produced the best fit and -- and certainly that was the
8 basis of our recommendation to government.

9 MR. BYRON WILLIAMS: And this is helpful,
10 Mr. Palmer. In terms of -- just for illustrative
11 purposes, can you give me an example of one (1) or two
12 (2) other models you might have run?

13 For example, did you do some relationship,
14 a -- a smaller relationship between -- with accidents
15 less than five (5), for example, and -- and convictions
16 at the same level?

17 Just give me a couple of examples, sir.

18 MR. KEVIN MCCULLOCH: Mr. Chairman, at
19 this point if I could, part of the -- the difficulty with
20 this line of questioning is that we're faced with a
21 regulation that sets certain parameters for this Driver
22 Safety Rating, the system that the -- the Board is now
23 being asked to rule on the specific premiums and
24 discounts that are provided in that -- in that system
25 that has been adopted by government.

1 I -- I think that the difficulty is, if
2 we're going into significant detail on what other options
3 were considered and even discussed with government in
4 arriving at the -- the program that they chose, that's an
5 area that clearly would be protected by privilege and
6 would be protected by the advice to government or advice
7 to the -- the Minister, exclusion from disclosure.

8 We've answered or -- or Mr. Palmer has
9 answered at a fairly high level and, at this point, I
10 don't think that it would serve any purpose to get into
11 any detail when we already know that we're -- we're
12 dealing with a -- a particular program that's already set
13 in the Regulation.

14 THE CHAIRPERSON: Is this --

15 MR. BYRON WILLIAMS: Mr. Chair --

16 THE CHAIRPERSON: I was just going to
17 say, Mr. Palmer indicated, if I heard him correctly, that
18 the model that eventually was selected was the one that
19 fit the predictive curves, if you like, the closest.

20 I didn't think Mr. Williams was looking
21 for a lot of detail; I thought he was simply curious as
22 to presumably the other ones then, given Mr. Palmer's
23 answers, wouldn't have fit as closely; isn't that simply
24 the answer?

25 MR. KEVIN MCCULLOCH: And -- and again,

1 my point is that if we're -- if we're keeping this at a -
2 - at a fairly high level discussion versus significant
3 driving down into detail, my -- my objection would be
4 less strenuous but if -- if the intent is to get into
5 significant detail of all these other models that may or
6 may not have been conducted, I don't think that would be
7 appropriate.

8 THE CHAIRPERSON: Are you intending to
9 drill down to the lowest levels, Mr. Williams?

10 MR. BYRON WILLIAMS: No. Mr. Chairman,
11 just going back to the purpose of this hearing which is
12 presumably to determine a just and reasonable rate, one
13 (1) -- certainly one (1) of the things my clients want to
14 test is the -- the fit and, at least at a high level,
15 understand is this the only one (1) that was a good fit
16 or not and -- and so that's generally where my inquiry --
17 certainly, my clients are reassured that other models
18 were tested.

19 We're not looking for a minute
20 examination, but I -- I am planning to proceed with a few
21 more questions in this area.

22 THE CHAIRPERSON: It just seemed to me,
23 Mr. McCulloch, that he was looking for general assurance
24 that the model that MPI had brought forward had been
25 developed from insurance principles, if you want, rather

1 than an edict that came from sources that may not be as
2 familiar with insurance requirements as MPI presumably
3 is.

4 MR. KEVIN MCCULLOCH: And I believe my
5 indication, Mr. Chairman, was that if -- if that's the --
6 the level that we're dealing with here, then the -- my
7 objection can be set aside until we see what detail, if
8 any, we do get into.

9 THE CHAIRPERSON: Well, let's see.
10 Mr. Williams...?

11

12 (BRIEF PAUSE)

13

14 MR. WALTER SARANCHUK: Mr. Chairman, just
15 on a point of clarification, could we have MPI's
16 explanation as to just what the status of this regulation
17 is? As I understand it, it's not yet been proclaimed in
18 force.

19 MR. KEVIN MCCULLOCH: That's not quite
20 correct. The regulation has been proclaimed in force to
21 be effective November 1, 2009, and that proclamation is
22 found in the January 24th, 2009, edition of the Manitoba
23 Gazette.

24 MR. WALTER SARANCHUK: Thank you for that
25 clarification.

1 CONTINUED BY MR. BYRON WILLIAMS:

2 MR. BYRON WILLIAMS: Mr. Palmer, as a
3 high level, I believe your evidence was the -- that this
4 particular combination of variables provided the -- the
5 best fit; is that right, sir?

6 MR. DONALD PALMER: Yes.

7 MR. BYRON WILLIAMS: Would it be fair to
8 say without, at this point in time, going into further
9 details that there were other variables that provided
10 relatively similar fits, sir?

11 MR. DONALD PALMER: Not different
12 variables, different -- we tried different steps for
13 accidents and for convictions that would have been close.

14 MR. BYRON WILLIAMS: And in terms of the
15 criterion by which you define "best" or "close," I wonder
16 if you can help me in understanding what those criterion
17 are, sir? Or criteria, I'm not sure about the grammar.

18

19 (BRIEF PAUSE)

20

21 THE CHAIRPERSON: I am just adding, while
22 you are thinking on that, why I think Mr. Williams'
23 search was not out of line, at least from my perspective,
24 in that you have also indicated that it was an
25 evolutionary process; that you intended to evaluate the

1 DSR and, potentially, adjustments could occur over the
2 years, things of these particular nature.

3 MR. DONALD PALMER: Yes. The -- in terms
4 of the measurement of -- of fit, it's looking at the
5 actual claims frequency versus what you'd expect from --
6 from the model.

7 We did outline in a fair bit of detail in
8 PUB 1-3 what that actual versus expected frequencies
9 were.

10

11 (BRIEF PAUSE)

12

13 CONTINUED BY MR. BYRON WILLIAMS:

14 MR. BYRON WILLIAMS: And -- and I
15 probably won't venture too far more down this path, but
16 how close were the other -- other couple top fits, Mr.
17 Palmer?

18 MR. DONALD PALMER: Not as close as this
19 one.

20 MR. BYRON WILLIAMS: While they -- they
21 may not be utopian, they were actuarially sound and
22 statistically reliable?

23 MR. DONALD PALMER: There were other
24 combinations that would give us the same increasing
25 trend, yes.

1 THE CHAIRPERSON: Mr. Williams, have you
2 read PUB/MPI-118?

3 MR. BYRON WILLIAMS: I've read them all,
4 Mr. Chairman, but...

5 THE CHAIRPERSON: I am sure you have. I
6 don't know if that helps you or not.

7

8 CONTINUED BY MR. BYRON WILLIAMS:

9 MR. BYRON WILLIAMS: Well, I -- I may
10 reflect upon that and -- and return to it or leave that
11 to Board Counsel. I'll just probably, at the break --

12 Mr. Palmer, again, I don't want to get
13 into advice to government. You understand that under the
14 current Program, there is a -- the relative allocation in
15 terms of an at-fault accident is five (5) demerits versus
16 a minor conviction is two (2).

17 Is that -- is that your understanding, two
18 (2) demerits?

19 MR. DONALD PALMER: The -- the new
20 program in the Regulation that Mr. Saranchuk and Mr.
21 McCulloch described, yes.

22 MR. BYRON WILLIAMS: Directionally, would
23 any of the other reasonably well-fitting variables have
24 represented a -- a closer fit between convictions and at
25 -- at-fault accidents, sir?

1 MR. DONALD PALMER: I don't think I
2 understand the question.

3 MR. BYRON WILLIAMS: Without getting into
4 details, have any of the other -- well, we'll back up.

5 You've confirmed that there were other --
6 other models that demonstrated a inclining rate, a trend
7 line; is that right, sir?

8 MR. DONALD PALMER: Yes.

9 MR. BYRON WILLIAMS: Of those models,
10 were -- were there any which had demerits assigned to at-
11 fault accidents relatively closer to minor convictions,
12 sir, than the current DSR proposal?

13 MR. DONALD PALMER: Yes.

14 MR. BYRON WILLIAMS: I'll reflect on
15 that, Mr. Chairman.

16 And just, Mr. Palmer, again I can go
17 through the references from SM-5 or not, but would you
18 agree with me that, at a high level, whether we look at
19 the at-fault claims frequency in the next twelve (12)
20 months predicted or the at-fault claims frequency in the
21 next zero to twenty-four (24) months, that in terms of
22 their predictive information, minor convictions and at-
23 fault claims have a very similar -- similar weight; would
24 that be fair, sir?

25 MR. DONALD PALMER: And -- and we've gone

1 through this in -- in some detail and, yes, they were
2 similar in our early modelling but that was ignoring the
3 starting point.

4 So -- so again, it depends what you're
5 looking at as -- as your variable whether -- and when
6 you're looking at exclusively at one (1) year claims and
7 one (1) year conviction those are similar, yes.

8 But you can't ignore the starting point.
9 We -- our transition rules have -- have placed based on
10 prior history up to ten (10) years and in fact at some
11 different level.

12 So the originally was all else being equal
13 we know that all else is not equal.

14 MR. BYRON WILLIAMS: At the theoretical
15 level they were approximately equal, that's correct?

16 MR. DONALD PALMER: When you -- when you
17 disregarded the placement or the relative DSR level at
18 the beginning, yes.

19 MR. BYRON WILLIAMS: I just want to turn
20 the Corporation's attention to a similar thing that --
21 moving along a little bit, PUB/MPI 1-32, Mr. Palmer.

22

23 (BRIEF PAUSE)

24

25 MR. DONALD PALMER: Yes, I have it.

1 MR. BYRON WILLIAMS: Mr. Palmer, as -- as
2 I understand the Corporation's response to PUB 1-32A,
3 you're tracking the number of Highway Traffic Act
4 convictions in Winnipeg for the time period between the
5 years 2000 and 2007; is that correct, sir?

6 MR. DONALD PALMER: That's correct.

7 MR. BYRON WILLIAMS: And would I be right
8 in suggesting to you that the -- the highest number of
9 Highway Traffic Act convictions reported in these years
10 presented in this response is in the year 2000 where
11 there was a bit over forty-four thousand (44,000); is
12 that right, sir?

13 MR. DONALD PALMER: That's correct.

14 MR. BYRON WILLIAMS: And would I also be
15 correct in suggesting that the lowest number is in the
16 year 2007 with the -- the number being just slightly less
17 than twenty-one thousand (21,000) Highway Traffic Act
18 convictions in Winnipeg, sir?

19

20 (BRIEF PAUSE)

21

22 MR. DONALD PALMER: That's -- that's what
23 these numbers -- I -- I would caution that that 2007
24 number may be slightly understated because of late
25 reporting.

1 But there's a significant drop-off. 2004
2 to '06 were relatively stable and 2007 was down. So
3 there might be some late reporting in that.

4 MR. BYRON WILLIAMS: Allowing for a -- a
5 bit of bouncing around, I was drawing a trend line, would
6 I be correct in suggesting to you that over the past
7 seven (7) or -- excuse me, the past eight (8) years, the
8 trend has been to a reduced number of Highway Traffic Act
9 convictions in Winnipeg, generally speaking?

10 MR. DONALD PALMER: Even if you
11 eliminated 2007 for the reasons that I mentioned, there
12 still would be a decreasing line, yes.

13 MR. BYRON WILLIAMS: When -- when we look
14 at convictions as a predictor of accident risk, would you
15 agree with me that -- that the number of traffic tickets
16 a driver gets in a particular year reflects more than
17 just the propensity to violate traffic law in that it --
18 it also will depend on enforcement, it also will depend
19 on what time of day I'm driving, et cetera, sir?

20 MR. DONALD PALMER: Yes.

21 MR. BYRON WILLIAMS: Would you also agree
22 that one (1) possible explanation for the reduced number
23 of Highway Traffic Act convictions in the City of
24 Winnipeg is reduced enforcement in by the City of
25 Winnipeg Police, sir?

1 (BRIEF PAUSE)

2

3 MR. DONALD PALMER: It's certainly a
4 possibility, yes.

5 MR. BYRON WILLIAMS: I -- I guess another
6 possibility would be that all of a sudden we're all
7 driving -- driving better?

8 MR. DONALD PALMER: That's a possibility
9 too.

10 MR. BYRON WILLIAMS: If you had to pick
11 between the two possibilities, Mr. Palmer, would you pick
12 reduced enforcement or driving better, sir?

13 MR. DONALD PALMER: Given that we haven't
14 had significant changes in claims frequency over that
15 period of time, probably the enforcement is -- is the
16 more likely scenario.

17 MR. BYRON WILLIAMS: And I -- and I'm --
18 don't worry, I'm not planning on leaking this to any
19 media outlet, Mr. Palmer.

20 I -- I wonder if you'd agree that reduced
21 enforcement, if -- if that is the explanation, adds a
22 degree of randomness to -- to the predictive value of
23 convictions on a going-forward basis, sir?

24 MR. DONALD PALMER: I -- I would -- I'm
25 uncomfortable with the term "randomness" because the

1 trend that you've identified doesn't seem to be random.
2 So there is some uncertainty in going for -- whenever
3 we're doing our -- our prospective models, there are some
4 assumptions that go into that what the traffic
5 enforcement will be. If the enforcement is at a level
6 different than what we are anticipating, there's some
7 uncertainty there, yes.

8

9

(BRIEF PAUSE)

10

11 MR. BYRON WILLIAMS: I appreciate that --
12 that answer, Mr. Palmer.

13 From the perspective of a driver who may
14 be engaging -- who -- who may not be changing their
15 driving behaviour, does -- does the -- does the fact that
16 -- excuse me, does -- does the possibility that there's
17 less enforcement inject some randomness into their
18 demerit results, sir?

19 MR. DONALD PALMER: Again, not
20 randomness. If there is decreasing enforcement, there
21 will be less demerits.

22 MR. BYRON WILLIAMS: And in -- again,
23 with the -- the assumption that we're in a decreasing
24 enforcement environment, and I'm not saying that is but
25 with that assumption, the driver may be behaving in

1 exactly the same manner but receiving less consequences
2 in terms of their -- in terms of the demerits and the DSR
3 scale; is that fair?

4 MR. DONALD PALMER: In -- in terms of the
5 conviction demerits, I would agree. If the behaviour
6 increases, we know that there's a relationship between
7 the driving behaviour and the accidents which also are
8 demerits. So it's certainly conceivable that there could
9 be more accidents, hopefully minor accidents, that would
10 then precipitate further demerits.

11 MR. BYRON WILLIAMS: And -- and we'll
12 come to this point in just one (1) second, Mr. Palmer,
13 but you're not suggesting under your model that -- that a
14 -- a prior negative record in terms of claims or
15 convictions is absolutely predictive of future at-fault
16 accidents for an individual driver?

17 MR. DONALD PALMER: Any risk
18 classification is on an aggregate level, not for an
19 individual.

20

21 (BRIEF PAUSE)

22

23 MR. BYRON WILLIAMS: I wonder, moving
24 right along in SM-5, if we could -- if you could turn to
25 page 24 for a minute, Mr. Palmer?

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(BRIEF PAUSE)

MR. BYRON WILLIAMS: And at the --

MR. DONALD PALMER: I have it.

MR. BYRON WILLIAMS: And at the top of this -- this SM-5 there's a -- a table titled, "Infraction Counts from the Retrospective Model;" do you see that, sir?

MR. DONALD PALMER: Yes.

MR. BYRON WILLIAMS: And it looks at various policy years running from 2001 through 2006, the number of earned drivers, the at-fault claims, the low-severity convictions, and the high-severity convictions. In general terms, does that describe the table, sir?

MR. DONALD PALMER: Yes.

MR. BYRON WILLIAMS: If I looked at this table in the year 2001, would it be fair to suggest to you that the at-fault claims being just under forty thousand (40,000) were about thirteen thousand (13,000) less than the low-severity convictions; would that be correct, sir?

MR. DONALD PALMER: Yes.

MR. BYRON WILLIAMS: If I looked at this table -- about a 20 percent difference, just ballpark,

1 sir?

2 MR. DONALD PALMER: Yes.

3 MR. BYRON WILLIAMS: If I looked at this
4 table in 2006, would I be correct in suggesting to you
5 that the at-fault claims are approximately equal with
6 low-severity convictions, sir?

7 MR. DONALD PALMER: Yes.

8 MR. BYRON WILLIAMS: Okay.

9 MR. DONALD PALMER: And the year before,
10 claims were higher.

11 MR. BYRON WILLIAMS: Thank you for that.

12 Mr. Chairman, I'm -- to, I'm sure, Ms.
13 McLaren's relief, I'll be leaving SM-5. I do want to
14 stay on -- on some of the -- this general area, so I'd
15 ask the -- the PUB to have -- and the MPI to have near at
16 hand, the Pre-ask by the CAC/MSOS Number 1.

17 And also, if I might have a second, Mr.
18 Chairman, to just confer with Mr. McCulloch for a second.

19

20 (BRIEF PAUSE)

21

22 MR. BYRON WILLIAMS: Mr. Chairman, I hope
23 -- in the hopes that it might assist the discussion, as
24 well, I had, with the -- I'm proposing to present just
25 two (2) -- two (2) studies to hopefully assist the

1 discussion. And my understanding is that Mr. McCulloch
2 does not object to their admission. We'll see how far we
3 -- we get with them.

4 Hopefully I stated that correctly, Mr.
5 McCulloch.

6 MR. KEVIN MCCULLOCH: That's correct.

7 MR. BYRON WILLIAMS: The -- the one (1)
8 document is by Gebers, G-E-B-E-R-S, and it's "Strategies
9 for Estimating Driver Accident Risk in Relation to
10 California's Negligent Operator Point System."

11 And I'd ask that that be marked as CAC --
12 or suggest that it be marked as CAC Exhibit Number 7.

13

14 --- EXHIBIT NO. CAC/MSOS-7:

15 Document called "Strategies for
16 Estimating Driver Accident Risk in
17 Relation to California's Negligent
18 Operator Point System"

19

20 MR. BYRON WILLIAMS: And the second is --
21 I'm not going to venture to try and pronounce this, but
22 the name of the first author is C-H-A-N-D-R-A-R-A-T-N-A,
23 and it's "Evaluation of the Characteristics of Drivers
24 with Multiple Crashes" and I'll ask that that be marked -
25 - or suggest that it be marked as CAC/MSOS Exhibit Number

1 8.

2 THE CHAIRPERSON: Very good.

3

4 --- EXHIBIT NO. CAC/MSOS-8:

5 Document called "Evaluation of the
6 Characteristics of Drivers with
7 Multiple Crashes.

8

9 CONTINUED BY MR. BYRON WILLIAMS:

10 MR. BYRON WILLIAMS: Mr. Palmer, turning,
11 if I -- if I might, to Pre-ask 1 of CAC/MSOS, do you have
12 that sir?

13 MR. DONALD PALMER: Yes.

14 MR. BYRON WILLIAMS: And, essentially, my
15 understanding that sub -- the Response Sub A indicates
16 that in the research phase of developing a program to
17 recommend to the government, the Corporation did do a
18 review of some of the literature in this area; is that
19 right?

20 MR. DONALD PALMER: Yes.

21 MR. BYRON WILLIAMS: And your objective
22 in -- in prepare -- in doing this literature review was
23 to identify documents which had some relevance to the
24 issues; would that be fair?

25 MR. DONALD PALMER: Yes.

1 MR. BYRON WILLIAMS: You wouldn't claim
2 that it was an exhaustive review; that would be fair?

3 MR. DONALD PALMER: That's fair.

4 MR. BYRON WILLIAMS: Now, in -- in
5 looking at the documents -- first of all, just a -- a
6 bookkeeping one (1), this list that you provided, you
7 make reference to the Australian Parliamentary Inquiry
8 into the Demerit Point System. That would be the 1994
9 inquiry; would that be correct, sir, subject to check?

10 MR. DONALD PALMER: Subject to check, I
11 believe that's correct.

12 MR. BYRON WILLIAMS: And you identify a
13 number -- a number of articles including one by Chen,
14 that's the first one; is that right?

15 MR. DONALD PALMER: Yes.

16 MR. BYRON WILLIAMS: And then at number 4
17 is a -- a report prepared by Gebers, G-E-B-E-R-S, which
18 is the same report that is marked as CAC/MSOS Exhibit
19 Number 7; is that fair?

20 MR. DONALD PALMER: That's correct.

21 MR. BYRON WILLIAMS: And likewise the --
22 the report marked as CAC/MSOS Exhibit 8 is the report,
23 the 2004 report, evaluation of the characteristics of
24 drivers with multiple crashes which the Corporation also
25 considered in its literature review; is that fair, sir?

1 MR. DONALD PALMER: Yes.

2 MR. BYRON WILLIAMS: And it's been some
3 time since you conducted this literature review; would
4 that be fair, sir?

5 MR. DONALD PALMER: Yes.

6 MR. BYRON WILLIAMS: So you're not
7 professing to have exhaustive knowledge of these two (2)
8 documents but they would be documents which the
9 Corporation has some familiarity with as a consequence of
10 preparing the research phase of developing their
11 proposal; would that be fair?

12 MR. DONALD PALMER: Yes.

13 MR. BYRON WILLIAMS: If -- if one looks
14 down this list of literature reviewed by the Corporation,
15 Mr. Palmer, are there any particular reports or
16 approaches which the -- the Corporation found
17 particularly instructive in terms of developing its
18 approach?

19 MR. DONALD PALMER: From the standpoint
20 of both convictions and at-fault accidents being
21 predictive of future and -- I -- I don't if all of them
22 say that but certainly it's a recurring theme that
23 accidents and convictions are predictive of future
24 accident, at-fault accident activity or claim activity.
25 So -- so that's what we were looking for.

1 MR. BYRON WILLIAMS: And just to go --
2 just to follow up that point very -- at a high level, Mr.
3 Palmer, in the latter part of your answer you said
4 accidents are predictive of at-fault accident activity.

5 I think in the earlier part of your answer
6 you -- you referenced at-fault accidents as being
7 predictive of subsequent at-fault accidents and that's
8 not an accidental distinction; is it?

9 MR. DONALD PALMER: No.

10 MR. BYRON WILLIAMS: Would it be fair to
11 say that in -- in doing your research you were
12 particularly interested in studies that looked at the
13 predictive value of the combination of at-fault accidents
14 and convictions; would that be fair?

15 MR. DONALD PALMER: Yes.

16 MR. BYRON WILLIAMS: And certainly in the
17 literature, you'll agree with me there are different
18 techniques and -- with -- with one technique being to
19 focus on accidents as a predictor of subsequent accidents
20 and another being to look at at-fault accidents as a
21 predictor of subsequent at-fault accidents; is that fair?

22 MR. DONALD PALMER: That's fair.

23 MR. BYRON WILLIAMS: And just for --
24 generally for my client's information, you'll agree with
25 me that -- that the paper marked as CAC-8 is one that's

1 the -- the report from the University of Kentucky, that
2 is a report that looks at, in a specific context, the
3 predictive effect of at-fault accidents; is that fair,
4 sir?

5 If you're looking for a reference, subject
6 to check, probably pages 12 and 29. I'm going off of
7 memory though.

8 MR. DONALD PALMER: Yes, that's correct.

9 MR. BYRON WILLIAMS: And the other report
10 that listed in your evaluation the literature that --
11 that took that perspective would be the Chen report at
12 the top of your list which looked at driver accident risk
13 in relation to the penalty point system in British
14 Columbia; would that be fair?

15 MR. DONALD PALMER: Yes, that's correct.

16 MR. BYRON WILLIAMS: Just for my
17 understanding, Mr. Palmer, would it be fair that in
18 developing your proposals these two (2) particular
19 reports were given greater reliance than others which
20 perhaps looked at total accidents? I see you shaking
21 your head there so -- if it's not fair, that's fine.

22 MR. DONALD PALMER: Yeah. No, I wouldn't
23 agree with that.

24

25

(BRIEF PAUSE)

1 MR. BYRON WILLIAMS: Mr. Palmer, without
2 going into these documents, I'm -- I'm hoping that there
3 are some general kind of points of -- of agreement that
4 you and -- and I can reach which I'm -- I'm going to
5 suggest to you.

6 Starting with -- you'd agree that over
7 time there's a large body of research that has
8 established that there is a statistically significant
9 relationship between counts of traffic accident
10 involvements and counts of prior traffic accidents and
11 citations for groups of drivers; would that be fair, sir?

12 MR. DONALD PALMER: Absolutely.

13 MR. BYRON WILLIAMS: Would it also be
14 fair to, say, suggest to you that much of the
15 groundbreaking work in this area was performed in the
16 state of California which had the benefit of their driver
17 record study database; would that be fair?

18 MR. DONALD PALMER: That's fair.

19 MR. BYRON WILLIAMS: I don't know if I
20 can get this much precision out of you or not, Mr.
21 Palmer. Would it be fair to say that one (1) of the very
22 first studies of this kind was in 1958, the California
23 Driver Study?

24 MR. DONALD PALMER: I was a very young
25 man; I can't remember that.

1 MR. BYRON WILLIAMS: Fair enough. In
2 terms of the -- the work out of California, would it be
3 fair to say that some of the leading writers from out of
4 that state would include Gebers, being G-E-B-E-R-S, Peck,
5 being P-E-C-K, and K-U -- and -- and then finally Kuan,
6 being K-U-A-N? If you're not able to answer that --

7 MR. DONALD PALMER: The -- the first two
8 (2) I'm familiar with; the last one (1) I'm not.

9 MR. BYRON WILLIAMS: Okay. So you're
10 familiar with Gebers and Peck?

11 MR. DONALD PALMER: Yes.

12 MR. BYRON WILLIAMS: Based on, again at a
13 high level, your review of the literature, would you
14 agree that there is a large random or I'm going to use a
15 technical term -- I'm not going to pronounce it correctly
16 though -- S-T-O-C-H-A-S-T-I-C component in -- in accident
17 causation in that the variation in accident occurrence --
18 there is a variation in accident occurrence that is not
19 systematically associated with measurable differences
20 between people; would that be fair?

21 MR. DONALD PALMER: And just to help you
22 out, that's stochastic and, yes, I would agree with that.

23 MR. BYRON WILLIAMS: Based on your review
24 of the literature, would you agree that factors such as
25 crash location, time of day, weather condition, and

1 highway types have been proven to be reasonable crash
2 predictors in various studies?

3 MR. DONALD PALMER: Yes, I would agree
4 with that.

5 MR. BYRON WILLIAMS: Again, at a high
6 level, would you agree that traffic conviction frequency
7 is, first of all, known to be correlated with increased
8 accident propensity and reflects risk taking, social
9 nonconformity, and exposure; would you agree with that,
10 sir? If the question is compound and you want to break
11 it up, fair enough.

12 MR. DONALD PALMER: I -- I would agree
13 with -- the first one again was...?

14 MR. BYRON WILLIAMS: I'll ask the -- the
15 question properly, sir.

16 First of all, and we've covered this, but
17 you'll agree that traffic conviction frequency is known
18 to be correlated with increased accident propensity; is
19 that fair?

20 MR. DONALD PALMER: Yes, that's fair.

21 MR. BYRON WILLIAMS: Would you agree that
22 some authors have suggested that traffic conviction
23 frequency reflects such behaviours as risk taking and
24 social nonconformity?

25 MR. DONALD PALMER: Risk taking I would

1 agree with; social nonconformity I have no opinion.

2 MR. BYRON WILLIAMS: And we'll leave that
3 risk taking, it's fair enough.

4 I wonder if you'll agree also that while
5 accidents can be associated with -- with risk taking,
6 they can also be associated with other individual
7 differences among drivers, such as driving skill,
8 information processing ability and level of cognitive
9 function; would that be fair?

10 MR. DONALD PALMER: Yes.

11 MR. BYRON WILLIAMS: When we look, at a
12 high level, at what causes a driver to be involved either
13 in a traffic conviction or, alternatively, a collision or
14 accident, would you agree that there's some -- some
15 common overlapping elements that may lead drivers to --
16 to be involved in -- in -- in both those events, as well
17 as some idiosyncratic variance?

18 MR. DONALD PALMER: Yes, there could be
19 similarities.

20 MR. BYRON WILLIAMS: But also some --
21 some differences, as well, sir?

22 MR. DONALD PALMER: Absolutely.

23 MR. BYRON WILLIAMS: Mr. Chairman, I
24 won't finish before lunch. This is not a bad point to
25 take a -- a break. I'm certainly -- if the Board is

1 concerned about time, I'm certainly prepared to come back
2 sooner than 1:15. I'll leave that to your discretion.

3 THE CHAIRPERSON: No, 1:15 is fine.
4 Gives us a chance to discuss. Thank you.

5
6 --- Upon recessing at 11:58 a.m.

7 --- Upon resuming at 1:22 p.m.

8
9 THE CHAIRPERSON: Okay, welcome back,
10 everyone. Mr. Williams...?

11 MR. BYRON WILLIAMS: Yes, thank you, Mr.
12 Chairman. With -- with the Board's permission, I'm -- I
13 --

14 THE CHAIRPERSON: With age we get
15 smaller, but usually not at quite that quick rate.

16 MR. BYRON WILLIAMS: That's been contrary
17 to my experience, Mr. Chairman.

18 With -- not -- not in terms of you, of
19 course. I have another event that I have to leave for at
20 2:30. I'm relatively confident that I'll be done by
21 then.

22 Ms. Bowman does have a -- one (1) area of
23 cross to continue, but after discussions with My Friend,
24 Mr. Oakes, we note that Mr. Houghton is there, so what
25 I'm proposing for the Board's consideration is that after

1 my section of cross is completed, I'll rush out of here
2 with apologies to all concerned, and then we'll stand
3 down the CAC/MSOS cross to allow Mr. Oakes, hopefully, to
4 complete his while Mr. Houghton is -- is here.

5 THE CHAIRPERSON: That's fine.

6

7 CONTINUED BY MR. BYRON WILLIAMS:

8 MR. BYRON WILLIAMS: Mr. Palmer or Ms.
9 McLaren, just if -- if you might, just for a second,
10 direct your attention to the -- the Corporation's
11 response to PUB Information Request 1-18A, please.

12 Do you have that, Mr. Palmer?

13 MR. DONALD PALMER: I have it.

14 MR. BYRON WILLIAMS: And the question
15 posed there was:

16 "Did the Corporation consider, in it's
17 modelling, alternative rates schedules
18 or implementation strategies with
19 different costs implications including
20 revenue neutrality?"

21 And the Corporation's response was that no
22 alternate rate schedules were considered; is that
23 correct?

24 MR. DONALD PALMER: That's correct.

25 MR. BYRON WILLIAMS: And just -- just so

1 I understand the Corporation's evidence, in our
2 discussion this morning you indicated to me that the
3 Corporation had produced different models in terms of
4 predicting risk, looking at different -- different tweaks
5 on the same variables; is that fair?

6 MR. DONALD PALMER: That's correct,
7 studying the effect of the movement on the scale to at-
8 fault accident frequency.

9 MR. BYRON WILLIAMS: But what it did not
10 do once it had determined its preferred model for
11 predicting risk was rule out or consider alternate rate
12 schedules for implementing its path to that preferred
13 model?

14 MR. DONALD PALMER: That's correct.

15 MR. BYRON WILLIAMS: You did not, for
16 example, look at the -- the roll out of DSR in a revenue
17 neutral fashion, is that right?

18 MR. DONALD PALMER: We -- we did not, no.

19 MR. BYRON WILLIAMS: The -- the process
20 was to -- to select the -- the movement on the scale and
21 then come up with this rate schedule and run pro formas
22 to see what the ultimate financial effect was and that's
23 -- and because it was -- the ultimate financial effect
24 was very close to the rate requirement that we saw for
25 2010/'11, we left it at that.

1 (BRIEF PAUSE)

2

3 MR. BYRON WILLIAMS: Mr. Palmer or Ms.
4 McLaren, let's assume for just the -- the sake of
5 argument that -- that a party to this Hearing, let's say
6 my clients, were supportive of the model, the risk
7 prediction model, but not supportive of the proposal to -
8 - to bringing in in a fashion that was not revenue
9 neutral.

10 Is there any evidence on the record or any
11 information on the record you could point me to that
12 outlines alternative ways that one might implement a
13 model such as this?

14 MR. DONALD PALMER: Once we -- we picked
15 sort of an ongoing model and we talked about the movement
16 on the scale, then the -- the more important question for
17 implementation is the transition rules and -- and how do
18 you get people on the scale and how do you sell the
19 scale, so to -- so to speak. So clearly, one (1) of the
20 stated goals was to reward safer drivers.

21 And that's probably the overwhelming
22 message that we got in our public consultation is -- and
23 I -- I stood in a lot of mall booths for a lot of -- for
24 a lot of hours and virtually every conversation then was
25 people coming up to me and -- and it started with, Hi, I

1 have five (5) merits. What are you going to do for me?

2 Overwhelmingly, that was -- that was the
3 message. So once you get to the point you say, okay, we
4 -- we're implementing a new plan, we want to ensure that
5 people generally don't pay more, you have another large
6 group of people clamouring to at least get some initial
7 break, revenue neutrality isn't really possible with --
8 with all of those constraints.

9 We really feel that it is important to
10 reward those demerit -- or merit eight (8), nine (9) and
11 ten (10) people because they're -- they're really the
12 examples of what we think drivers in this province should
13 be. So it was important for us to -- to reward those.
14 And, again, to -- to have the higher risk drivers and
15 say, We'll put you on the scale, have you pay -- and --
16 and now you can prove yourself going forward, the revenue
17 -- as I say, revenue neutrality wasn't really possible
18 under all those constraints.

19 When we ran the pro formas, and we
20 probably would be looking at, I think it was, a 2.6
21 percent rate increase -- or rate decrease, something of
22 that magnitude in 2010, thought this is a good
23 opportunity to reward the good drivers.

24 We didn't foresee that there was any --
25 any possibilities that our rate indicators would be worse

1 than what we're seeing now. As I've outlined, yes, the
2 investment market is -- is difficult right now, but we
3 have had good experience on -- on PIPP and on
4 comprehensive claims because of our anti-theft
5 initiatives.

6 So very much was that we looked at it, we
7 said a moderate rate decrease was possible and was -- was
8 the best possible outcome for implementation of DSR.

9 MR. BYRON WILLIAMS: Thank you for that
10 thought --

11 MS. MARILYN MCLAREN: Sorry, Mr.
12 Williams.

13 MR. BYRON WILLIAMS: Sorry, go ahead.

14 MS. MARILYN MCLAREN: Just one (1) more
15 for clarity and directness, I guess, with respect to your
16 specific question. If your clients like the program, but
17 don't like the fact that it is not -- the application is
18 not on a revenue neutral basis, it seems pretty clear, I
19 guess, that they may want a recommendation that says,
20 Don't approve the rates as applied for, for people at
21 step 8, 9 and 10.

22 Maybe they would want to recommend the
23 rates that are at step 7, maybe something between 7 and
24 what's being applied for, but that's where the lack of
25 revenue neutrality comes from, right at 8, 9 and 10.

1 That's the heart of it. That's the Corporation's
2 explanation for the use of what we believe to be solid
3 and -- and proven excess revenue. That's -- that's where
4 this discussions needs to take place. What should we be
5 charging the people at 8, 9 and 10?

6 MR. BYRON WILLIAMS: Thank you both of
7 you. Those are very helpful answers and I'm going to
8 address both of them sequentially.

9 Just, Mr. Palmer, in terms of the two (2)
10 major constraints you identified: One is to ensure that
11 no one (1) pays more, and then another one (1) is to
12 reward safe drivers; is that fair?

13 MR. DONALD PALMER: Yes.

14 MR. BYRON WILLIAMS: Ms. McLaren, in
15 terms of your -- your -- your helpful comments, and I'm
16 sure this is on the record somewhere and I've missed it,
17 can you give me a numerical indication of if one were to
18 try and focus -- reduce the merits to those at 8, 9 and
19 10, what's the dollar magnitude of that for the '09/'10
20 year -- excuse me, the '10/'11 year?

21

22 (BRIEF PAUSE)

23

24 MS. MARILYN MCLAREN: We're just checking
25 the application. I think it's an SM-4, but we'll just

1 find the reference.

2 MR. BYRON WILLIAMS: And just so I'm
3 clear, I'm looking at the impact on the -- on the -- on
4 those individual drivers, but also on the revenue.

5 MS. MARILYN MCLAREN: Right. The -- the
6 impact on the individual drivers would -- is the
7 difference of a either fifteen (15) or twenty dollar
8 (\$20) decrease from the twenty dollars (\$20) they're
9 paying today times the number of them that there are.

10 MR. DONALD PALMER: The revenue impact
11 we've got on SM-4. It's Exhibit 1A and it's page 2 of 2.

12 MR. BYRON WILLIAMS: So it would be about
13 \$10 million?

14 MR. DONALD PALMER: Pretty close to that,
15 yes.

16 MR. BYRON WILLIAMS: Thanks, and I -- I
17 should have known where that was. I apologize for that.
18 Mr. Palmer, just going back to the literature review for
19 a few minutes -- and I -- I thank you for your helpful
20 answers before lunch because it short circuited many of
21 my questions -- but you did indicate at a high level some
22 familiarity with Raymond Peck, his work, is that right,
23 sir?

24 MR. DONALD PALMER: Yes.

25 MR. BYRON WILLIAMS: And presumably you'd

1 be familiar with his work in terms of the predictive
2 value of accidents and -- and convictions; would that be
3 fair?

4 MR. DONALD PALMER: Yes.

5 MR. BYRON WILLIAMS: And there's no sin
6 if you're not familiar with -- with his other work but
7 are you at all familiar with his work in terms of the
8 behavioural modification effect of driver intervention
9 programs or the cost benefit of driver intervention
10 programs?

11 MR. DONALD PALMER: No.

12 MR. BYRON WILLIAMS: Okay. Going to,
13 very briefly to Mr. Gebers' article of 1999, which would
14 be CAC/MSOS Exhibit Number 7, do you have that, Mr.
15 Palmer?

16 MR. DONALD PALMER: I have it.

17 MR. BYRON WILLIAMS: And again your prior
18 answers saved me a lot of work on this but I think I'll
19 just turn you to the inside cover of the report
20 documentation page. That's probably the -- the quickest
21 way to do this.

22 Would you accept, subject to check, that
23 Mr. Gebers in this research was trying to look at the --
24 the impact of a number of factors in terms of their
25 accuracy, in terms of predicting future accident risk;

1 would that be fair?

2 MR. DONALD PALMER: That's fair.

3 MR. BYRON WILLIAMS: And again, you'd
4 accept that that's a slightly different question that
5 you've asked in SM-5 in that you're really looking at
6 predictive accuracy in terms of at-fault, in terms of
7 future at-fault accidents; would that be fair?

8 MR. DONALD PALMER: This is a little
9 broader than that, yes.

10 MR. BYRON WILLIAMS: I'll direct you just
11 for a moment to the second bullet under the abstract.
12 You see the statement:

13 "Models that use prior culpable
14 accidents as a predictor do not perform
15 as well as models that use prior total
16 accidents as a predictor."

17 Do you see that, Mr. Palmer?

18 MR. DONALD PALMER: I see that, yes.

19 MR. BYRON WILLIAMS: And you're familiar
20 with the work of others such as Smiley and Hauer who have
21 come to similar conclusions, would that be fair?

22 MR. DONALD PALMER: And I know that many
23 private insurers use all accidents just not at-fault
24 accidents as their rating variable, yes.

25 MR. BYRON WILLIAMS: And just so I

1 understand the Corporation's position, your preference
2 for using at-fault accidents rather than all accidents
3 I'm going to suggest to you would be twofold.

4 One (1) is because you're asking a
5 slightly different question and secondly, because it --
6 it might be unpalatable to assign demerits just for the
7 mere involvement in a -- in an accident; would that be
8 fair?

9 MR. DONALD PALMER: We've all gone on the
10 record very explicitly saying that public acceptability
11 is -- is an absolute essential part of this program.

12 And to -- to use not-at-fault accidents as
13 a rating variable I think your word was "unpalatable" and
14 I would agree with that.

15 MR. BYRON WILLIAMS: And that's fair. My
16 -- my clients I think understand exactly where you're
17 coming from but just regardless of whether total
18 accidents were -- has slightly increased predictive
19 value, it still would not be a path to walk down from the
20 Corporation's perspective?

21 MR. DONALD PALMER: Absolutely not.

22 MR. BYRON WILLIAMS: Now just turning to
23 the executive summary found on the -- the next page, the
24 second last bullet, Mr. Palmer. And I think you've
25 confirmed this but I just want to check this off -- off

1 my list.

2 The first sentence states that,
3 "Scientific literature indicates that
4 it's difficult to accurately identify
5 individual accident prone drivers on
6 the basis of their prior traffic,
7 accident and conviction records."

8 And you do not disagree with that
9 statement? You'll agree -- you'll agree with that
10 statement, sir?

11 MR. DONALD PALMER: I -- I agree with
12 that statement. We cannot predict -- or -- or we can
13 predict with some amount of -- of certainty in a range,
14 of course, how many accidents in any particular
15 classification variable. And -- and we can go beyond
16 driver behaviour into vehicle use or -- or type of
17 accident, type of vehicle or territory, for that matter.

18 They're all risk factors, but we can't
19 identify individuals who will have an accident. If -- if
20 we could, it would make our life a whole bunch easier.
21 But that's not the way that probabilistic models work.

22 I -- and, you know, we're -- we can't
23 identify specific drivers that they will, with certainty,
24 have accidents.

25 MR. BYRON WILLIAMS: Thank you, Mr.

1 Palmer. And I think this will be my last kind of set of
2 questions on this document.

3 But if you could turn, going past the --
4 the introduction to the -- the main text to the real
5 number 3, that page, if you would sir. So that's about a
6 number of pages in. So it's not the little -- little
7 three (3) i's but the -- I forget the proper word --
8 Romanic?

9 Anyways, number 3.

10 MR. DONALD PALMER: I think it's Arabic,
11 but...

12 MR. BYRON WILLIAMS: I was going to go to
13 a different culture, so it's just as well I didn't.

14 Just at the top of page 3, you'll see a
15 reference in -- in -- in this report to the work of -- in
16 -- in British Columbia, of Chen Cooper et al in 1995. Do
17 you see that, Mr. Palmer?

18 MR. BYRON WILLIAMS: And that report, of
19 course, was part of your literature review; is that
20 right, sir?

21 MR. DONALD PALMER: It was.

22 MR. BYRON WILLIAMS: And -- and I'm going
23 to just direct your attention -- and just in terms of the
24 broad strokes of the study, they -- they looked at the --
25 the relationship between future at-fault accidents and

1 both prior at-fault accidents and certain types of, what
2 they call "individual violations"; is that fair, sir?

3 MR. DONALD PALMER: That's -- that's
4 fair, yes.

5 MR. BYRON WILLIAMS: And -- and this
6 study was interesting in the literature because it
7 actually looked at specific or categories of individual
8 violations, whether they were right-of-way violations or
9 disobeying a traffic signal or other -- other types of
10 individual accidents; would that be fair?

11 MR. DONALD PALMER: Yes, that's fair.

12 MR. BYRON WILLIAMS: I wonder if you
13 would agree with me, and there's -- there's a reference
14 here about two-thirds (2/3s) the way down this paragraph,
15 but you also have this study in front of you, I
16 understand.

17 Would it be fair to say, in this report of
18 the individual violation types, right-of-way violations
19 such as failure to yield and disobeying a traffic signal
20 were found, after accidents, to be the type of pre-period
21 incidents most strongly associated with post-period at-
22 fault traffic accident involvement?

23 MR. DONALD PALMER: That's what Chen,
24 Cooper & Pinali found. When we did our -- our modelling,
25 we found that there wasn't really any difference between

1 context as the studies we did early that we talked about
2 in SM-5. So the predictiveness of convictions of one (1)
3 year -- we may have even done two (2) years, I'm -- I
4 don't recall at this stage -- but the predictiveness of
5 those on future accidents again in a limited time period
6 without looking at prior involvement.

7 MR. BYRON WILLIAMS: Is that information
8 easily reassemble-able, if that was a word? Is it easy
9 to recompile, Mr. Palmer?

10

11 (BRIEF PAUSE)

12

13 MR. DONALD PALMER: It would take some
14 period of time. I -- I'm not talking months but I'm
15 talking probably several days to -- to recompile it.

16 MR. BYRON WILLIAMS: I'll hold off on
17 that and I'll contemplate whether to ask you that over --
18 overnight, Mr. Palmer.

19 Are those all two (2) demerit point
20 offences, sir?

21 MR. DONALD PALMER: Those -- those were
22 the two (2) demerit ones. Some of the high -- high level
23 speeding ones were -- were higher and were more
24 predictive than -- than the lower ones.

25 But the traffic -- the traffic signal ones

1 and seat belts and lower level speeding are all twos.

2 MR. BYRON WILLIAMS: Is the ratio, Mr.
3 Palmer, between the high level speeding and -- and the
4 others, is that an easily identifiable -- in terms of
5 predictability, sir, is that...

6

7 (BRIEF PAUSE)

8

9 MR. DONALD PALMER: The highest level
10 speeding was five (5) demerits as opposed to two (2).

11 MR. BYRON WILLIAMS: Is high level
12 speeding twice as likely to result in at-fault accidents,
13 Mr. Palmer? That's my question.

14 MR. DONALD PALMER: It's not -- we're
15 confusing the demerits with the -- the twice as likely.
16 It -- we were talking about --

17 MR. BYRON WILLIAMS: I'm not.

18 MR. DONALD PALMER: -- about those point
19 zero zero sevens (.007s).

20 MR. BYRON WILLIAMS: Yes.

21 MR. DONALD PALMER: So it's the movement
22 of those point zero zero sevens (.007s) rather than the
23 specific claims frequency.

24 MR. BYRON WILLIAMS: And for the high
25 speed ones is it twice as predictive, Mr. Palmer? That's

1 what I'm asking.

2 MR. DONALD PALMER: It's twice as many of
3 the point o-o-sevens (.007s).

4 MR. BYRON WILLIAMS: Okay. I -- I'll
5 leave this and contemplate your answers. Just moving to
6 CAC Number 8, which is the report from the University of
7 Kentucky, and again, Mr. Palmer, your answers in the
8 morning helped me short circuit this discussion. But I
9 wonder if you could turn to page 11. That's under
10 Section 3 Methodology, sir, do you have that?

11 MR. DONALD PALMER: Yes, I have it.

12 MR. BYRON WILLIAMS: And just in the
13 second paragraph here, there's a reference to the work of
14 Mesken, being M-E-S-K-E-N, and are you aware in the
15 literature, Mr. Palmer, in terms of that there is some
16 literature suggesting that risky behavioural citations
17 can be categorized into four (4) major categories, being
18 lapses, errors, non-speeding violations and speeding
19 violations, sir?

20 MR. DONALD PALMER: I am now.

21 MR. BYRON WILLIAMS: You weren't -- you
22 weren't before?

23 MR. DONALD PALMER: No.

24 MR. BYRON WILLIAMS: Flowing from that
25 answer I -- I take it you wouldn't be aware that research

1 such as Mesken's suggested that these different types of
2 convictions can be statistically significant predictors
3 of crashes?

4 MR. DONALD PALMER: I'm not aware of that
5 but I -- but I wouldn't doubt that.

6 MR. BYRON WILLIAMS: Thanks, Mr. Palmer.
7 Just -- just given that you're not familiar with it, we
8 won't follow that too far down.

9 I'll just direct you to page 14, Section
10 3.3, Variables section. And in the -- in the first
11 paragraph, Mr. Palmer, do you see about one (1), two (2),
12 three (3), four (4), five (5) -- four (4) and five (5)
13 lines down you'll -- you'll see there's a reference to a
14 number of California studies who argue that not-at-fault
15 involvements are not random events, perhaps because
16 drivers who are less capable may be more likely to be
17 involved in crashes due to their less effective defensive
18 driving technique.

19 Are -- are you familiar with that kind of
20 train of thought in the literature, sir?

21 MR. DONALD PALMER: The same train of
22 thought, yes; we -- we have just talked about that and --
23 and other insurers using not-at-fault accidents as a rate
24 indicator. So I'm -- in general, I'm familiar with that,
25 yes.

1 MR. BYRON WILLIAMS: And I -- I think I
2 already have the Corporation's position on -- on why it
3 doesn't support that.

4 Mr. Palmer, would you be familiar with the
5 -- with the fact that there's been a -- a fair bit of
6 academic research on the behavioural modification effects
7 of driver improvement intervention effectiveness over the
8 past forty (40) years?

9 MR. DONALD PALMER: Yes, I would -- I
10 would say that there's been lots, yes.

11 MR. BYRON WILLIAMS: And in terms of the
12 literature on driver improvement intervention
13 effectiveness, are you familiar with the fact that it's
14 explored both the effects of these programs on
15 convictions as well as upon crashes?

16 MR. DONALD PALMER: Yes, I -- I would say
17 there's probably information on both of those.

18 MR. BYRON WILLIAMS: Would you also be
19 aware that in terms of, again, the specific area of
20 research, driver improvement interventions effectiveness,
21 would you be aware that there's been a fair bit of cost
22 benefit analysis in support of this type of programming,
23 especially from a -- the state of California?

24 MR. DONALD PALMER: Yes, I -- I know that
25 there's been some -- some studies in that regard, yes.

1 MR. BYRON WILLIAMS: Just a very small
2 point. Am I right in suggesting to you based upon your
3 review -- well, that in Australia red-light cameras are
4 used for demerits subject to -- to an owner overturning
5 the onus; is that fair, sir?

6 MR. DONALD PALMER: Yes, I'm familiar
7 with that.

8 MR. BYRON WILLIAMS: Just a few questions
9 about MPI Exhibit Number 10, which is the preliminary and
10 unaudited quarterly financial report from the fourth
11 quarter.

12 MR. DONALD PALMER: I have it.

13 MR. BYRON WILLIAMS: Now I'm sure Board
14 counsel will ask more thoughtful questions on this --
15 this area than I will, Mr. Palmer, but I just have a few
16 to make sure my clients understand this.

17 If I went to page 4 to the balance sheet
18 unaudited -- do you have that, Mr. Palmer?

19 MR. DONALD PALMER: I have it.

20 MR. BYRON WILLIAMS: And I'd be correct
21 in suggesting to you that this is for the Corporation as
22 a whole rather than the Basic program because the funds
23 are not segregated; is that right, sir?

24 MR. DONALD PALMER: This is a balance
25 sheet for the entire Corporation. We do create a balance

1 sheet for Basic for an audited balance sheet for Basic
2 for purposes of these Hearings that will be presented at
3 the GRA.

4 MR. BYRON WILLIAMS: It's not available
5 right now; is that fair, sir?

6 MR. DONALD PALMER: That's fair.

7 MR. BYRON WILLIAMS: Just again
8 recognizing that this is for the Corporation as a whole,
9 would I be right in suggesting to you that if I looked at
10 the line Cash Investments for 2009, February 28th, as
11 opposed to 2008, February 29th, that it would be about
12 \$165 or \$166 million less; would that be fair?

13 MR. DONALD PALMER: That's fair.

14 MR. BYRON WILLIAMS: And likewise just
15 going down to the line "Total Assets," it would about 119
16 million less; would that be fair, sir?

17 MR. DONALD PALMER: That's fair.

18 MR. BYRON WILLIAMS: And that's as a
19 consequence of -- to some degree at least of the
20 volatility in the investment market over the last while,
21 sir?

22 MR. DONALD PALMER: That's correct.

23 MR. BYRON WILLIAMS: Flipping over to the
24 Statement of Retained Earnings for Basic Insurance --
25 well, Statement of Retained Earnings on page 3, do you

1 have that, Mr. Palmer?

2 MR. DONALD PALMER: Yes, I have it.

3 MR. BYRON WILLIAMS: Now would I be right
4 in -- in suggesting that going directing you to Basic
5 Insurance Rate Stabilization and then the third line
6 under that Net Income or Loss After Surplus Distribution,
7 that the -- the unaudited actual net income from
8 operations prior to the transfer of the Immobilizer --
9 from the Immobilizer Incentive Fund was about 7.3
10 million, is that right?

11 MR. DONALD PALMER: The loss before
12 transfer from the IIF was 7.4 million, yes.

13 MR. BYRON WILLIAMS: And would I be right
14 in suggesting, just so my clients can understand, that
15 your actual forecast net income for this line, would I be
16 right in suggesting that, based upon TI-1 in the
17 Application, that it was actually forecast to be somewhat
18 worse in the range of negative 22.4 million; is that
19 right?

20 It's probably TI-2, I apologize, Mr.
21 Palmer.

22 MR. DONALD PALMER: Just bear with me for
23 one (1) second.

24

25 (BRIEF PAUSE)

1

2 MR. DONALD PALMER: Yes. We're -- we're
3 better than we thought we were going to be.

4 MR. BYRON WILLIAMS: And you're not
5 better because of investment income because that's down
6 about, let me guess, 50 million or so, Mr. Palmer,
7 roughly?

8 MR. DONALD PALMER: More than that but --

9 MR. BYRON WILLIAMS: For the Basic
10 program?

11 MR. DONALD PALMER: Still likely more
12 than that. But we're -- yes, it wasn't the investment
13 that was -- it was underwriting losses that -- or
14 underwriting results that were better than expected.

15 MR. BYRON WILLIAMS: And in particular,
16 your claims costs with regard to PIPP claims were
17 considerably better, is that fair?

18 MR. DONALD PALMER: That's fair.

19 MR. BYRON WILLIAMS: Can you give me an
20 order of magnitude in terms of the PIPP claims cost
21 improvement, relative improvement, how much of that was
22 due to changes in claims reserves?

23

24 (BRIEF PAUSE)

25

1 MR. DONALD PALMER: There was a large
2 component of it that was as a result of the changes in
3 claims reserves.

4 MR. BYRON WILLIAMS: Without asking for a
5 number, can you give some precision to the word "large",
6 sir? A range?

7 MR. DONALD PALMER: Over half of the
8 difference would have been due to the change in claims
9 reserves. We had -- and it's not just the -- the
10 reserves. Our -- our actual PIPP costs were down
11 significantly this -- this past year. In terms of
12 serious accidents, we saw a real decrease in them. So
13 that was significantly down.

14 The changes in the reserves as a result of
15 the actuarial evaluation was significantly down, and --
16 and our comprehensive costs were down significantly, as
17 well.

18 So if I would say what were the magnitude,
19 half-ish was claims reserves, a quarter was lower PIPP
20 costs in the current year and a quarter would be
21 comprehensive costs.

22 MR. BYRON WILLIAMS: Thank you. If I
23 directed your attention to the Statement of Operations at
24 page 2, the Unaudited Statement of Operations, this is
25 for the Corporation as a whole, is it not, Mr. Palmer?

1 MR. DONALD PALMER: That's correct.

2 MR. BYRON WILLIAMS: And if I -- I look
3 at the fifth line down, I see the word "underwriting
4 income" and then in brackets "loss".

5 Do you see that, Mr. Palmer?

6 MR. DONALD PALMER: I see it.

7 MR. BYRON WILLIAMS: And would I be
8 correct in suggesting to you that usually when I look at
9 underwriting income, either for the Basic Program or the
10 Corporation as a whole, I usually see those brackets
11 surrounding a loss, because usually underwriting income
12 is at a loss; is that fair, sir?

13 MR. DONALD PALMER: That's correct. As
14 we saw for the twelve (12) months ending February 28th,
15 or February 29th, 2008, it was in a loss position at that
16 time.

17 MR. BYRON WILLIAMS: And if you're not
18 able to, sir, I understand, but is the underwriting
19 income for the Basic Program without brackets, as well,
20 for the '08/'09 year? Is it positive or do you know
21 that, at this point in time, Mr. Palmer?

22 MR. DONALD PALMER: It would be a loss, a
23 small loss.

24 MR. BYRON WILLIAMS: Could you tell me
25 when the last time the underwriting income for the

1 Corporation as a whole was not bracketed, was -- was
2 positive?

3 MR. DONALD PALMER: I don't have that
4 handy, no.

5 MR. BYRON WILLIAMS: Last five (5) years?

6 MR. DONALD PALMER: I -- I'm -- I'm not
7 sure of that number.

8 MR. BYRON WILLIAMS: Just a few short
9 snappers to finish up.

10 And, Ms. McLaren, this may go to you. If
11 not, let me know. But do you recall from the PRA phone
12 survey in September of 2007, there was a question to
13 lowest drivers, moderate risk drivers and high risk
14 drivers, you know, are you a better driver than average,
15 et cetera; do you -- do you recall that question?

16 MS. MARILYN MCLAREN: I recall that it
17 was there. I certainly wouldn't recall what the answers
18 were.

19 MR. BYRON WILLIAMS: And, certainly, you
20 can accept this subject to check or check me up. Would -
21 - would you accept the conclusion, my suggestion to you
22 subject to check, from PRA that it was the higher risk
23 drivers who are most likely to say they are better
24 drivers on average?

25 MS. MARILYN MCLAREN: Yes, that seems to

1 ring a bell.

2 MR. BYRON WILLIAMS: Going back to
3 behaviour modification, and -- and using just kind of a -
4 - a -- again, roughly, those terms, low risk, moderate
5 risk, high risk drivers, recognizing they're not terms of
6 science, do you have any thoughts on -- on which of those
7 categories is -- is most likely to be susceptible to
8 behavioural change?

9 MS. MARILYN MCLAREN: No, I don't think I
10 do. I think, given the fact that the magnitude of
11 behavioural change would be less with the moderate group
12 as opposed to the worst group, that -- that there may be
13 an argument to be made there. But the other side of that
14 is when you start looking at the dollars associated with
15 the highest risk group. Sometimes in, you know, in the
16 absence of anything else money can be a motivator, as
17 well.

18 MR. BYRON WILLIAMS: Again, and -- and if
19 you -- you don't -- are you aware of anything in the
20 literature looking at drivers that are -- types of
21 drivers who are either more amenable to change or more
22 recalcitrant in the -- in the face of change?

23 MS. MARILYN MCLAREN: I'm not personally,
24 no.

25 MR. BYRON WILLIAMS: Is MPI of the view

1 that remedial training for high-risk drivers, I don't
2 know, let's say someone over minus ten (-10) demerits, is
3 one (1) mechanism to reduce the risk of future social --
4 the -- the risk of the future social and economic costs
5 of accidents?

6 MS. MARILYN MCLAREN: Further to our most
7 recent exchange, I'm not sure it's an issue of skill with
8 these folks. And I also know that people in that
9 category of demerits are the people who are very much
10 involved in the driver improvement and control program.
11 They're often people whose licences are suspended.

12 Often as a part of having their licence
13 available to them for renewal they -- they must take part
14 in training educational programs at Safety Services
15 Manitoba or other organizations; I'm not sure. I -- I
16 know in the PRA survey that -- that they expressed the
17 most interest in having that type of opportunity to -- to
18 improve their driving or to improve their merit position.
19 So I -- I think the jury is a little bit out in terms of
20 whether or not training can help those people actually
21 change their behaviour.

22 MR. BYRON WILLIAMS: And -- well, that's
23 the question. In -- in your view, in terms of the
24 training that you refer to, do you have an opinion on
25 whether it's effective in reducing the risk of future

1 accidents?

2 MS. MARILYN MCLAREN: I'm not sure. I
3 think there's more work to be done in that area to really
4 learn a lot more about what, if anything, really can
5 encourage the so-called worst of the worst to improve
6 their behaviour.

7 MR. BYRON WILLIAMS: You're aware, of
8 course, that there is some literature in this area
9 whether flowing from California or Australia or other
10 jurisdictions?

11 MS. MARILYN MCLAREN: I am aware it's out
12 there, yes.

13 MR. BYRON WILLIAMS: Yeah, but -- but
14 you're not intimately familiar with it?

15 MS. MARILYN MCLAREN: Personally I'm not,
16 no.

17 MR. BYRON WILLIAMS: Just going back to
18 the idea of future flexibility for the program, if -- if
19 my clients could persuade you that this type of training
20 might be effective or is effective in reducing the risk
21 of future accidents, would that -- that -- the kind of
22 proposal to kind of reduce one's demerits by taking some
23 sort of remedial training be something the Corporation
24 might consider in the future in terms of tweaks to the
25 program?

1 MS. MARILYN MCLAREN: I think that's
2 something that we would consider. At this point, my
3 inclination would be to do something like that very much
4 on a test basis and with a lot of under -- better
5 understanding than we have right now that exactly what
6 else is going on with that particular group, but
7 certainly that's the kind of thing that -- that can be
8 considered going forward, for sure.

9 MR. BYRON WILLIAMS: Mr. Chairman, this
10 may be a first where I'm actually on time with my
11 estimates. I'm prepared to stand down. There's a couple
12 of things I will consider over -- hopefully at the
13 conclusion of Mr. Oakes' and Ms. Bowman's cross-
14 examination but, subject to any undertakings, that should
15 conclude my cross.

16 THE CHAIRPERSON: Very good, Mr.
17 Williams. We'll call again on you in the morning and
18 we'll find out where you are.

19 Mr. Oakes, are you ready to proceed now?

20 MR. RAYMOND OAKES: I am, Mr. Chairman.

21

22 CROSS-EXAMINATION BY MR. RAYMOND OAKES:

23 MR. RAYMOND OAKES: As a first matter,
24 I'd like to thank both Mr. Williams and Ms. Bowman for
25 their courtesy in allowing me to proceed with my client

1 in attendance. I would caution not to congratulate Mr.
2 Williams too much on his time estimates because he told
3 me last Wednesday he might not last the day.

4 So having said that, Ms. McLaren, I have a
5 question for you and I'll try not to invoke the spectre
6 of Mr. Saranchuk asking you whether it's a GRA that we're
7 concerned with today, but I'd ask that you confirm for me
8 that the Application the Corporation has put forth is
9 called "The Driver Safety Rating Program"? That's what
10 DSR stands for, I'm asking you to confirm it?

11 MS. MARILYN MCLAREN: DSR stands for
12 "Driver Safety Rating," yes.

13 MR. RAYMOND OAKES: And the Corporation
14 has not tabled an application called "The Vehicle Safety
15 Rating Program" nor is this Application concerned with
16 vehicle characteristics in terms of risk, is that
17 correct?

18 MS. MARILYN MCLAREN: That's true.

19 MR. RAYMOND OAKES: And the reason that
20 they haven't put forward that program is that, at least
21 with respect of private passenger vehicles, they have the
22 VICC which deals with vehicle characteristics in terms of
23 risk?

24 MS. MARILYN MCLAREN: With respect to
25 vehicles, we also have territories and insurance uses,

1 yes.

2 MR. RAYMOND OAKES: Thank you for that.
3 Now despite the fact that this is dealing with Driver
4 Safety Rating, this Application does purport to introduce
5 insurance and vehicle premium discounts for both drivers
6 and vehicle premiums; is that correct?

7 MS. MARILYN MCLAREN: Yes.

8 MR. RAYMOND OAKES: And I understand out
9 of those two (2) different products, the driver premiums
10 would be considerably less than the vehicle premiums
11 sought by the Corporation, is that correct?

12

13 (BRIEF PAUSE)

14

15 MR. DONALD PALMER: The value of the
16 vehicle premiums is much greater than the value of the
17 driver premiums. The value of the discounts on -- on
18 vehicles is about the same as the total value of the
19 driver premium.

20 MR. RAYMOND OAKES: Since we have an
21 answer from one of the best mathematicians in the room,
22 can you quantify just in terms of the amount of driver
23 premium versus vehicle premium in just rough high level
24 terms?

25 MR. DONALD PALMER: Very roughly, driver

1 premium is about 5 percent.

2 MR. RAYMOND OAKES: Thank you, sir. Now
3 --

4 MS. MARILYN MCLAREN: On a dollar basis
5 we're talking about thirty (30) to 35 million from both
6 sources. But then we gave up in this Application \$10
7 million of revenue for the drivers slotted at merit
8 levels 8, 9 and 10.

9 MR. RAYMOND OAKES: Thank you for that
10 further clarification. Ms. McLaren, there was some
11 discussion about this process being a living, breathing
12 system at page 155 of the transcript.

13 You talked about it being fairly flexible,
14 be modified through time as experience emerges and
15 different public policy objectives perhaps may emerge.

16 Would you agree with me that the CMMG
17 proposal as put to the Corporation last fall on this
18 point is more of a -- a philosophical difference and that
19 certainly the Corporation wouldn't see it changing to the
20 CMMG proposal as part of this Application going forward
21 and --

22 MS. MARILYN MCLAREN: I would agree with
23 that. That's a substantive change that, in the
24 Corporation's view, for reasons that are in the
25 transcript, as well, over the last previous days, would

1 have significant downside implications for many
2 customers.

3 MR. RAYMOND OAKES: And what I'm asking
4 is, are those two (2) different concepts?

5 MS. MARILYN MCLAREN: The DSR as it
6 exists and the proposal from the CMMG, are those concepts
7 you're referring to?

8 MR. RAYMOND OAKES: That's correct.

9 MS. MARILYN MCLAREN: Yes, they are.

10 MR. RAYMOND OAKES: And since the concept
11 that MPI has put forth in the DSR has been approved by
12 the government as subject of the Regulation, it's clear
13 that the Corporation has rejected the CMMG proposal?

14 MS. MARILYN MCLAREN: That's fair.

15 MR. RAYMOND OAKES: And after it received
16 the proposal, how much time did the Corporation spend in
17 reviewing the CMMG proposal?

18 MS. MARILYN MCLAREN: Hours, I would say,
19 in discussion after receiving the, you know, the formal
20 response to the -- the consultation document.

21 This is something, though, that we have
22 discussed internally, and -- and, as well, with the CMMG,
23 prior to receipt of the feedback in the -- the formal
24 feedback through the consultation process.

25 MR. RAYMOND OAKES: And, Ms. McLaren, I

1 know the Corporation's response in Public Utility Board
2 IR 1-38 that indicated the differences between the
3 Corporation's approach and the CMMG's recommended
4 approach and why the Corporation chose not to apply the
5 CMMG proposal.

6 Can the Corporation confirm that even if
7 they did not wish to move to a system where the Driver
8 Safety Rating scale would only apply to drivers licence
9 premium, then it could have explored other alternatives,
10 such as embracing youth restrictions and listing of
11 drivers, which are methods, we understand, used by
12 private insurers?

13 MS. MARILYN MCLAREN: I suppose, at some
14 point, we could suggest or -- or take action that would
15 make us more like private insurers. I -- I think that's
16 highly unlikely, particularly in this situation, as well.

17 There's always different approaches and
18 different options but we really believe that the -- the
19 Program overall, the Compulsory Insurance Program and the
20 Driver Safety Rating best meet the needs of Manitobans
21 and are -- are the most consistent with the objectives of
22 this broad, universally available, compulsory program.

23 MR. RAYMOND OAKES: Now at page 205 of
24 the transcript, Ms. McLaren, you talked about ICBC in
25 relation to restrictions on the use of vehicles.

1 Does the Corporation have information as
2 to whether ICBC requires the listing of drivers in its
3 policies?

4 MR. DONALD PALMER: Not the listing of
5 all drivers, no. There is a -- I think, initially, there
6 is a principal operator that's -- that's listed, but
7 beyond that, any incident that that vehicle is involved
8 in affects the rating of that vehicle.

9 So if I were to -- if I'm a -- a safe
10 driver and -- and have their 43 percent discount and I
11 was to let my son drive -- drive my vehicle and he had it
12 an accident, then that vehicle would lose the discount
13 based on that accident. So it's not -- not really listed
14 drivers, per se.

15 MR. RAYMOND OAKES: But then, obviously,
16 a government monopoly insurer can have limitations in its
17 program to capture the lending out or use of the vehicle
18 by someone other than the rated driver?

19 MS. MARILYN MCLAREN: It's never been a
20 matter of can or can't. It's what we and/or the
21 Government of Manitoba believe is the best approach for
22 this particular program here for Manitobans.

23 I can tell you that when the Merit
24 Discount Program was first introduced in 1988, the at-
25 fault accidents followed the vehicle. Did not work well

1 for the people of Manitoba, for the participants in the
2 Compulsory Insurance Program.

3 That was changed, I believe, the following
4 year, a couple of other program features, as well, that
5 really tried to control that from the vehicle side of
6 things. We started that way and it did not meet people's
7 needs for something that they believed to be fair, that
8 they believed to be appropriate.

9 And very shortly, if not the very next
10 year or the year after that, we changed to a system where
11 at-fault claims followed the driver. We used the
12 surcharge system that had been in place since '71 much
13 more effectively and that worked much better for the
14 people that were part of the program.

15 MR. RAYMOND OAKES: Ms. McLaren,
16 certainly for the -- the majority of private insurers
17 they would have limitations to cover off that situation;
18 do you agree with that?

19 MS. MARILYN MCLAREN: They have all kinds
20 of limitations. The first thing they're trying to decide
21 is, do I want to do business with you, but that's not a
22 question we ask at Manitoba Public Insurance.

23 There are situations where insurers don't
24 necessarily just require the listing of authorized
25 operators of the vehicle; they will require the listing

1 of people who live in the residence. And if there's
2 somebody in that residence they don't want to do business
3 with, they will not sell a policy to the owner of the
4 vehicle. There's all kinds of things that the private
5 sector does that we don't believe are appropriate for us;
6 some of it I would question whether it's even appropriate
7 for them.

8 MR. RAYMOND OAKES: Just to bring it down
9 to its most basic level by way of an example and talking
10 about whether this is an inequity that the Corporation
11 should be addressing or not, if -- I currently have five
12 (5) merits and it must be a sign of advancing age because
13 I've had them for quite some time and if my vehicle is
14 rated with a certain premium, and my next-door neighbour
15 is a gentleman who every few months is involved in an
16 accident and speeding convictions and the like but he has
17 his vehicle in his wife's name and he's driving that same
18 vehicle at the same rate as I am because his wife has
19 five (5) merits, would you consider that to be fair and
20 equitable?

21 MS. MARILYN MCLAREN: Absolutely because
22 you can't look at the system exclusively as it applies to
23 vehicles. We will be collecting significant money from
24 that individual on his driver's licence so that's what
25 makes it fair and reasonable and appropriate. You need

1 to look at the total system.

2 MR. RAYMOND OAKES: Ms. McLaren, you
3 talked about the issue of restricting the use of a
4 reduced premium or merit vehicle by non-merit drivers and
5 you indicated it was administratively burdensome; is that
6 correct?

7 MS. MARILYN MCLAREN: Requiring customers
8 to list the regular operators of their vehicles is
9 administratively burdensome for them and for us; it's not
10 something we intend to go towards.

11 MR. RAYMOND OAKES: Now, if the
12 Corporation did intend to go towards that and commit that
13 extra amount of work, is it not the case that the
14 additional premiums that the Corporation were to collect
15 would pay for that extra administration?

16 MS. MARILYN MCLAREN: It's a net sum game
17 here. If it costs more, rates would have to cover it.
18 If we did collect more revenue and we had more revenue
19 than we needed to break even, we would be reducing rates.
20 So it's a net sum game.

21 The point is that it -- it has no value.
22 Doing that kind of work has no value given the fact that
23 we have full opportunity and legislated responsibility
24 and authority to charge drivers as well as vehicle
25 owners. It's a total picture here and that -- there are

1 significant advantages towards that. It's not a matter
2 of not -- being not sure how we would pay for something
3 that was administratively burdensome.

4 MR. RAYMOND OAKES: Ms. McLaren, I
5 suspect we're at total odds on this issue but are you
6 saying that the -- that the failure to control the misuse
7 of discounted vehicles still results in the premiums for
8 those vehicles being reflective of risk?

9 MS. MARILYN MCLAREN: When you look at
10 the total premium collected from the users of that
11 vehicle, yes, I agree that. It is not -- sorry, the
12 language you used at the beginning of that most recent
13 opening escapes me but you alluded to the fact that it's
14 somehow problematic and incorrect and not collecting the
15 right or -- or proper money. I disagree; that's not the
16 way this thing works at all.

17 MR. RAYMOND OAKES: And so you have no
18 trouble with the two (2) strategies that were examined at
19 length last week, being Article 3.6 and 7.5 of MPI's
20 Strategic Plan, which indicated that the -- all aspects
21 of driver risk ratings are to be consistent, clear and
22 fair, and 7.4, that individuals should pay insurance
23 rates that reflect the risk they represent on the road.

24 You don't see that those two (2)
25 strategies are being flouted by this loophole?

1 MS. MARILYN MCLAREN: No, the strategies
2 are not flouted and, no, there's no loophole. Mr. Oakes,
3 I think it would bear some discussion about the fact that
4 the conceptual framework that the CMMG has proposed is
5 something that appears advantageous to a very, very small
6 percentage of our customers where, in fact, there are a
7 few people who have more vehicles than drivers or one (1)
8 person -- a group of people where they themselves tend to
9 be the only regular users of those vehicles and they have
10 more than one (1).

11 It -- it's a very isolated problem. It is
12 a problem that the vast majority of Manitobans do not
13 find themselves in. The fact that there are many users
14 of one (1) vehicle is far, far more frequent, "many"
15 being a relative term, two (2) or three (3) perhaps.
16 More than one (1) user of one (1) vehicle is far more
17 common than the reverse situation where there is a number
18 of vehicles regularly used by only one (1) person.

19 That -- that's the conceptual framework of
20 where the proposal is coming from, in the Corporation's
21 view.

22 MR. RAYMOND OAKES: Well, Ms. McLaren,
23 that is an issue that we will deal with as a separate
24 issue, the individual that has several vehicles for his
25 own use alone.

1 But in your answer to the last few
2 questions, I have to return to the cross-examination that
3 Ms. Bowman conducted last week and she referred to the
4 2007 Rate Application and it is contained at -- the
5 reference is at page 561 of the transcript now, and it
6 referred to the statements of the Corporation in that
7 previous Rate Application at AI.9.

8 And in that particular material the
9 Corporation deplored the manipulation by the drivers. Do
10 you recall that?

11 MS. MARILYN MCLAREN: I recall the
12 document, I recall the discussion last week, yes.

13 MR. RAYMOND OAKES: And in that
14 discussion last week, the Corporation replied, at page
15 569 of the transcript, that the Corporation's thinking on
16 this issue has changed significantly over the last couple
17 of years.

18 Would you agree with me that the
19 Corporation has reversed its position a hundred and
20 eighty (180) degrees on this issue?

21 MS. MARILYN MCLAREN: Without getting
22 into the measurement of the degree of change, the
23 Corporation's position has changed, absolutely.

24 The Corporation with limited information
25 took the position in 2006 that the construct of family

1 ownership of vehicles was for the most part driven by the
2 interest of manipulating insurance rates.

3 The Corporation doesn't take that position
4 anymore. There are many, many examples where people's
5 ownership -- family ownership situation is -- is for any
6 number of reasons and they believe to be very valid, very
7 legitimate ownership arrangements that have precious
8 little to do with Manitoba Public Insurance. This isn't
9 something that it would be appropriate for us to try to
10 delve into. So our position about what exactly was the
11 nature of that problem has changed significantly.

12 Do we still believe that higher risk
13 drivers need to contribute more to the Insurance Fund?
14 We do believe that. And then the overall approach to the
15 DSR has changed in other ways as that particular position
16 has changed.

17 We have a scale where there is likely to
18 be, according to what we believe to be future
19 applications now, earlier surcharges on the negative side
20 of the scale that will serve to address that concern.

21 And I don't know that in 2006 we were
22 contemplating quite the size of surcharges at the higher
23 end as we are today, as well.

24 So there's been change on a number of
25 fronts, change that we believe is appropriate to address

1 the need to better encourage better behaviour of higher
2 risk drivers, and chosen not to try to delve into a
3 situation that -- that's not our responsibility and would
4 not be appropriate for us to -- to insert ourselves.

5 MR. RAYMOND OAKES: So, how would you
6 characterize that, as an attitudinal change or is the
7 Corporation relying on some data that came to its
8 attention and that it studied?

9 MS. MARILYN MCLAREN: I'm not sure I
10 could characterize it in either of those terms,
11 specifically. I've given you as much information as I
12 can about what led to the change in perspective.

13 MR. RAYMOND OAKES: Well, Ms. McLaren,
14 did any data and analysis of data suddenly come to the
15 Corporation's attention in the last two (2) years to
16 cause it to change its position so significantly?

17

18 (BRIEF PAUSE)

19

20 MS. MARILYN MCLAREN: We can have a look
21 back at some of the information and some of the detail on
22 the surveys and focus groups and things, but there's
23 nothing that comes to mind right at this moment.

24 MR. RAYMOND OAKES: I'd ask, was there
25 some data or some other study that came to the

1 Corporation's attention since March 20th, 2009? And, in
2 answering that, I'd ask you to look at PUB/MPI 1-8, the
3 attachment.

4 And if you have that, Ms. McLaren, at the
5 top of that chart that's contained at the very end of the
6 attachment, or it's on the back page, it -- the
7 Corporation is still describing this issue as
8 "manipulation allowed, i.e. flipping."

9 Has the Corporation had some change of
10 heart since March 20th, 2009?

11 MS. MARILYN MCLAREN: No.

12 MR. RAYMOND OAKES: With respect to the
13 transcript, and -- and perhaps I'll give you the
14 reference now -- and, Mr. Chairman, at some point, you
15 may wish to take the mid-afternoon break -- but at page
16 212 of the transcript, Ms. McLaren, you indicated that
17 the majority of non-vehicle- owner drivers probably have
18 five (5) merits and I wonder if they could -- the
19 Corporation is in a position to provide proof of that
20 statement?

21 And if you wish to think about that, then
22 we can perhaps take the break and come back.

23 MR. DONALD PALMER: Could -- could you
24 repeat that question, please?

25 MR. RAYMOND OAKES: Certainly. At page

1 212 of the transcript, Ms. McLaren indicated that the
2 majority of non-vehicle-owner drivers probably have five
3 (5) merits and I'm asking if the Corporation has any
4 proof of that statement.

5

6 (BRIEF PAUSE)

7

8 THE CHAIRPERSON: Okay, just in the
9 interests of efficiency, we might as well have the break
10 now. See you back in about fifteen (15) minutes.

11 MR. RAYMOND OAKES: If I could also ask
12 the Corporation at that time to respond if they have the
13 answer to the Corporation's Undertaking Number 9, as
14 well.

15 THE CHAIRPERSON: Okay, I will leave that
16 question with them as well.

17

18 --- Upon recessing at 2:33 p.m.

19 --- Upon resuming at 3:02 p.m.

20

21 THE CHAIRPERSON: Okay, Mr. Oakes.

22 MR. RAYMOND OAKES: Thank you, Mr.
23 Chairman. During the break, I distributed a one (1) page
24 calculation and table that I'd ask to mark as the next
25 exhibit. I'll be asking questions about that in a few

1 minutes.

2 THE CHAIRPERSON: Okay. Mr. Gaudreau, do
3 you know the number? Just proceed and we will get it
4 later.

5 Two.

6

7 --- EXHIBIT NO. CMMG-2: One (1) page calculation and
8 table

9

10 CONTINUED BY MR. RAYMOND OAKES:

11 MR. RAYMOND OAKES: Thank you for that.

12 Ms. McLaren, we were speaking about your
13 statement at page 212 of the transcript, that the
14 majority of non-vehicle-owner drivers probably have five
15 (5) merits.

16 Do you have any evidence of that?

17 MS. MARILYN MCLAREN: I have no evidence
18 of that.

19 MR. RAYMOND OAKES: Does the Corporation
20 have the answer to Undertaking Number 9?

21 MR. KEVIN MCCULLOCH: Mr. Chairman, we
22 do, and I think it's worthwhile, first of all, putting
23 the exact wording of Undertaking Number 9 on the record.
24 Specifically, at page 560 of the transcript, the
25 Undertaking was for:

1 "MPI to indicate how many vehicle
2 transfers there were last year between
3 individuals living [in] the same
4 physical address."

5 And Mr. Palmer has a response to that.

6 THE CHAIRPERSON: Thank you. Mr.
7 Palmer...?

8 MR. DONALD PALMER: Yes, the response is
9 that we can't get this information. We have taken a look
10 at the -- a link between a vehicle and the address, and
11 the address -- the problem is that there -- it's a field
12 that is not fixed, so there are many, many different
13 characterizations of the same address and, as an example
14 of that, in our database, we have eighteen (18) different
15 spellings of "Winnipeg."

16 So whether someone lives at 123 Willow
17 Crescent, Cres, C-R, 123 - Willow C-R, Winnipeg spelled
18 incorrectly, spelled W-P-G; there are so many different
19 combinations that it really is impossible for us to
20 answer this question.

21 THE CHAIRPERSON: Mr. Oakes...?

22

23 CONTINUED BY MR. RAYMOND OAKES:

24 MR. RAYMOND OAKES: I'd ask a follow-up
25 question relative to Undertaking 9.

1 In addition to the number of those
2 persons, would there also be another pool of insured or a
3 pool of drivers that have placed a vehicle in someone
4 else's name at the time of purchase as opposed to a
5 transfer?

6 MR. DONALD PALMER: Again, that's
7 possible. To put in someone else's name, of course, has
8 the trappings of -- of ownership and -- associated with
9 that.

10 So certainly, if I was to buy an asset and
11 give it to someone else for the purposes of them
12 registering it to save some money on insurance, there's
13 certainly a risk in -- in doing that because I may very
14 well quickly lose my asset.

15 MR. RAYMOND OAKES: I guess the exception
16 would be family members that one trusts, mother, father,
17 sibling. You'll agree with me that that certainly is
18 going on?

19 MS. MARILYN MCLAREN: Do parents buy
20 vehicles for children? Certainly they do. The point
21 that Mr. Palmer was making that needs to be made here is
22 there has to be documentation and ownership trail.

23 People can't walk in the door of their
24 local Autopac agent and just say they own a vehicle.
25 There needs to be an ownership trail. People have to go

1 to the effort of documenting who, in fact, owns the
2 vehicle.

3 MR. RAYMOND OAKES: And, Ms. McLaren,
4 between a child and a parent, that would be as simple as
5 writing out a simple bill of sale and, in fact, it
6 wouldn't even attract any sales tax; isn't that correct?

7 MS. MARILYN MCLAREN: Bill of sale,
8 statement of gift, depends whatever the situation for the
9 family is.

10 MR. RAYMOND OAKES: And refer the
11 Corporation's witnesses to CMMG-IR 1-4 and the table
12 contained as the answer on the reverse of that.

13 And I've just asked the Corporation to
14 confirm that there, are as evidenced by that table,
15 twelve thousand one hundred and eleven (12,111) demerit
16 drivers who do not register a vehicle in their own name.

17 Does the Corporation accept that?

18 MR. DONALD PALMER: That's correct.

19 MR. RAYMOND OAKES: And would that
20 include secondary or joint owners as they're often shown
21 on a registration?

22

23 (BRIEF PAUSE)

24

25 MR. DONALD PALMER: Yes, this -- this

1 would incur -- include the driver where the driver
2 licence number is not the one listed as the registered
3 owner.

4 MR. RAYMOND OAKES: Thank you for that.
5 Going back to the transcript and, Ms. McLaren, page 217
6 of the transcript, you indicated that in the DSR program
7 each and every driver will continue to pay a premium.

8 Your evidence goes on to say:

9 "Some of it will -- some of them will do
10 it solely through their vehicle premium,
11 some will do it solely through a
12 driver's licence premium but everyone
13 will continue to contribute to the
14 fund."

15 Do you recall that, Ms. McLaren?

16 MS. MARILYN MCLAREN: I do.

17 MR. RAYMOND OAKES: Would you agree with
18 me that some non-owners of vehicles will only contribute
19 five dollars (\$5) a year?

20 MS. MARILYN MCLAREN: Under this
21 Application, yes.

22 MR. RAYMOND OAKES: And that would be
23 about the price of a latte at Starbuck's for example.

24 MS. MARILYN MCLAREN: Okay.

25 MR. RAYMOND OAKES: And CMMG 1-13 that IR

1 talked about someone with five (5) demerits only having
2 to pay forty-five dollars (\$45) on the driver's premium.

3 Do you accept that answer of the
4 Corporation in 1-13?

5 MR. DONALD PALMER: That's correct.

6 MR. RAYMOND OAKES: And so that would be
7 about the cost of two (2) or three (3) bottles of wine or
8 a two-four of beer; would that be correct?

9 MR. DONALD PALMER: It's not the brand of
10 beer I drink.

11 MR. JERRY KRUK: Nor wine.

12 MR. DONALD PALMER: Nor wine.

13 MR. RAYMOND OAKES: Would you agree with
14 me, Mr. Palmer, that someone with five (5) demerits is
15 not a low risk driver?

16 MR. DONALD PALMER: I would agree with
17 that and -- and remember that you're talking about at
18 transition. So within the next few years that -- that's
19 the rule that currently we have and we will be moving
20 that number up within the next few years.

21 MR. RAYMOND OAKES: Finally, on that
22 issue, Mr. Palmer, would you agree with me that only a
23 driver can engage in high-risk driving behaviour and that
24 a vehicle by itself cannot?

25 MR. DONALD PALMER: I have heard of

1 stories of vehicles that have no driver driving through
2 various fences and whatnot but I would agree with you, in
3 general, that's true.

4 MR. RAYMOND OAKES: Moving to the issue
5 of where one (1) individual owns numerous vehicles and
6 specifically the exhibit which is introduced as CCMG
7 Number 2, this, of course, is a table that Mr. Houghton
8 put together in his presentation to the Board and did not
9 form evidence at that time, but I'd ask the Corporation
10 whether, in looking at the calculations, whether they
11 acknowledge the amplification of the effect of the DSR
12 rating in a situation where one (1) driver owns a number
13 of vehicles and is only driving one (1) at one (1)
14 particular time.

15 MR. DONALD PALMER: In terms of the loss,
16 the cumulative loss of discount, I would agree with that.
17 Categorized as a penalty cost, I would probably not
18 characterize that. I would call that the combined
19 additional premium, which is additional premium because
20 of the increased risk that -- that is presented.

21 MR. RAYMOND OAKES: Apart from the
22 semantics, does the Corporation agree with Mr. Houghton's
23 contention that the loss of a discount should perhaps
24 only apply to one (1) vehicle owned?

25 MR. DONALD PALMER: No.

1 MR. RAYMOND OAKES: And why not?

2 MR. DONALD PALMER: As I was outlining
3 the risk presented and the additional risk presented, for
4 example, each one (1) of these vehicles in its -- in its
5 rate has an injury component, has a physical damage
6 component that's reflective of the value and
7 damageability of that vehicle.

8 So for driver-owner B, for instance, he
9 presents an increased risk while he's driving his Chev
10 Malibu which may or may -- 1999 -- may or may not have
11 safety features so those would be built into the rate and
12 the increased risk that that driver presents, it is
13 somewhat additional risk; the same with the 1999 Harley.

14 The additional risk that that individual
15 presents while driving that Harley is an increase;
16 there's no doubt about that. A high-risk driver driving
17 a motorcycle does present a higher differential risk than
18 a high-risk driving something else.

19 So I think the increased risk that is
20 characterized in this table is fair.

21 MR. RAYMOND OAKES: Mr. Palmer, you agree
22 with me that he can only present that increased risk to
23 the motoring people on one (1) vehicle at a time?

24 MR. DONALD PALMER: But he's likely
25 driving two (2). For any particular vehicle -- I don't

1 know of any vehicles, private passenger vehicles in any
2 event, that's being driven twenty-four (24) hours a day.
3 So if I only drive an hour day, does that mean that I
4 should pay only one twenty-fourth (1/24) of the rate? I
5 don't think so. So yes, there's the increased -- he can
6 only drive one (1) -- one (1) at a time but there's still
7 risk every time he's behind the wheel.

8 MR. RAYMOND OAKES: I don't want to
9 belabour point but certainly something like pleasure use
10 reflects a lower rate for the less use of a vehicle?

11 MR. DONALD PALMER: Yes, that can be
12 modified depending on who's driving.

13 MR. RAYMOND OAKES: On a different topic,
14 at page 98 of the transcript, Ms. McLaren, and talking
15 about the considerations on, if you can permit me,
16 selling the new program. Ms. McLaren talked about the
17 importance of access and affordability of insurance.

18 Do you remember talking about access and
19 affordability of insurance, Ms. McLaren?

20 MS. MARILYN MCLAREN: I do. I don't --
21 I'm not clear on whether you are suggesting that we were
22 talking about selling the DSR Program and the context of
23 access and affordability.

24 I don't remember having that context in
25 any particular comment, but maybe I'm unclear about what

1 you are suggesting.

2 MR. RAYMOND OAKES: The Corporation is
3 saying that in the introduction of this Program, access
4 and affordability are key considerations.

5 MS. MARILYN MCLAREN: Just give me a
6 minute. I'm going to go back to understand the original
7 context.

8

9 (BRIEF PAUSE)

10

11 MS. MARILYN MCLAREN: Access and
12 affordability are certainly considerations for the
13 Program, overall, yes.

14 The conversation was not related to the
15 importance of access and affordability to the
16 introduction of this new rating program.

17 MR. RAYMOND OAKES: Ms. McLaren, would
18 the Corporation say that it has always been a primary
19 consideration in insurance to emphasize access and
20 affordability?

21 MS. MARILYN MCLAREN: Certainly,
22 guaranteed access to the Basic Insurance Program is a
23 fundamental tenant of the entire program for sure. So
24 access is -- is guaranteed access. We don't turn anybody
25 away. If you have the legal right to register a vehicle

1 or hold a driver licence, you have insurance. It's as
2 simple as that.

3 I think the context of some of the
4 conversation, if not in this specific reference, but --
5 but certainly around this time, is that affordability is
6 very subjective and very hard to determine what might be
7 affordable for who.

8 Overall, considerations of affordability
9 play into the des -- the -- the design of the Program
10 with respect to coverage.

11 So there are a number of considerations,
12 for sure. Access and affordability comes into play; it
13 gets a little big greyer when you want to talk
14 specifically about affordability for who in what context.

15 MR. RAYMOND OAKES: For example, the
16 motorcycle insurance over the last two (2) decades.

17 MS. MARILYN MCLAREN: I'm not sure I'm
18 going to give you that, no. I think over the most recent
19 time, there's been some increase in the numbers. We see
20 that motorcyclists tend to be some of these people who
21 have more vehicles than drivers.

22 I'm not sure that that points to an a --
23 an affordability problem.

24 MR. RAYMOND OAKES: Moving from that
25 issue to the issue of commission arrangements with the

1 insurance brokers.

2 Would you agree with me, Ms. McLaren, that
3 the -- there are reduction in the commissions, gradually,
4 by up to 15 -- 50 percent by the year 2010; that same is
5 out of step with the amount of decrease in business,
6 which is to be decreased by 80 percent as a result of the
7 Streamline Licence Renewal Process?

8 MS. MARILYN MCLAREN: Up to 80 percent of
9 the renewal business could very well disappear under the
10 Streamline Process. We know that for many years it will
11 be less than 80 percent disappearing, because some large
12 number of people will continue to go to their brokers to
13 make the payment.

14 It will be a simpler transaction, but
15 there will still be a visit involved for many people, we
16 suspect.

17 But the point we made earlier in these
18 proceedings is that the commission that is payable on a
19 renewal transaction is intended to compensate brokers for
20 more than just the few minutes that a renewal takes
21 today.

22 So, they do answer questions and they
23 service the policy, they service the client throughout
24 the year. That work is not going to disappear.

25 MR. RAYMOND OAKES: Ms. McLaren, how

1 would you respond to the allegation that the Corporation
2 is going out of its way to insulate brokers from loss of
3 commission?

4 MS. MARILYN MCLAREN: The Corporation
5 worked very, very hard with the brokers to ensure that
6 there would be a viable, productive broker force
7 available to the people of Manitoba to continue to meet
8 their auto insurance needs.

9 We needed to make sure that the reductions
10 related to streamlined renewals were credible and
11 measurable. And I think overall we've -- we're very
12 happy with the relationship that we've managed to
13 establish.

14 We haven't worked hard per se to insulate
15 them or protect them. We -- we've worked hard to make
16 sure that the new commission arrangement is appropriate
17 for the new business model.

18 MR. RAYMOND OAKES: Ms. McLaren, the
19 treatment of insurance brokers seems to be very different
20 that the treatment of other third parties involved in the
21 MPI service delivery.

22 In this connection I'm thinking of the
23 Automotive Trades Association and the body shops they
24 represent and I'd ask whether the Corporation would ever
25 anticipate paying body shops when they don't repair

1 vehicles or pay them the same for repairing one-fifth
2 (1/5) of the amount of vehicles that they were previously
3 paid to fix.

4 MS. MARILYN MCLAREN: Not a good
5 comparison. Not a good analogy. Not at all. We know
6 very well that brokers do significant uncompensated work
7 outside of the renewal process. The renewal commission
8 is intended -- just like in every other insurance
9 commission arrangement between insurers and brokers.

10 There -- there's no expectation ever that
11 the commission paid on a renewal is intended to
12 compensate fully and only the work related to processing
13 the renewal.

14 That's just not the way it works. So the
15 compensation paid to body shops is expressly intended to
16 compensate them for repairing vehicles according to MPI
17 produced estimates.

18 No real comparison there.

19 MR. RAYMOND OAKES: Well I wonder if I
20 might refer you to page 398 of the transcript, Ms.
21 McLaren. I'll just wait until you have that.

22

23 (BRIEF PAUSE)

24

25 MR. RAYMOND OAKES: The statement I'm

1 referring to -- to help you find it is the -- your
2 statement:

3 "The role of the broker at the 12th
4 month point really ceases to exist other
5 than to accept cash or cheque payments
6 from those who continue to pay that
7 way."

8 Do you recall that?

9 MS. MARILYN MCLAREN: Yes, definitely.

10 MR. RAYMOND OAKES: And you talked --
11 talked about other low value interactions between the
12 customer and the broker. And I wonder at this juncture
13 given the streamlined renewals, could the Corporation not
14 take over the sale of Basic insurance and sell same
15 through its own outlets?

16 MS. MARILYN MCLAREN: Anything's
17 possible. That's not our intention. That's not the
18 business model.

19 MR. RAYMOND OAKES: Does the Corporation
20 not maintain an office in City Place on the main floor of
21 that mall that functions exactly as a broker's office and
22 sells insurance?

23 MS. MARILYN MCLAREN: Exactly -- it -- it
24 does everything a broker would do plus some transactions
25 that are required to be done by MPI personnel.

1 MR. RAYMOND OAKES: And has the
2 Corporation ever calculated whether the savings on
3 commission from the sale of Basic insurance would pay for
4 the administration of such a system?

5 MS. MARILYN MCLAREN: Not to my
6 knowledge.

7 MR. RAYMOND OAKES: Ms. McLaren, do you
8 recall the CMMG on its GRA's in the past being concerned
9 with the spiralling effect of commissions on the
10 motorcycle premium and the fact that as the rate
11 continues to increase dramatically that increased
12 commission is payable on that larger premium?

13 MR. DONALD PALMER: I recall that --
14 those discussions, yes.

15 MR. RAYMOND OAKES: And would the
16 Corporation in the context of the streamlined renewal be
17 willing to investigate selling motorcycle insurance
18 directly through the Corporation to save the commission
19 and pass that saving on to motorcyclists to avoid that
20 spiralling?

21 MR. DONALD PALMER: No.

22 MR. RAYMOND OAKES: I'd ask, sir, has the
23 Corporation not come up with unique insurance programs
24 for others in the marketplace such as professional
25 truckers and heavy trucks in answer to similar lobbying

1 efforts?

2 MR. DONALD PALMER: Not that I'm aware.

3 MR. RAYMOND OAKES: Well, you -- you are
4 aware that truckers don't buy their insurance through
5 Basic and they buy that through the -- the other arm of
6 MPI?

7 MS. MARILYN MCLAREN: Well, like
8 motorcycle insurance and like off-road vehicle insurance
9 some truck insurance has different Basic coverage than
10 the Basic compulsory program that applies to most private
11 passenger vehicles so the coverage is different; the
12 circumstances are different.

13 Most trucking firms probably deal fairly
14 separately with their insurance and their registration
15 requirements unlike private passenger vehicles.

16 MR. RAYMOND OAKES: Moving to a general
17 question which will be my last this afternoon, Ms.
18 McLaren would you not agree it would be more fair and
19 equitable and more in keeping with a usual business model
20 to have the brokers get a commission on only those funds
21 that they take in?

22 MS. MARILYN MCLAREN: No, I wouldn't
23 agree with either pieces of that. I don't believe it
24 would be fair and reasonable, I don't think that would
25 help the people in Manitoba for that reason, and I don't

1 think that's anything like the standard business model.

2 MR. RAYMOND OAKES: Well, I guess on that
3 point again we disagree and I'll thank you for the
4 Board's consideration of those questions.

5 THE CHAIRPERSON: Thank you, Mr. Oakes.

6 MS. MARILYN MCLAREN: Mr. Chairman, if I
7 could just give a little bit further detail to my answer
8 to Mr. Oakes' question about the fact that I had no
9 evidence that non-vehicle drivers, most of them have five
10 (5) merits; in fact, there's about two hundred and sixty
11 thousand (260,000) drivers who do not own vehicles at a
12 particular snapshot time in the database.

13 About 43 percent of those qualify for the
14 25 percent discount; if they did have a vehicle, about 43
15 percent. On a pure merit basis, there's only about a
16 third of them, 33 percent that would have the full five
17 (5) merits.

18 THE CHAIRPERSON: Thank you. Ms. Bowman,
19 do you want to finish up on the afternoon?

20 MS. MYFANWY BOWMAN: I certainly can.

21

22 (BRIEF PAUSE)

23

24 CROSS-EXAMINATION BY MS. MYFANWY BOWMAN:

25 MS. MYFANWY BOWMAN: My questions this

1 afternoon relate to the -- the Corporation's
2 communication strategy and some of the materials or the
3 draft materials that the Corporation has prepared and I'm
4 hoping I've got the mic close enough that everybody can
5 hear me.

6 With respect to the prototypes that the
7 Corporation provided, and those I believe are found at
8 AI-2 -- I'll give you a moment to find those...

9

10 (BRIEF PAUSE)

11

12 MS. MYFANWY BOWMAN: ...in the
13 preparation of these -- of these drafts did the
14 Corporation consult with somebody who has expertise in
15 plain -- plain language writing?

16 MR. DONALD PALMER: Yes.

17 MS. MYFANWY BOWMAN: And would that
18 somebody be in-house or forgive the expression "out-
19 house"?

20 MS. MARILYN MCLAREN: Both.

21 MS. MYFANWY BOWMAN: And can you tell us
22 a little bit about that and how that worked and what kind
23 of -- what role that played?

24

25 (BRIEF PAUSE)

1 MS. MARILYN MCLAREN: That -- that's a
2 fairly broad question. Let me just start and perhaps
3 pause for a couple of checkpoints. I'm not sure if this
4 is really what you're looking for.

5 We knew at the very beginning that this
6 fundamental change in renewal cycles in -- in Driver
7 Rating Systems really needed to have an effective
8 communication tool.

9 The -- the statements of account and
10 renewal notices were really the foundation -- had to be
11 the foundation of our communication efforts with people
12 because they were personalized. It was very, very
13 important to us right from the beginning.

14 So what we've done is, we started with --
15 we issued an RFP for people to tell us how they might
16 help us in the forms design process; help us with plain
17 language and -- and structure to really make the most of
18 the opportunity to really enhance the communication.

19 Through that process, we chose someone.
20 There was an initial, you know, requirements definition,
21 meeting with a -- a broad base of people within the
22 Corporation, some focus group testing, re -- reworking
23 the forms, bringing them back again for further
24 discussion, further focus group testing, so on and so
25 forth.

1 Is it mostly the design that you're
2 talking about? Are you interested in, sort of, how we
3 plan to actually produce them down the road as well, or
4 is mostly the design that you wanted to ask about?

5 MS. MYFANWY BOWMAN: Most of my questions
6 are related to design, but I suspect my clients would be
7 interested in both.

8 MS. MARILYN MCLAREN: Okay. So, the
9 other thing we did as well is we thought about and
10 started to look for a print solution as well, and did
11 very similar things that -- forms like this -- forms like
12 these are created these days with something known as
13 "Document Composition Software."

14 So, as well as while we were designing --
15 we knew because we'd selected a consultant to work with
16 us, that they would help us design something that could
17 actually be produced, which is always a consideration.
18 If it gets too -- too fancy, you may not be able to do
19 it. But we knew by working with them that they would be
20 able to do that for us.

21 Then we started working on the actual
22 document composition piece of it, issuing another RFP
23 about that. And we will also issue an RFP then for
24 printers and -- and envelope insertion equipment and
25 things like that to be able to -- to handle the actual

1 production of it.

2 So, we've gone through this consultant RFP
3 process, we've gone through the document composition
4 software RFP process, have not yet selected the actual
5 equipment to print and insert and mail the -- the forms
6 themselves.

7 MS. MYFANWY BOWMAN: Thank you. Have --
8 have these prototypes been tested on consumers at this
9 point?

10 MR. DONALD PALMER: A couple times, yes.

11 MS. MYFANWY BOWMAN: And were changes
12 made as a result of those tests, or not yet?

13 MR. DONALD PALMER: Yes, there were
14 changes made as a result of those tests. And the changes
15 are included in this latest prototype.

16 MS. MYFANWY BOWMAN: And what was the
17 nature of the testing that was done with consumers?

18 MS. MARILYN MCLAREN: At the very basic
19 level was, Here you go, tell us what you think this is
20 trying to tell you. Understandability, readability,
21 clarity; the -- the basic features. Is it getting our
22 message across was really the -- the primary purpose of
23 the focus groups.

24 MS. MYFANWY BOWMAN: And were the results
25 of those focus groups encouraging, or does the

1 Corporation feel that it has further to go or -- or where
2 are we at?

3 MS. MARILYN MCLAREN: No, it was
4 encouraging. There was really some suggestions came
5 forward in terms of clarity. Actually, one (1) of the
6 things that I thought had been suggested and that we
7 incorporated is people found it confusing that the -- the
8 expiry date is actually over on the right and not right
9 on the left-hand side of the page.

10 I think that's one (1) of the things that
11 came forward, and that's why I was not sure that these
12 versions had fully incorporated all of that feedback,
13 because I -- I thought that was one (1) of the things
14 that we had done.

15 We can take that back and double check
16 some of the detail of it. But it was -- that was a very
17 good example of what just really didn't seem to be clear
18 to them. It -- it was really tweaking placement and some
19 of the language.

20 MS. MYFANWY BOWMAN: I noticed that when
21 -- when the Corporation responded to one (1) of the
22 Public Utilities Board IRs, I think it was IR Number 11,
23 there were sample materials provided there and one (1) of
24 the differences I noticed was that most of the printing
25 there was black whereas a lot of the printing here is

1 blue.

2 Is that an example of one (1) of those
3 changes or is that just a fluke?

4

5 (BRIEF PAUSE)

6

7 MS. MARILYN MCLAREN: I think that may
8 have been intentional but not 100 percent sure right now.

9

10 (BRIEF PAUSE)

11

12 MR. DONALD PALMER: Our -- our belief is
13 that as we kind of go back in time that the sequence of -
14 - of events and when we filed and when we had new
15 prototypes in that this -- in the -- the March 20th the
16 Information Requests is the latest prototype.

17 MS. MYFANWY BOWMAN: Thank you for
18 confirming that; that was my suspicion as well.

19 Has the Corporation considered including
20 in this documentation definitions of higher risk and
21 safer driving to make that very clear for drivers?

22 MS. MARILYN MCLAREN: We're always trying
23 to balance how much is enough. It's always a struggle to
24 get people to really, truly read and incorporate an
25 understanding of the changes. That's one (1) of the

1 reasons we believe it is really important to continue to
2 rely on brokers because people do like to be told. They
3 like to have things explained for them.

4 That tends to be people's learning
5 preference as opposed to reading in many cases like this
6 so I think clearly the website information will
7 absolutely consider some of that and further context,
8 whether we actually put anymore on this very text-heavy
9 form I'm not so sure.

10 MS. MYFANWY BOWMAN: The Corporation then
11 has -- has -- would it be fair to say tried to make an
12 effort to use the simplest, clearest language that it
13 could or -- or is that still a work in progress?

14 MS. MARILYN MCLAREN: I think that's
15 always a work in progress but it's definitely been
16 something that we have tried to do. In comparison to the
17 old forms I think we've made significant progress. It's
18 not something that we'll ever think is really, truly
19 done.

20 MS. MYFANWY BOWMAN: So you'd anticipate
21 then that changes will continue to be made into the
22 future?

23 MS. MARILYN MCLAREN: Absolutely, yeah.

24 MS. MYFANWY BOWMAN: Another piece that -
25 - that my clients were interested in knowing about is

1 whether the Corporation either has considered or is going
2 to consider including in this material a very clear
3 indication of the consequences of -- of high-risk
4 driving; for example, you know, an accident is worth five
5 (5) demerits, those kinds of -- those kinds of
6 indicators?

7 MS. MARILYN MCLAREN: Yes, I think -- I
8 think that will be important. I think we need to be
9 careful about how we share that information. I think
10 it's very important for us to again find the balance
11 between the very personalized specific information that
12 this form is designed to achieve with here's how the
13 broad, overall program works.

14 It's important for Manitobans to
15 understand the downside of high-risk driving because most
16 of them are not high-risk drivers and they believe
17 higher-risk drivers should be held accountable.

18 We've learned through the experience of --
19 of others in some cases but also just in our conversation
20 with people if you stress too much -- oh, and by the way,
21 if you have an at-fault accident next year, you will be
22 hit with five (5) demerits, people tend to be very
23 sensitive about that kind of an approach. And they --
24 they don't want anyone suggesting that they will have a
25 bad year next year anymore than they had a bad year last

1 year.

2 So -- so the context is very important but
3 I think it's the balance between this is about you and
4 there will be another insert of some sort that has the
5 overall principles of the program and the mechanics of
6 the program.

7 MS. MYFANWY BOWMAN: Thank you. This is
8 all very helpful information by the way.

9 Another question that -- that my clients
10 had was about the size of the font. Is the Corporation
11 considering -- I appreciate that you're trying to fit a
12 lot of information into a small space and you don't want
13 to make this a twenty (20) page document, but the font is
14 quite small.

15 Are there concerns about that being
16 readable for a lot of people and is the Corporation
17 thinking about that issue?

18 MS. MARILYN MCLAREN: I think this -- it
19 is on the small side, but it is certainly within the
20 realm of accepted practice for mass mailing-type material
21 like this.

22 I think it's important for us to have the
23 information that we do have on one (1) page. I think we
24 do have other options though. I think we have -- if --
25 if we have not specifically improved our ability to

1 communicate with people in a lodge -- larger font by
2 choice, that's something that we will be doing in the
3 future.

4 We do have large font options of certain
5 brochures and things like that so again, you know, we'll
6 be able to do more through time into the future. I think
7 we really have to balance the need to get this up and
8 running and introduced as effectively as we can.

9 MS. MYFANWY BOWMAN: So some of those
10 options may be available, people can request for -- for
11 example I'd like my renewal notices in large font or
12 those kinds of things?

13 MS. MARILYN MCLAREN: Yes, and I -- we
14 have done some of that work in the past I believe working
15 with CNIB and making some of that material available in
16 larger font, things like that.

17 MS. MYFANWY BOWMAN: I'd like to take you
18 now to PUB-1-10 which deals with the communications
19 strategy.

20

21 (BRIEF PAUSE)

22

23 MS. MYFANWY BOWMAN: I -- I hope you'll
24 forgive me; I'm a bit of neophyte when it comes to
25 advertising but I'm hoping you can explain a little bit

1 about the strategy itself and -- and what some of these
2 steps involve.

3 And I'll get you to start perhaps with
4 the presentations, information sessions, and news
5 features which are slated to begin I assume this summer.

6 MS. MARILYN MCLAREN: News features are
7 something that we've done in Manitoba Public Insurance
8 for quite some time is to actually go to produce sort of
9 topic-specific news stories about things that we believe
10 are important for Manitobans to know about the program.
11 Sometimes it's coverage related; sometimes it is, you
12 know, feature-related, things like this.

13 Through time it would have been things
14 like the new monthly payment program, things like that
15 and we actually produced stories that particularly some
16 of the smaller weekly newspapers can -- can use basically
17 the way we -- we produce them. So that would be some of
18 the -- the news features, things like that.

19 On occasion, we would be asked to come and
20 talk to local Rotary clubs, different organizations,
21 things like that, explain what's going on at the
22 Corporation, changes.

23 I don't exactly know what is contemplated
24 that would have an external cost of forty thousand
25 dollars (\$40,000) actually in the early-to-late summer of

1 '09 that's contemplated here.

2 There would be minimal external costs
3 associated with the things that I've mentioned so far.

4 MS. MYFANWY BOWMAN: So when you talk
5 about information -- information sessions would that also
6 be sort of the presentations to service groups and places
7 like that or was there something else in mind?

8 MS. MARILYN MCLAREN: No, that's
9 basically the same idea.

10 MS. MYFANWY BOWMAN: Do you have a sense
11 of how many those are likely to be or are they kind of ad
12 hoc, people call in and request them?

13 MS. MARILYN MCLAREN: It -- that's right.
14 It tends to be on request.

15 MS. MYFANWY BOWMAN: Beginning in the
16 fall, it sounds like there's a -- an advertising campaign
17 that's -- that's planned.

18 Can you tell us a bit about what's going
19 to be involved in that?

20 MS. MARILYN MCLAREN: We would expect to
21 buy probably a combination of radio and print. This is
22 not the kind of thing that we would do television
23 advertising with. The radio would only be intended to --
24 to flag people's attention to look for it in the print.

25 But it would really be factual

1 information, very similar to the insert that we spoke
2 about a few minutes ago. This is the program, here's how
3 it works. It -- it -- you know, we're always struggling
4 with the fact that it takes a full year for the entire
5 population to be affected by change by this.

6 So we really wouldn't want to draw any
7 more attention to it than necessary, because of the fact
8 that people will see it when it's their turn to see it.

9 But, basically, just that factual
10 information -- and while it's -- it would begin in early
11 September, we would have a placement much like maybe
12 people here in the room have seen fairly regular
13 placement of road safety tips, fairly large ads often in
14 -- in the local Winnipeg papers anyway about, you know,
15 the rules of the road; turning at -- at certain types of
16 intersections.

17 We would use that sort of a placement
18 probably four (4) or six (6) times over the next year,
19 beginning in the fall, so that as people's renewals do,
20 in fact, come up, they are more likely to see something
21 that would more likely twig their attention to look more
22 closely at their own renewal.

23 MS. MYFANWY BOWMAN: And you mention --
24 it says "direct mail and earned media," so my questions
25 are: What -- what are those components?

1 MS. MARILYN MCLAREN: Well, the
2 advertising awareness -- that's the purchase that I
3 talked about already. The direct mail would be the
4 insert.

5 Earned media are things like the short
6 story that was on CKY, I think it was, last week when
7 these Hearings started. Doesn't cost us anything. It --
8 the public -- the media generate attention, they come and
9 tell the public about it. That's what we call "earned
10 media." It -- it's reported news stories.

11 MS. MYFANWY BOWMAN: And so the direct
12 mail component, that's the insert that's going to come
13 with the renewal, it's not going to be anything separate?

14 MS. MARILYN MCLAREN: That's our
15 intention at this point, right. It -- it -- I don't
16 think it would make sense to incur the cost of mailing
17 something separate.

18 Sometimes we've used another approach
19 known as "unaddressed ad mail" which is sort of a -- a
20 drop to all the households. But when the effect on
21 individual vehicle owners and drivers is staggered
22 through the year, that wouldn't make much sense either.

23 MS. MYFANWY BOWMAN: And then in the --
24 in the fall it sounds like you're planning to begin mall
25 displays and point-of-purchase material.

1 Can you tell us a bit about your plans in
2 that regard?

3 MS. MARILYN MCLAREN: Actually, when we
4 saw this response, that came as a bit of a surprise to
5 me. I understand Mr. Palmer's just really anxious to get
6 back out there and continue to explain DSR to the folks.

7 MR. DONALD PALMER: I -- after spending
8 many hours in the malls at the first public information
9 campaign, it really does give a -- a -- a real one-on-one
10 personal approach. And -- and we had literally hundreds
11 of people coming to talk to us at various mall displays.
12 And it really is a valuable tool for -- for both of us;
13 us to find their points of view and -- and understand
14 their input program.

15 And, also, people who came to talk to us
16 tend to be, by and large, very well informed and -- and
17 you can use them also as -- as messengers because they
18 have a tendency to be very out -- out-front people and
19 you know that they're also going to tell their friends
20 who will tell their friends and -- and so on.

21 I was very impressed the level of
22 understanding that people had when they came to talk to
23 me. Quite literally came with -- with their DSR
24 discussion paper that had sticky tabs all the way through
25 it, with -- and asking specific questions all the way

1 through. I would expect that that would continue again.

2 MS. MYFANWY BOWMAN: Although I have no
3 doubt that you would do a delightful job in a mall, is
4 there no one lower paid than you who could call?

5 MR. DONALD PALMER: I do it on my own
6 time, I love it so much.

7 MS. MARILYN MCLAREN: He's certainly not
8 the only one that does. There's -- it took quite a few
9 people to -- to execute that consultation process in the
10 malls in the fall.

11 MS. MYFANWY BOWMAN: I have no doubt.

12 MR. DONALD PALMER: And mine was strictly
13 evenings and weekends.

14 MS. MYFANWY BOWMAN: Have -- have you got
15 any detailed plans yet about how many mall displays,
16 where, how often or is that still too far away to -- to
17 have made those plans?

18 MS. MARILYN MCLAREN: It -- it's a little
19 bit early yet. We were really pleased with the attention
20 people gave to this matter in the fall; really pleased
21 with the public consultation.

22 In all honesty not so much with the
23 request for feedback to organize groups that the
24 Corporation did but the public really latched onto this.
25 And I mean it -- it's

1 -- Mr. Palmer talked about hundreds but it was more than
2 a thousand (1000) people came -- came to those displays.

3 So, if we had a chance to -- if we believe
4 that there was a good opportunity to connect like that
5 again, we'd probably do something very similar to that
6 exercise.

7 MS. MYFANWY BOWMAN: And the materials
8 were first point-of-purchase materials. Is that the
9 material held at broker's offices, or what would that be?

10 MS. MARILYN MCLAREN: That -- that's
11 exactly -- that's what we call the stuff that's available
12 for broker's offices. And it would be very similar again
13 to the inserts.

14 As much repetition as we can possibly
15 build into the material and something that brokers can
16 use effectively when people are there because, chances
17 are, they -- won't -- most of them will not pay a lot of
18 attention to it until they're there renewing for the
19 first time.

20 MS. MYFANWY BOWMAN: Are there plans in
21 place about what kinds of tools or training that's going
22 to be offered to brokers to help them explain the system
23 and to give them ways of -- of making sure that customers
24 understand it?

25 MS. MARILYN MCLAREN: Yes. That is well

1 underway at the moment in terms of designing that
2 training. One of the things that we've done in the
3 Corporation, given the scope and magnitude to change that
4 we've been introducing over the last few years, we've
5 really enhanced the -- the structure and the
6 comprehensive nature of the training that we provide to
7 brokers.

8 We tend to rely on a combination of
9 classroom and computer-based instruction. We can do
10 things with the systems that we've put in place to find
11 out whether brokers have accessed the pre-reading before
12 they show up at the in-person training.

13 We can ensure that they cannot sign on to
14 Autopac online until they have completed the training
15 successfully. We know what the -- the scores they've
16 achieved in the training. They have to re-do certain
17 model -- modules if they don't have a high enough mark.

18 We're also moving into a time where there
19 is system driven refresher training so that if someone
20 with a particular user ID has not handled a particular
21 kind of transaction for a particular period of time, they
22 will be obligated to go through a refresher to prepare
23 for someone coming in to do that.

24 So the broker training has become very
25 comprehensive, very structured and has served us well

1 over the last couple of years with -- with other
2 substantive changes that we've introduced.

3 MS. MYFANWY BOWMAN: Would I be correct
4 in assuming that the Corporation has had some -- some
5 expert advice in developing its communication strategy?

6 MS. MARILYN MCLAREN: The communication
7 strategy was developed internally by our professional
8 communicators that we have on staff.

9 MS. MYFANWY BOWMAN: I just have a
10 handful more questions, Mr. Chair, so with your
11 permission, I'll carry on.

12 THE CHAIRPERSON: How long do you think
13 it'll take? The reason I ask is because Mr. Williams
14 indicated he had some more questions as well.

15 MS. MYFANWY BOWMAN: I'm thinking maybe
16 ten (10) minutes, maybe not even that.

17 THE CHAIRPERSON: Okay.

18 MS. MYFANWY BOWMAN: So if we can then --

19 THE CHAIRPERSON: Sure if that helps you.

20 MS. MYFANWY BOWMAN: I think it would be
21 nice to get it over with.

22

23 CONTINUED BY MS. MYFANWY BOWMAN:

24 MS. MYFANWY BOWMAN: I'd like you to look
25 next at PUB-11 which is the sample materials and some

1 questions that went with.

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(BRIEF PAUSE)

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MS. MYFANWY BOWMAN: On the second page of that document, the last bullet, it indicates that:

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"After at-fault claims drivers will be notified of the associated demerits and we encourage to use the online calculator to see how their DSR positions and driver premiums will be affected.

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Has the Corporation -- is the Corporation not of the view that it would be helpful to include that information in the letter that the driver gets after the accident?

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MS. MARILYN MCLAREN: At the Basic level, certainly, that's something that we would do. But what this is intended to -- to suggest is that, you know, in terms of and if -- we're expecting to build the online calculator to say: What will I pay if I have another at-fault accident? What will I pay if I go for four (4) years without any infractions or at-fault accidents?

24

25

It's that kind of hopefully intuitive and flexible kind of calculator that we're -- we're planning

1 on.

2 MS. MYFANWY BOWMAN: But there will
3 hopefully be a fairly clear letter going out to drivers
4 following an accident saying this is the consequence of
5 this accident?

6 MS. MARILYN MCLAREN: Yes.

7 MS. MYFANWY BOWMAN: And will drivers who
8 are -- who are convicted of something under the Highway
9 Traffic Act, which would be an input factor, will they
10 get a similar letter?

11 MS. MARILYN MCLAREN: I would expect so.
12 That's not something we've fully scoped-out at this point
13 because there's lots of issues around, sort of, timing
14 and delays and when is a conviction and when does it
15 actually hit the driver record, and so on. But it's
16 really part of the same consideration for us and it's
17 something that we expect to deal with, yeah.

18 MS. MYFANWY BOWMAN: Now, the materials
19 attached to this -- to this Information Request are as I
20 understand it prototypes directed specifically at higher
21 risk drivers.

22 Is that correct?

23 MS. MARILYN MCLAREN: Yes, I believe so.

24 MS. MYFANWY BOWMAN: Can you tell us a
25 little bit about what research or analysis went into

1 planning materials specifically for these drivers?

2 MS. MARILYN MCLAREN: It was part of the
3 same process that I told you about earlier.

4 MS. MYFANWY BOWMAN: Was there any sort
5 of special attention given to what might be the most
6 effective way of reaching these particular drivers?

7 MS. MARILYN MCLAREN: No, not as part of
8 implementation; that's clearly something that we would
9 want to focus on through time. But introducing limited
10 variability in something like this in a -- in a big
11 implementation is something that is an important part of
12 our risk mitigation.

13 MS. MYFANWY BOWMAN: I'm not sure I
14 understood that answer.

15 MS. MARILYN MCLAREN: Well, we needed to
16 be able to make sure that -- all of this is -- is a huge
17 change, huge change for the Corporation. With any
18 change of this nature comes a fair bit of inherent risk
19 and you need to figure out how best to mitigate the risk
20 of having unintended problems at implementation among
21 other things: Unintended cost overruns, or any number of
22 different things.

23 So if we decide after due analysis and
24 consideration that there is a more appropriate way to
25 focus the notices on the highest risk drivers, we will

1 figure that out and then figure out how to execute that.
2 But adding that layer of complexity onto what is already
3 a very large and complex product change is something that
4 was considered to be higher risk and marginal value to
5 try to do all at once in the first year.

6 MS. MYFANWY BOWMAN: So that's for a few
7 years down the road then?

8 MS. MARILYN MCLAREN: Yes.

9 MS. MYFANWY BOWMAN: Is the Corporation
10 giving or has it given any thought to other ways or means
11 of reaching higher risk drivers outside of -- of renewal
12 notices? Or is that again something you're going to be
13 looking at down the road?

14 MS. MARILYN MCLAREN: Well, there are.
15 The Driver Improvement and Control Program is, you know,
16 a separate function within the Corporation that truly
17 deals with high risk drivers. And that's the program
18 that -- or -- or where driver licence suspensions or, you
19 know, educational training requirements in order to be
20 eligible for reinstatement of a licence, all of that is a
21 very separate process that is ongoing.

22 I -- I think, as well, through time, we'll
23 -- we'll figure out if there's opportunities to leverage
24 either one of those and to find some further
25 enhancements. But in terms of this, right now, this is

1 the focus of what we're doing right now.

2 MS. MYFANWY BOWMAN: And how does the
3 Corporation plan to evaluate the success of its
4 communication strategy at the end of the day?

5 MS. MARILYN MCLAREN: These, themselves,
6 will be tested before we go live with them. They will
7 continue to be. We will certainly be getting some
8 feedback from brokers as well once they are live.

9 And we will do some follow-up, as -- as we
10 already do, as part of our customer service standards
11 surveying. We -- we'd survey people who have recently
12 completed a transaction in a broker's office. We will be
13 including questions about, you know: Did you notice the
14 new form? Did you understand the new form? -- as part of
15 that work as well.

16 Those are some initial strategies that I
17 know we'll employ. There may be others.

18 MS. MYFANWY BOWMAN: I think those are my
19 questions, Mr. Chair. Perhaps, if you'll indulge me, I
20 won't close my cross until tomorrow morning just in case
21 there's something else my clients want me to follow-up
22 on. But I -- I think I'm done.

23 THE CHAIRPERSON: It is not a problem,
24 because also, Mr. Williams, I think, has some more to
25 add. Thank you everyone. We will see you all

1 tomorrow morning at nine o'clock.

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3 (MPI PANEL RETIRES)

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5 --- Upon adjourning at 4:02 p.m.

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7 Certified correct,

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13 Cheryl Lavigne

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