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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE COMPANY (MPI)
GENERAL RATE APPLICATION
FOR 2011/12 INSURANCE YEAR

Before Board Panel:

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

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 19, 2010
Pages 1717 to 1922

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APPEARANCES

Candace Everard) Board Counsel
Nicole Hamilton)
Kathy Kalinowsky) MPI
Raymond Oakes) CMMG
Byron Williams) CAC/MSOS
Nick Roberts (np)) MUCDA
Liz Peters) CAA Manitoba
Jerry Kruk)
Robert Dawson (np)) CBA/MBA

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1 --- Upon commencing at 9:02 p.m.

2

3 THE CHAIRPERSON: Okay. Good morning,
4 everyone. Mr. Williams is up to bat now, so he can
5 continue with his cross-examination.

6

7 MPI PANEL 1:

8

MARILYN MCLAREN, Resumed

9

DON PALMER, Resumed

10

OTTMAR KRAMER, Resumed

11

12 THE CHAIRPERSON: Before he begins, if
13 you don't mind, I just want to pick up on something that
14 was said yesterday that I reflected a bit overnight on.
15 With respect to the increased MHSC cost to the
16 Corporation, just to confirm, the original arrangement,
17 you said, was -- came into pow -- came into being at the
18 time that PIPP was introduced to prevent basically the
19 Health Department from losing the revenue that it was
20 used to, correct?

21

MS. MARILYN MCLAREN: Yes.

22

23 THE CHAIRPERSON: And so the formula
24 basically ran intact then all the way through from 1994
25 until this year.

25

Is that correct?

1 MS. MARILYN MCLAREN: Yes. And -- and,
2 generally, in talking to people in other jurisdictions,
3 that tends to be what happens. These things get left
4 alone for long periods of time, then there's some effort
5 to sort of reset the -- the base.

6 THE CHAIRPERSON: Did the -- and there's
7 no criticism intended -- did MPI initiate discussions
8 with MHSC to adjust the approach?

9

10 (BRIEF PAUSE)

11

12 MS. MARILYN MCLAREN: Where we sit, in
13 terms of comparisons to other people in Canada, is
14 something that we te -- keep track of and -- and they
15 don't keep track of. So, from that perspective, it --
16 initiate might be a little too fine a point to put on it,
17 but that is something.

18 And it's part of our overall due diligence
19 really that I can -- you know, I -- I think I should
20 speak to it from that point of view, that it's over --
21 part of our overall due diligence, and it's important for
22 us to understand and to communicate, you know, where we
23 are -- where we are from a financial perspective, and
24 find out whether there's anything that might be coming
25 that we need to account for. And it was through that

1 process that ultimately the direction we got was that
2 it's going to change in this way, and that's what we've
3 come forward with.

4 THE CHAIRPERSON: Actually, I can under -
5 - the Board understands this from a different perspective
6 than wat -- in water and sewer, too often what we see is
7 a municipality doesn't apply for a rate increase for ten
8 (10) or fifteen (15) years, and then they -- basically,
9 all of a sudden, an application materializes seeking up
10 to a hundred percent rate hike, which is usually quite a
11 shock at that point in time. So it sounds a little bit
12 of the ilk, in a sense, catchup time, so to speak.

13 But the -- do you -- is there a discussion
14 that goes on with MPI in health, or do they just come up
15 with the number that they want to use?

16 MS. MARILYN MCLAREN: No, I don't -- I
17 think they -- we provide information, right, we -- and --
18 and a lot of it is sort of this national scan that we've,
19 you know, provided here. But in terms of the -- the
20 decision, it's not too much of a back and forth. It --
21 it's a government decision, and we implement it.

22 Just in terms of context in terms of, you
23 know, where did this start from, I -- I -- I'd like to
24 sort of go back to the -- the questions late yesterday
25 about, you know, how sure are you the 4 percent isn't

1 going to turn around on you. When -- when we're looking
2 at something like this internally we say, Well, okay, we
3 think this is, you know, based on everything we know,
4 there should be a 4 percent rate decrease for a break-
5 even position.

6 Is there anything else out there that --
7 that can bite us? Is there anything else we don't know
8 about?

9 So before we figure out 4 percent, we go
10 through a process of saying, Is there anything else that
11 might come out of the woodwork? In a way, this could be
12 considered something that did come out of the wood --
13 woodwork. Maybe it would have been a 4 1/2 percent
14 decrease, or something without this, but it's our effort
15 to make sure that what we end up coming forward with is
16 as solid as we can possibly make it.

17 THE CHAIRPERSON: No, I can understand
18 that effort. it's equivalent basically of 1 percent on
19 premiums.

20 Is that not -- is that fair?

21 MS. MARILYN MCLAREN: A -- a little bit
22 less, but closer to one (1) than half, yeah.

23 THE CHAIRPERSON: And then the formula
24 just continues on, so to speak?

25 MS. MARILYN MCLAREN: Will still be

1 driven by changes in injury claims costs, vehicle counts,
2 and health cost inflation.

3 THE CHAIRPERSON: Do we have the
4 expectation that it wouldn't be another sixteen (16)
5 years before their minds turn back to looking at the
6 formula again, or...

7 MS. MARILYN MCLAREN: I would expect
8 close to a decade, anyway.

9 THE CHAIRPERSON: Okay. Thank you.
10 Mr. Williams...?

11 MR. BYRON WILLIAMS: Thank you, and good
12 morning, Mr. Chairman and Dr. Evans.

13

14 CONTINUED CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

15 MR. BYRON WILLIAMS: Ms. McLaren, I -- I
16 just want to revisit a couple of the conversations you
17 had yesterday, one (1) with me and then one (1) with my
18 Learnered Friend, Ms. Everard.

19 I don't want to obsess about Saskatchewan
20 too much, but yesterday you spoke at a high level of how
21 Saskatchewan chose to offer what I've termed a good
22 driver's rebate.

23 Do you -- do you remember that?

24 MS. MARILYN MCLAREN: It -- it was a
25 rebate with a greater advantage to good drivers, yes. It

1 was not just a good driver rebate.

2 MR. BYRON WILLIAMS: Fair enough. And --
3 and you did speak of the methodology they used but I
4 wasn't taking careful enough notes, so I wonder if you
5 can just remind me again, at a high level, of the
6 approach that they generally took.

7 MS. MARILYN MCLAREN: I believe they've
8 only done it once, and I think what they chose to do was
9 to base the rebate on the undiscounted base rate as
10 opposed to the amount that someone actually paid.

11 So if two (2) people both had a base rate
12 of a thousand dollars (\$1,000), one (1) person did not
13 qualify for any good driver discount, and the other one
14 did, potentially one could pay seven fifty (750) and the
15 other one would pay a thousand. So when it came to
16 rebating the way we do it here, the person who paid a
17 thousand would get a larger rebate.

18 What they did in Saskatchewan is both
19 would have their rebate calculated on the thousand
20 dollars.

21 MR. BYRON WILLIAMS: And just to make
22 sure I have your point, and -- and I thank you for that,
23 for example, in -- in Manitoba, if someone had a 25
24 percent vehicle discount, their rebate for that person
25 would be calculated based on -- on what their auto

1 insurance rate would have been prior to the discount.

2 Would that be fair?

3 MS. MARILYN MCLAREN: That's right, yes.

4

5 (BRIEF PAUSE)

6

7 MR. BYRON WILLIAMS: And you had a really
8 interesting discussion with my Learned Friend, Ms.
9 Everard, yesterday about disclosure, and -- and issues
10 like that, and I just want to revisit that for a couple
11 of minutes, just to make sure that I -- in the interest
12 of good communication, I understand the Corporation's
13 position.

14 And the example I'm going to use doesn't
15 matter which particular area of the Corporation, but I
16 want you to assume a budget line where corporate
17 expenditures are \$3 million, okay?

18 You're nodding your head, so that's good.

19 MS. MARILYN MCLAREN: Okay.

20 MR. BYRON WILLIAMS: And it's not
21 possible to directly allocate these expenditures, okay?

22 MS. MARILYN MCLAREN: Okay.

23 MR. BYRON WILLIAMS: And the Corporation
24 proposes to allocate two-thirds (2/3), or 66.7 percent of
25 the cost of this expenditure to Basic, so about 2

1 million.

2 Do you have that so far?

3 MS. MARILYN MCLAREN: Right.

4 MR. BYRON WILLIAMS: Would you agree that
5 in testing the reasonableness of that \$2 million
6 allocation to Basic, it would be open to the Board to
7 test the reasonableness, and prudence of the total --
8 total corporate budget line of 3 million?

9

10 (BRIEF PAUSE)

11

12 MS. MARILYN MCLAREN: I think if the
13 allocation of \$2 million is based on a formula, an
14 allocation formula, which is disclosed, then bec -- and
15 because there's no direct portion, it's really one in the
16 same. Defending the appropriateness of the 2 million is
17 really exactly the same as defending the appropriateness
18 of the 3 million.

19 MR. BYRON WILLIAMS: And -- and I -- I
20 thank you for that answer. What I'm understanding is
21 that in -- in your view, it would -- it would all be on -
22 - on the table, given that it's not a direct allocation?

23 MS. MARILYN MCLAREN: Well, and that's
24 still what we're st -- struggling with, in terms of
25 whether it's on the table, or you can calculate back to

1 -- I think you -- I -- I think I have your point on this
2 area, but jus -- just for a bit of fun, it's -- it's --
3 it's Tuesday -- Tuesday -- Tuesday morning, so let's --
4 let's just make sure I do have it.

5 Let's assume for a moment the Corporation
6 decides to celebrate an important milestone regarding
7 driver safety rating, okay?

8 MS. MARILYN MCLAREN: Okay.

9 MR. BYRON WILLIAMS: And driver safety
10 rating benefits, both Extension and Basic.

11 That's fair?

12 MS. MARILYN MCLAREN: Well, this is your
13 scenario, but the way we've dealt with driver safety
14 rating is it's a Basic program and Basic has paid for it
15 to this point.

16 MR. BYRON WILLIAMS: Okay. Then let's
17 pick another one. Let's pick -- let's celebrate
18 Streamlined Renewal instead, Ms. McLaren.

19 MS. MARILYN MCLAREN: Let's do that.

20 MR. BYRON WILLIAMS: Thank you for that
21 helpful -- helpful redirection.

22 So to celebrate Streamlined Renewal, the
23 Corporation bakes a pie. And we're going to make it
24 rhubarb pie, because we know that is Mr. Palmer's
25 favourite pie, okay?

1 MS. MARILYN MCLAREN: And it tends to be
2 very low cost as well.

3 MR. DON PALMER: Again, that's who I am.

4 MR. BYRON WILLIAMS: Rhubarb pie is an
5 academics kind of pie.

6 So, given that this is to celebrate
7 Streamli -- Streamlined Renewal, the Corporation thinks
8 it's prudent and reasonable to allocate this pie on a
9 fair and reasonable basis between Basic and Extension.
10 Let's say two thirds (2/3) to Basic, a third to
11 Extension. It doesn't matter the formula.

12 You have me so far?

13 MS. MARILYN MCLAREN: Okay.

14 MR. BYRON WILLIAMS: And we both agree
15 that it's open to the Board to assure itself that the
16 proper share of that pie is being allocated, correct,
17 given that it's -- can't be directly assigned, it's a
18 shared cost?

19 MS. MARILYN MCLAREN: No, I'm not -- I'm
20 not sure about that. In my understanding of what we're
21 trying to do here is bake a pie that would be shared with
22 all the beneficiaries of Streamlined Renewals. And what
23 the Board is concerning itself with is finding out how
24 much of the cost of that pie does Basic have to pay for.

25 So it's not sharing the pie, it's sharing

1 the cost of the pie.

2 MR. BYRON WILLIAMS: And if I misspoke, I
3 think we're on all fours. We're -- we're talking about
4 allocating the cost of the pie, Ms. McLaren?

5 MS. MARILYN MCLAREN: Absolutely.

6 MR. BYRON WILLIAMS: And, again, thank
7 you for your -- you've corrected me twice so far. Thank
8 you for that.

9 So one (1) issue that would arise is the
10 allocation methodology related to the cost of the pie,
11 correct?

12 MS. MARILYN MCLAREN: Yes.

13 MR. BYRON WILLIAMS: And the other
14 question that might arise is the size of the pie, whether
15 it was reasonable and prudent to make a 14 inch pie when
16 it should only have been a 12 inch pie. That's another
17 question that would be open to the regulator in this
18 context?

19 MS. MARILYN MCLAREN: Which really what
20 you're saying was the -- is the total cost of the pie
21 reasonable. Or -- or, to me, you know, is Basic's share
22 reasonable because you can get there from both ways.

23 MR. BYRON WILLIAMS: And just to -- to
24 close the door, in allocating whether the -- Basic's
25 share is reasonable or determining whether Basic's share

1 is reasonable, one would look both at the reasonableness
2 of the total expenditure as well as the reasonableness of
3 the allocation, correct?

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

5 MR. BYRON WILLIAMS: We're off rhubarb
6 pie. Just one (1) last cleanup question.

7 Would you also agree that if the
8 Corporation proposes to directly alloca -- directly
9 allocate a corporate asset to Extension it is open to the
10 Board in the rate setting context to explore the merits
11 of that allocation and consider whether some portion of
12 the asset should have been allocated to Basic?

13 MS. MARILYN MCLAREN: I think the issue
14 for the Board is the latter part of that. And, you know,
15 unless it's disclosed in the annual report about which
16 other non-Basic line of business this asset was allocated
17 to, that is not relevant, I think.

18 The issue is why wasn't some of that asset
19 allocated to Basic, and that's an absolutely legitimate
20 question for the regulator that you talked about.

21 MR. BYRON WILLIAMS: So at least at a
22 theoretical level it would be open, in your view, to the
23 regulator to test a direct allocation for the purpose --
24 to -- to another line of business to -- to determine
25 whether -- of an asset, to determine whether some portion

1 of that asset should have been allocated to Basic,
2 correct?

3 MS. MARILYN MCLAREN: The way this works
4 best, for my ease of understanding and to stay focussed
5 on this, is to really stay focussed on Basic. So whether
6 it is testing the allocation to another line of business,
7 that I'm less comfortable with because that would be --
8 end up, you know, taking you down a path of disclosing
9 particular business decisions about a specific line of
10 business.

11 We have three (3) non-Basic lines of
12 business, so clearly I'm -- I'm very clear in that if any
13 particular asset is not shared by Basic, why not? That -
14 - that in itself is a legitimate question for the PUB,
15 given its responsibilities for Basic rate setting.

16 MR. BYRON WILLIAMS: Thank you. Just for
17 -- these are some questions more -- more so of
18 clarification. I wonder if I could -- and I think your
19 counsel probably has the IR near at hand. An interesting
20 IR that was asked by the MVA (phonetic) in the First
21 Round, number 17, if I could direct your attention there
22 for just one (1) moment.

23 MS. MARILYN MCLAREN: I have it.

24 MR. BYRON WILLIAMS: And I -- I'm not
25 focussed on the entire response, Ms. McLaren, but you'll

1 confirm, just for clarity, that in the question, you were
2 asked to set out the Applicant's understanding of the
3 public policy considerations that discour -- discourage
4 significant rate increases for entry level drivers.

5 That was the question posed, correct?

6 MS. MARILYN MCLAREN: Yes.

7 MR. BYRON WILLIAMS: And I want to direct
8 your attention to your response, number 4. The
9 Corporation states that:

10 "Since the insurer operates a monopoly
11 for the compulsory insurance, everyone
12 intending to hold a driver's licence or
13 own and operate a vehicle is subject to
14 the Basic AutoPac risk clar --
15 classification system, so the insurer
16 is not vulnerable to consumer anti-
17 selection, or misrepresentation of
18 driving records as competitive insurers
19 may be."

20 That's the fourth point of this response,
21 Ms. McLaren?

22 MS. MARILYN MCLAREN: Yes, it is.

23 MR. BYRON WILLIAMS: And I wonder if you
24 could clarify for the benefits of my clients, the
25 Corporation uses the terms, "consumer anti-selection, or

1 misrepresentation of driving records," and perhaps you
2 can elaborate on -- on what -- what you mean by those
3 terms, and how they're used in this context.

4 MS. MARILYN MCLAREN: The
5 misrepresentation of driving records reflects the fact --
6 fact that in most private sector insurance -- auto
7 insurance jurisdictions, the insurer doesn't have direct
8 access to the government driver record system. So that
9 means people generally are expected to bring abstracts,
10 or just state their driving record, and that -- that kind
11 of a system can be more susceptible to misrepresentation
12 on the part of the -- the applicant for the insurance.

13

14 (BRIEF PAUSE)

15

16 MR. BYRON WILLIAMS: And consumer anti-
17 selection?

18 MS. MARILYN MCLAREN: Yeah. The
19 opportunity that people have is -- to move their
20 insurance, if it is -- if the market is readily
21 available, they have the opportunity to move their
22 insurance.

23 If someone qualifies -- there are some
24 insurance schemes, classification schemes, that have
25 significant discounts, compared to the base rate, for

1 claim -- for claims free driving experience -- claims
2 free experience. And therefore, you know, the -- the
3 alternative -- as soon as you have an incident, you have
4 significant increase in rate.

5 There are other insurers in the same
6 marketplace who would have a -- a flatter rating system
7 with not such big swings between claims free and claims
8 existing.

9 So someone could, theoretically -- anti-
10 selection in this context means they go with the very,
11 very best rate they can -- they can find until they have
12 the accident, then they move the coverage to -- to a
13 flatter rating system where they don't pay the biggest --
14 as big a hit for actually having that accident. They
15 have the ability to cherry pick and -- and shop, I guess.

16 MR. BYRON WILLIAMS: In Manitoba, going
17 back to the misrepresentation of driving records -- and
18 my understanding first of all, leave aside Manitoba, is
19 you mentioned that in some jurisdiction insurance --
20 insurers don't have direct access to the government
21 driving information, correct?

22 MS. MARILYN MCLAREN: Right.

23 MR. BYRON WILLIAMS: If I'm a private
24 insurer in Manitoba offering Extension, would I have
25 access to the government driving information?

1 MS. MARILYN MCLAREN: No. What you have
2 access to is information about how MPI rates -- rates the
3 prospective client that you have, which is pretty much
4 the same thing, given that we have the access.

5 MR. BYRON WILLIAMS: Thank you.

6

7 (BRIEF PAUSE)

8

9 MR. BYRON WILLIAMS: I'm probably going
10 to be testing your memory in terms of when this
11 conversation took place, and that's not important. But
12 you do recall you had a brief conversation with Ms.
13 Everard, I think it was last Tuesday the 12th, regarding
14 your response to a -- an Information Request, CAC-2-62,
15 which I do not believe you need to turn to, but which
16 detailed a number of special services expenses.

17 Do you recall that, at a high level?

18 MS. MARILYN MCLAREN: Only at the highest
19 level.

20 MR. BYRON WILLIAMS: Again, I don't think
21 you need to go there, but you'll recall that one (1) item
22 in the special services budget for Basic relates to
23 surveys and evaluations, correct?

24 MS. MARILYN MCLAREN: Yes.

25 MR. BYRON WILLIAMS: And again, you had a

1 bit of a discussion of this with Ms. Everard, My Friend
2 Ms. Everard, yesterday, but it would not be uncommon for
3 the Basic program to spend between two hundred thousand
4 (200,000) and three hundred thousand (300,000) annually
5 in terms of non-road safety surveys, correct?

6 MS. MARILYN MCLAREN: Correct.

7 MR. BYRON WILLIAMS: And that range would
8 be consistent with your actual results for the last
9 couple of years, roughly?

10 MS. MARILYN MCLAREN: I believe so.

11 MR. BYRON WILLIAMS: And again, following
12 up on a bit of your conversation with My Friend, Ms.
13 Everard, yesterday, it is fair to say that the
14 Corporation surveys, fairly frequently, with regard to
15 public perceptions or attitudes relating to the, first of
16 all, the quality of its services, correct?

17 I believe you used the words "beliefs" and
18 "perceptions" yesterday.

19 MS. MARILYN MCLAREN: You believe I used
20 which words, sorry?

21 MR. BYRON WILLIAMS: "Beliefs" and
22 "perceptions".

23 MS. MARILYN MCLAREN: Yes, I -- I'm
24 pausing, because I -- there's a -- we -- we do two (2)
25 kinds of surveys. We do some surveys about public

1 perceptions and attitudes, because even though not
2 everyone comes in contact with us from a service
3 perspective, they all have views about -- that it's
4 important for us to understand the views.

5 But we spend a great deal more effort
6 actually surveying people who have had a direct contact,
7 and -- and assessing the specific quality and -- and
8 satisfaction of that service as well.

9 MR. BYRON WILLIAMS: Okay. So that's
10 helpful. So as I understand it, in terms of the surveys,
11 one (1) element would be those who have had direct
12 contact with -- with MPI as a service provider, and in
13 that case, you're examining their views on -- on the --
14 the type and quality of service they received, correct?

15 MS. MARILYN MCLAREN: That's right. And
16 that -- that would really be the majority of -- of the
17 funds that you talked about, because we do it in terms of
18 all aspects, whether it is a -- a frontline contact in
19 terms of purchasing insurance, either through a broker or
20 ourselves, whether it's the estimating process for
21 vehicle damage, the adjusting process for vehicle damage,
22 case managers for injury claims, a very broad effort to
23 really gauge, in a very, very structured way, both our
24 internal measures of service expectations: do we meet our
25 own internal standards, and do we meet the public's

1 expectations.

2 MR. BYRON WILLIAMS: And -- and we'll
3 stay on that line of thought for just a second. If I
4 reviewed your annual report, for example, I would see
5 that you're -- you're reporting on a number of those
6 public perceptions. For example, in terms of
7 satisfaction with claims for physical damage service, for
8 example, correct?

9 MS. MARILYN MCLAREN: Yes. And -- and
10 those ones, not to put too fine a point, we wouldn't call
11 those the public perceptions. That is customer service
12 satisfaction.

13 MR. BYRON WILLIAMS: Okay. Likewise, you
14 would look at customer service satisfaction for areas
15 such as bodily injury claims, customer service standards,
16 and those involved in what you call policyholder
17 transactions.

18 I'm presuming that means dealing with the
19 broker, correct?

20 MS. MARILYN MCLAREN: Yes.

21 MR. BYRON WILLIAMS: And without needing
22 to go into the -- the numbers, it would be fair to say
23 that the satisfaction ratings are -- are pretty high.

24 Would that be fair?

25 MS. MARILYN MCLAREN: Yes.

1 MR. BYRON WILLIAMS: And you spoke also
2 in -- in terms of the second stream of surveying
3 perceptions and beliefs. One (1) of those presumably
4 would -- would suggest that there's 91 percent support
5 for road safety programming.

6 That type of survey, correct?

7 MS. MARILYN MCLAREN: Yes.

8 MR. BYRON WILLIAMS: And in this stream,
9 you're looking -- the perceptions and beliefs, you're
10 looking at how the Manitoba Public Insurance Program is
11 generally regarded by the public, correct?

12 MS. MARILYN MCLAREN: Yes.

13 MR. BYRON WILLIAMS: And I haven't seen
14 those surveys, but I -- I think it would be fair to say
15 that you're not universally loved.

16 Would that be fair?

17 MS. MARILYN MCLAREN: Not universally.

18 MR. BYRON WILLIAMS: But it would be fair
19 to say, based on surveys and -- and otherwise, that the
20 programs Manitoba Public Insurance offers are generally
21 well known, popular programs, correct?

22 MS. MARILYN MCLAREN: Yes.

23 MR. BYRON WILLIAMS: What kind of
24 satisfaction levels, are -- are -- are you getting in
25 this regard, Ms. McLaren?

1 (BRIEF PAUSE)

2

3 MS. MARILYN MCLAREN: I'd have to go back
4 and check. It's not -- if you can be quite precise with
5 your question, we will probably take it as an undertaking
6 to come back with an answer, because I don't think that's
7 something that I could completely answer right now.

8 MR. BYRON WILLIAMS: In terms of -- would
9 if be -- well let me try it like this, and I don't know
10 if we'll need an undertaking or not.

11 Would it be fair to say that in terms of
12 the quality of service and price flowing from the Basic
13 insurance monopoly, there are generally high approval
14 ratings for that?

15 MS. MARILYN MCLAREN: Yes.

16 MR. BYRON WILLIAMS: And by high approval
17 ratings, in your mind, what kind of number are you
18 looking at, Ms. McLaren?

19 MS. MARILYN MCLAREN: I'm thinking
20 somewhere along -- somewhere between three (3) strong
21 supporters for -- for every one (1) who's not, or four
22 (4) strong supporters for every one (1) who's not. Some
23 -- somewhere in that ballpark.

24 MR. BYRON WILLIAMS: Seventy-five percent
25 range, roughly?

1 MS. MARILYN MCLAREN: I think that's
2 about right.

3 MR. BYRON WILLIAMS: So based on that
4 information, would it be fair to say that there's a
5 fairly broad general support for the Basic program?

6 MS. MARILYN MCLAREN: Sure. Based on
7 that, I think that's fair to say.

8 MR. BYRON WILLIAMS: And you -- again,
9 you don't need to turn -- turn here, but in the
10 Corporation's response to MBA-1-17 -- Mr. Dawson I hope
11 will be -- will be happy that I'm using his responses.

12 It's correct that since the insurer
13 operates a monopoly for the Compulsory Insurance Program,
14 everyone intending to hold a driver's licence or own and
15 operate a vehicle is subject to interaction with Basic
16 AutoPac in -- insurance, correct?

17 MS. MARILYN MCLAREN: Yes.

18 MR. BYRON WILLIAMS: And you would agree
19 that almost anyone, perhaps anyone, who has to insure a
20 vehicle or renew a licence in Manitoba will know who
21 Manitoba Public Insurance is?

22 MS. MARILYN MCLAREN: Either that or
23 AutoPac.

24 MR. BYRON WILLIAMS: And we can use those
25 terms int -- interchangeably. And it would not be unfair

1 to say that if a vehicle owner knows only one (1) single
2 auto insurer in Manitoba it is likely that they will know
3 AutoPac or MPI, correct?

4 MS. MARILYN MCLAREN: Yes.

5 MR. BYRON WILLIAMS: And you wouldn't
6 disagree with the suggestion that you are the best known
7 automobile insurance company operating in Manitoba?

8 MS. MARILYN MCLAREN: I would not
9 disagree.

10 MR. BYRON WILLIAMS: That little lizard
11 from GEICO's kind of cute. I'm not even sure if they
12 operate in Manitoba. That might be number 2.

13 MS. MARILYN MCLAREN: They don't operate
14 anywhere in Canada.

15 MR. BYRON WILLIAMS: And, again, in -- in
16 your conversation with Ms. McL -- My Learned Friend, Ms.
17 Everard, yesterday you suggested and -- or -- and pri --
18 prior -- let -- let me try this again.

19 We can agree that Manitoba Public
20 Insurance has 100 percent of the Basic compulsory market,
21 correct?

22 MS. MARILYN MCLAREN: Yes.

23 MR. BYRON WILLIAMS: We can agree that
24 Manitoba Public Insurance has in the range of 95 percent
25 of the Extension market?

1 MS. MARILYN MCLAREN: Yes.

2 MR. BYRON WILLIAMS: And we can agree
3 that somewhere in the range of 90 percent of Basic
4 Manitoba Public Insurance customers purchase some sort of
5 Extension insurance from Manitoba Public Insurance?

6 MS. MARILYN MCLAREN: Yes.

7 MR. BYRON WILLIAMS: And so you would
8 agree that for many Manitobans you're the only auto
9 insurance provider they have?

10 MS. MARILYN MCLAREN: Yes.

11 MR. BYRON WILLIAMS: Ms. McLaren, these
12 next few questions are ones that are common knowledge, so
13 you'll -- you'll exc -- excuse the mundane nature of
14 them, but you'll work with me.

15 It's accurate to say that Manitoba Public
16 Insurance operates an automobile insurance division whose
17 lines of business include Basic Compulsory, Extension,
18 and Special Risk Extension, correct?

19 MS. MARILYN MCLAREN: Yes.

20 MR. BYRON WILLIAMS: And it's also
21 correct that under the Driver and Vehicles Act, the
22 Corporation is responsible for operations relating to
23 driver safety, vehicle registration, and driver
24 licensing, correct?

25 MS. MARILYN MCLAREN: Yes.

1 MR. BYRON WILLIAMS: And it would be fair
2 to say, apart from Basic, that there's three (3) lines of
3 business, those being Extension, Special Risk Expe --
4 Extension, and what I understand we're now calling DVA,
5 Driver Vehicle Administration.

6 MS. MARILYN MCLAREN: The Drivers and
7 Vehicle Act Administration.

8 MR. BYRON WILLIAMS: DVAA?

9 MS. MARILYN MCLAREN: Okay.

10 MR. BYRON WILLIAMS: I'm just teasing
11 you.

12 It would be accurate to say that Extension
13 is not an independent corporate entity from Basic.

14 Would that be fair?

15 MS. MARILYN MCLAREN: Yes.

16 MR. BYRON WILLIAMS: It's not separately
17 incorporated?

18 MS. MARILYN MCLAREN: Nope.

19 MR. BYRON WILLIAMS: It ultimately
20 answers to the same executive team and the same Board of
21 Directors as Basic, correct?

22 MS. MARILYN MCLAREN: Yes.

23 MR. BYRON WILLIAMS: Likewise, Special
24 Risk Extension is not a separate corporate entity?

25 MS. MARILYN MCLAREN: Right.

1 MR. BYRON WILLIAMS: And, likewise,
2 Driver and Vehicle Act Administration is not an
3 independent corporate entity.

4 Would that be fair?

5 MS. MARILYN MCLAREN: Yes.

6

7 (BRIEF PAUSE)

8

9 MR. BYRON WILLIAMS: You'll have to help
10 me here, Ms. McLaren, but would it also be accurate to
11 say that in terms of governing the relationship between
12 Basic and Extension, there is no separate contract which
13 governs the business relationship with -- with -- between
14 the Basic line of business and the Extension line of
15 business?

16 Would that be fair?

17 MS. MARILYN MCLAREN: Yes, that would be
18 fair.

19 MR. BYRON WILLIAMS: And -- and if you're
20 looking for contacts -- context, Ms. McLaren, I -- I'm
21 thinking of other regulated entities that I'm familiar
22 with, which have contractual relationships with affiliate
23 organizations.

24 Likewise, it would be accurate to say that
25 there's no separate contract governing the business

1 relationship between the Basic line of business and
2 Special Risk Extension.

3 Would that be fair?

4 MS. MARILYN MCLAREN: Yes.

5 MR. BYRON WILLIAMS: And likewise,
6 there's no separate contract governing the business
7 relationship between Basic and Driver and Vehicle Act
8 Administration, correct?

9 MS. MARILYN MCLAREN: Right.

10 MR. BYRON WILLIAMS: And it would be
11 accurate to say that as the Chief Executive Officer,
12 you're responsible for the well-being and operations of
13 the Basic program, correct?

14 MS. MARILYN MCLAREN: Yes.

15 MR. BYRON WILLIAMS: Also accurate to say
16 that as CEO, you're responsible for the well-being and
17 operations of Extension, correct?

18 MS. MARILYN MCLAREN: Yes.

19 MR. BYRON WILLIAMS: Would you concede
20 that in certain circumstances, the interests of the two
21 (2) lines of business might conflict?

22 MS. MARILYN MCLAREN: That's conceivable.

23

24 (BRIEF PAUSE)

25

1 MR. BYRON WILLIAMS: I'll come back to
2 that -- that point a bit later.

3 Now, Ms. McLaren, I'm staying on the same
4 line of thinking. I don't think you need to turn to it,
5 but if -- if you -- if you're uncomfortable with where
6 I'm going, you may want to have near at hand, the Assets
7 and Liabilities Report, as from Deloitte, that was, I
8 think, founded AI.9 -- 19.

9 MS. MARILYN MCLAREN: If I get really
10 uncomfortable, I'm going to ask the two (2) gentlemen to
11 my right to answer.

12 MR. BYRON WILLIAMS: And again, I -- I
13 don't think you will be.

14 But, through your general business
15 knowledge, as well as, no doubt, your review of the
16 Deloitte report, you have some familiarity with the
17 Saskatchewan insurer operating by the -- SGI, correct?

18 MS. MARILYN MCLAREN: Yes.

19 MR. BYRON WILLIAMS: And again, you'd
20 agree that SGI operates or manages a variety of different
21 insurance operations through a series of independent
22 funds and subsidiaries?

23 Would that be your understanding?

24 MS. MARILYN MCLAREN: Yes.

25 MR. BYRON WILLIAMS: Included there, of

1 course, is the Saskatchewan Auto Fund, correct?

2 MS. MARILYN MCLAREN: Yes.

3 MR. BYRON WILLIAMS: Now Deloitte states
4 in its -- its evidence -- or its report at page 14, and
5 again, I don't think you need to turn there, but that:

6 "SGI operates each of its insurance
7 operations in a separate fund or
8 subsidiary."

9 Is that your understanding as well?

10 MS. MARILYN MCLAREN: Yes.

11 MR. BYRON WILLIAMS: And based on the
12 report of Del -- Deloitte, as well as your -- probably,
13 more -- more importantly, your own knowledge, it would be
14 your understanding that the Saskatchewan equivalent of
15 our Basic insurance monopoly, is managed and controlled
16 through the Saskatchewan Auto Fund, or SAF?

17 Would that be correct?

18 MS. MARILYN MCLAREN: Yes, but the
19 difference is that the Saskatchewan Auto Fund really also
20 emb -- emb -- embodies and includes all of the licensing
21 responsibilities as well. So that Saskatchewan Auto Fund
22 is really more like Basic AutoPac and DVA Administration.

23 MR. BYRON WILLIAMS: And that's what I
24 was just -- and it includes what we call DVAA?

25 MS. MARILYN MCLAREN: Yes.

1 MR. BYRON WILLIAMS: And it's your
2 understanding as well, that the assets and liabilities of
3 the Saskatchewan Auto Fund are self-contained in an
4 independent fund?

5 Would that be correct? I think Deloitte,
6 page 14 probably suggests...

7

8 (BRIEF PAUSE)

9

10 MS. MARILYN MCLAREN: I'll get some
11 advice, or have Mr. Palmer answer that, but reg --
12 regardless of the answer, I do know that the assets in
13 terms of their -- their facilities particularly are used
14 by all their lines of business, whether or not they're --
15 they're held separately, or not. The claims centre in
16 Saskatchewan is used by all the lines of business who
17 need to provide claim service in Saskatchewan.

18 MR. BYRON WILLIAMS: And is it your
19 knowledge that they charge a service for those -- for the
20 -- the use of the claims centre by other lines of
21 business?

22 MR. DON PALMER: In -- in terms of the
23 operating model, from my understanding of -- of Sask Auto
24 Fund, is that SGI provides the administrative services
25 for Sask Auto and basically gets bill -- billed for them.

1 I'm not sure that Sask Auto Fund, for instance, has any
2 employees. That -- that would be one (1) example.
3 Essentially all the services are billed through SGI.

4 So -- so -- and -- and again on the asset
5 side, and I don't have a balance sheet of Sask Auto Fund
6 in front of me, I'm not sure that they would have
7 property, plant, and equipment.

8 MR. BYRON WILLIAMS: Thank you for that.

9 Would it be correct to say that in
10 Saskatchewan, Basic and Extension are -- are offered by
11 different independent funds?

12 MR. DON PALMER: Funds, definitely. In
13 terms of management and admin -- administration, probably
14 not.

15 MR. BYRON WILLIAMS: And would it be
16 correct to say that in Saskatchewan, the SAF whi -- fund,
17 which operates Basic, is not allowed to offer Extension?

18 MS. MARILYN MCLAREN: It -- it doesn't.
19 It's -- it is the compulsory and the licensing
20 administration only.

21 MR. BYRON WILLIAMS: And again to Ms.
22 McLaren or Mr. Palmer, the SAF would pay a service fee to
23 the -- to SGI with regard to the administrative services,
24 for example, offered by SGI.

25 Would that be correct?

1 MR. DON PALMER: Yes, that's my
2 understanding.

3

4 (BRIEF PAUSE)

5

6 MR. BYRON WILLIAMS: And given that type
7 of relationship, that obviates, or eliminates the need
8 for complicated cost allocation arrangements?

9 MR. DON PALMER: No, I wouldn't agree
10 with that at all. There is still the amount of how much
11 to have to pay for that service, so that's essentially a
12 cost allocation.

13 MR. BYRON WILLIAMS: Based on your review
14 of the Deloitte liabilities and asset reports, in your
15 own experience, you are aware that Manitoba Hydro
16 operates a number of sub -- subsidiaries, pursuant to its
17 authority under the Manitoba Hydro Act?

18 MR. DON PALMER: Yes.

19 MR. BYRON WILLIAMS: You're exempt --
20 aware, for example, that Centra Gas is a wholly owned
21 subsidiary of Manitoba Hydro?

22 MR. DON PALMER: Yes, I am.

23 MR. BYRON WILLIAMS: You're aware, as
24 well, that Manitoba Hydro has a number of other wholly
25 owned subsidiaries -- subsidiaries engaged in the energy

1 related business?

2 MR. DON PALMER: Yes.

3 MR. BYRON WILLIAMS: One (1) of them, for
4 example, provides meter reading service to Hydro and
5 Centra.

6 Were you aware of that, Mr. Palmer?

7 MR. DON PALMER: No, I was not.

8 MR. BYRON WILLIAMS: It would be fair to
9 say, though, that Deloitte has advised Manitoba Public
10 Insurance that Hydro has two (2) distinct lines of
11 business with no allocations of assets or liabilities
12 between the lines of business?

13 Would that be fair?

14 MR. DON PALMER: Yes, that's fair.

15 MR. BYRON WILLIAMS: With each line of
16 business being accounted for as a separate entity with
17 its own general ledger.

18 Would that be correct?

19 MR. DON PALMER: Yes.

20 MR. BYRON WILLIAMS: And it would be fair
21 to say that it's Manitoba Public Insurance's
22 understanding, based upon the information provided by
23 Deloitte, that any bas -- assets that are jointly used
24 are minimal, kept on the balance sheet of electricity --
25 of electricity, and a charge is levied for the use of

1 that asset?

2 Would that be correct?

3 MR. DON PALMER: Yes, that's my
4 recollection.

5 MR. BYRON WILLIAMS: I wonder if the
6 Corporation could turn to Exhib -- an -- an information
7 request of CAC from the First Round, CAC/MSOS/MPI-1-158.
8 One five eight (158).

9

10 (BRIEF PAUSE)

11

12 MR. DON PALMER: Yes, I have it.

13 MR. BYRON WILLIAMS: I'm just checking to
14 make sure the panel has it. Seeing nods at the front.

15 Mr. Palmer, in -- in this information
16 request, at -- in broad strokes, Manitoba Public
17 Insurance was asked to:

18 "Provide a list of services, systems,
19 databases, and functions that are truly
20 independent and standalone."

21 As well as a list of services, systems, et
22 cetera, that are fully or partially integrated, and to
23 specify the degree of integration.

24 Is that correct?

25 MR. DON PALMER: That's correct.

1 MR. BYRON WILLIAMS: And we'll turn to
2 Attachment A in one (1) second, but, essentially, the
3 Corporation -- what it has done is set out, in Attachment
4 A:

5 "Application systems used to provide
6 service and perform administrative
7 functions that apply to Basic."

8 Would that be fair?

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

10 MR. BYRON WILLIAMS: And it's also stated
11 that:

12 "To the degree that there is
13 integration between these Basic lines
14 of business, applications, and other
15 lines of business, the integration is
16 absolute."

17 Correct?

18 MR. DON PALMER: Yes.

19 MR. BYRON WILLIAMS: Now, when I look at
20 -- I turn your attention to Attachment A, you'll see that
21 it has four (4) columns, the first column being the
22 application name.

23 Is that correct, sir?

24 MR. DON PALMER: Yes.

25 MR. BYRON WILLIAMS: The second being a

1 description of -- the second column being a description
2 of the application or business function, correct?

3 MR. DON PALMER: Yes.

4 MR. BYRON WILLIAMS: And the third column
5 being labelled "Basic" and the fourth column being
6 labelled "Other".

7 Is that correct?

8 MR. DON PALMER: Yes.

9 MR. BYRON WILLIAMS: And if I were to
10 look at those last two (2) columns, if I see an 'X' in
11 the Basic column, that would indicate that the particular
12 application or business function was used by Basic.

13 Is that correct?

14 MR. DON PALMER: Yes, and I think, in the
15 construct of this table that we were focussing in on only
16 applications that had a Basic component, so there's an
17 'X' in every single row.

18 MR. BYRON WILLIAMS: Thank you. And the
19 -- the -- if I look at the -- the last column, being
20 "Other", and if there's an 'X' in that row, that would
21 suggest that the application used for Basic is also used
22 in that case for another part of the Corporation, another
23 line of business.

24 Would that be fair?

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

1 MR. BYRON WILLIAMS: And, Mr. Palmer, you
2 -- you don't need to -- to perform an actual count, but
3 you'll agree with me that, if I looked in the "Other"
4 column, almost all of the other columns actually have
5 'X's in them.

6 Would that be cair -- fair?

7 MR. DON PALMER: That's fair. And just
8 one (1) very important system that's -- application
9 that's not on this list in FINEOS, and that was mentioned
10 in the preamble just because it wasn't fully implemented
11 at the time that this information request is -- was
12 written. It has since been implemented, and that would
13 be an 'X' in only the Basic column.

14 MR. BYRON WILLIAMS: Yeah. And we'll
15 come to that in a second. There -- there'll probably be
16 three (3), in fact, Mr. -- Mr. Palmer, that I'll -- I'll
17 draw to your attention.

18 Before I go through the table in a little
19 more detail, AutoPac On-line is -- is not on here. I --
20 I'm presuming that's because the Corporation -- or at
21 least I don't see it here. I -- I could be missing it.

22 Does -- does the Corporation not define
23 that as an application or a business function, or am I
24 just misreading the table?

25 MR. DON PALMER: It would be outlined as

1 IWS on this list. So IWS being the online system used to
2 process Manitoba Public Insurance, vehicle registration,
3 insurance, and information at a brokerage, so that
4 essentially would be AutoPac On-line, the same thing.

5 MS. MARILYN MCLAREN: It's just the way
6 we manage the discussion around AutoPac On-line within
7 the Corporation. You'll note also below IWS it talks
8 about the batch process and the DSR engine. Those are
9 all components that together would be AutoPac On-line
10 generally.

11 MR. BYRON WILLIAMS: Super. I -- I
12 appreciate that. Roughly speaking, Mr. Palmer, and --
13 and you can do the counting if you want, I wonder if
14 you'd agree that there are roughly sixty-five (65)
15 applications used to provide serv -- service and perform
16 administrative functions that apply to Basic.

17 MR. DON PALMER: Subject to check, yes.

18 MR. BYRON WILLIAMS: I got sixty-four
19 (64) sometimes, sixty-five (65) the other, so we'll say
20 roughly.

21 And included among these applications are
22 CARS, which is the Claims Administration and Reporting
23 System which supports claims processing.

24 That's correct?

25 MR. DON PALMER: Yes.

1 MR. BYRON WILLIAMS: And that's used by
2 Basic as well as by other parts of the Corporation,
3 correct?

4 MR. DON PALMER: Yes.

5 MR. BYRON WILLIAMS: Included as well on
6 the next page is the DSR engine, which calculates the
7 driver safety rating.

8 Would that be correct?

9 MR. DON PALMER: Yes.

10 MR. BYRON WILLIAMS: And that in -- that
11 is used by -- both by Basic and by Extension, correct?
12 It is used both by Basic and other parts of the
13 Corporation, Mr. Palmer?

14 MR. DON PALMER: It's primarily for
15 Basic, and then the results are -- are used in the rating
16 of the Extension, yes.

17 MR. BYRON WILLIAMS: As well, on the same
18 page as the IRC, which is the Insurance Rate Calculator,
19 which is the automated insurance calculator located at
20 the MPI insurance website, sir.

21 Is that correct?

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

23 MR. BYRON WILLIAMS: And, as I understand
24 it, the calculator can provide registration and insurance
25 estimates for common vehicle types an insurance uses.

1 Is that correct?

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

3 MR. BYRON WILLIAMS: And just so I
4 understand it, if I -- if I wanted to take my 2007 Nissan
5 Sentra and figure out how much it would cost to get both
6 Basic and Extension insurance, you know, buy down my
7 deductible, et cetera, would I be able to use -- do that
8 on -- on -- using IRC?

9 MR. DON PALMER: Yes, you could.

10 MR. BYRON WILLIAMS: So this Application
11 applies both to Basic and other parts of the Corporation.

12 MR. DON PALMER: Yes.

13 MR. BYRON WILLIAMS: And just beneath
14 that we see "IWS", which is AutoPac On-line, and that's
15 the online system used to process vehicle insurance,
16 registration insurance, and information at brokers,
17 correct?

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

19 MR. BYRON WILLIAMS: And that is used
20 both for Basic and other parts of the Corporation?

21 MR. DON PALMER: Yes.

22 MR. BYRON WILLIAMS: And still on the
23 same page we also see "loss", and which I understand is
24 the -- used to maintained the Corporation's financial and
25 accounting information, Mr. Palmer.

1 Is that right?

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

3 MR. BYRON WILLIAMS: And, again, that's
4 an application used by both Basic and other parts of the
5 Corporation?

6 MR. DON PALMER: Yes.

7 MR. BYRON WILLIAMS: Of the roughly
8 sixty-four (64) or sixty-five (65) applications listed
9 here and adding FINEOS, it would accurate to say that all
10 but three (3) of these applications are used both in
11 Basic and other parts of the Corporation?

12 And Mr. Palm -- Palmer, if you're looking
13 for reference, I think on page -- the last page, "Med
14 Log" phonetic) and "PIPP Review and Appeal," so it'd be
15 the -- the two (2) other ones.

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

17 MR. BYRON WILLIAMS: So roughly of the
18 sixty-five (65) -- somewhere between sixty-four (64) to
19 sixty-six (66) there's three (3) that are used
20 exclusively for Basic, those being Med Log, PIPP review
21 and Appeals, and FINEOS, F-I-N-E-O-S.

22 Would that be correct?

23 MR. DON PALMER: That's correct.

24

25

(BRIEF PAUSE)

1 MR. DON PALMER: In fact, Mr. Kramer just
2 pointed out that you did miss one (1), head trauma, AKA
3 traumatic brain injury, on page 2.

4 MR. BYRON WILLIAMS: Trust the
5 accountant, and I apologize for that oversight. I assure
6 you it was inadvertent. So it would be fair to say that
7 the four (4) that are not shared applications are head
8 trauma, Med Log, FINEOS, and PIPP Review and Appeals?

9 MR. DON PALMER: That's correct.

10 MR. BYRON WILLIAMS: And thank you, for
11 that clarification, to the MPI panel.

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: And either to Ms.
16 McLaren, or Mr. Palmer, starting at a high level first of
17 all, it's fair to say that this is a very close in -- in
18 -- integ -- integrated business between Basic, Extension,
19 SRE and DVA?

20 Would that be fair?

21 MS. MARILYN MCLAREN: Yes.

22 MR. BYRON WILLIAMS: You have many shared
23 applications, correct?

24 MR. DON PALMER: Yes, we do.

25 MR. BYRON WILLIAMS: The investments of

1 Basic, Extension, and DVA are pooled -- excuse me, and
2 SRE are pooled?

3 MR. DON PALMER: Yes, we don't have a
4 separate fund for any of those.

5 MR. BYRON WILLIAMS: And it would be fair
6 to say that looking specifically at Basic and Extension,
7 there's a relatively close integration of products, with
8 certain Extension auto insurance products being
9 enhancements to Basic coverage.

10 Would that be fair?

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

12 MR. BYRON WILLIAMS: And those
13 enhancements to Basic offered by Extension would include,
14 among others, the buydown of deductibles, correct?

15 MR. DON PALMER: Yes.

16 MR. BYRON WILLIAMS: These enhancements
17 of Basic by Extension would include the enhanced third
18 party liability coverage, correct?

19 MR. DON PALMER: Yes.

20 MR. BYRON WILLIAMS: They would also
21 include the -- extending the maximum vehicle protected
22 value, correct?

23 MR. DON PALMER: That's correct.

24 MR. BYRON WILLIAMS: They would also
25 include loss of use protection, correct?

1 MR. DON PALMER: Yes.

2 MR. BYRON WILLIAMS: And would new and
3 leased vehicle coverage be a -- an enhancement as well,
4 Mr. Palmer?

5 MR. DON PALMER: Yes, it would.

6 MR. BYRON WILLIAMS: And of course, we've
7 heard ample evidence on this, so I won't tread too
8 heavily upon it, but MPI employs the same broker system
9 to perform essential services for both Basic and
10 Extension.

11 That would be fair?

12 MR. DON PALMER: Yes, that's fair.

13 MR. BYRON WILLIAMS: Currently there's
14 around, or perhaps just a bit less than three hundred
15 (300) brokers working with MPI in -- in this regard?

16 MR. DON PALMER: Yes, that's
17 approximately correct.

18 MR. BYRON WILLIAMS: And these three
19 hundred (300) brokers use the IWS, or AutoPac On-line
20 system, for the purposes of online realtime transactions,
21 processing of both Basic and Extension insurance vehicle
22 registration, correct?

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

24 MR. BYRON WILLIAMS: And in fact, the
25 purchase of compulsory Basic insurance and Extension add-

1 ons can be done at the same time, at the same location,
2 as part of the same transaction, using the same AOL, or
3 IWS system.

4 Would that be fair?

5 MR. DON PALMER: Yes, that's fair.

6 MR. BYRON WILLIAMS: There are no
7 separate forms for Basic and Extension, correct?

8 MR. DON PALMER: Other than some of those
9 standalone Extension products that I talked with Ms.
10 Everard about, that's correct.

11 MR. BYRON WILLIAMS: With regard to the
12 Basic Compulsory Program and the Extension add-ons, there
13 are no separate forms, correct?

14 MR. DON PALMER: That's correct.

15 MR. BYRON WILLIAMS: And it is
16 essentially a seamless renewal transaction if one (1) is
17 purchasing both Basic and Extension from MPI, speaking
18 exclusively of the Extension enhancements to the Basic
19 program?

20 MR. DON PALMER: From that technical
21 perspective, yes, I would agree.

22 MR. BYRON WILLIAMS: I'll suggest to you
23 that it might -- that it's conceivable that some custers
24 may -- customers may not even be aware of their
25 competitive options.

1 Would that be fair?

2 MR. DON PALMER: That would be up to the
3 broker.

4 MR. BYRON WILLIAMS: It is not
5 inconceivable that customers may not be aware of any
6 other option, apart from Manitoba Public Insurance?

7 MR. DON PALMER: It's conceivable, but
8 again, that's the domain of the broker.

9 MR. BYRON WILLIAMS: For some customers,
10 MPI may be the only game in town, correct?

11 MS. MARILYN MCLAREN: Based on your
12 previous question that it's conceivable that some may not
13 know their options, certainly, that's true. I think it's
14 important to point out, though, that as part of our
15 relationship with brokers, we deal with truly independent
16 insurance brokers, and we require them to have a number
17 of contracts with other companies so they are not AutoPac
18 agents, they're not the only game in town -- we are not
19 the only game in town for every broker that we deal with.

20 And that's just an elaboration on Mr.
21 Palmer's point that it's really dependent on how the
22 broker chooses to do business. But we require them to
23 provide market.

24 MR. BYRON WILLIAMS: Thank you for that.
25 And again, this is a bit of a clarification. I just want

1 to make sure I understand your evidence to -- to Ms.
2 Everard.

3 Assuming that I'm a customer insuring the
4 same vehicle with the same coverage for the same use in
5 the same territory, under Streamlined Renewal when it's
6 fully rolled out, would it be accurate to say that a
7 customer who in the past has purchased both Compulsory
8 Basic, and optional Extension from MPI, and made monthly
9 payments, will only need to visit the broker in person
10 once every five (5) years to renew that relationship?

11 MR. DON PALMER: That's true. Very
12 similar to a homeowner's policy where there would --
13 wouldn't be a requirement to visit the broker. And --
14 and in that case, I don't think there's a limit of five
15 (5) years for the homeowner's policy.

16 MR. BYRON WILLIAMS: In the case of
17 Basic, it's -- or MPI, it's five (5) years though,
18 correct?

19 MR. DON PALMER: Yes.

20

21 (BRIEF PAUSE)

22

23 MR. BYRON WILLIAMS: Now, Ms. -- Ms.
24 McLaren, I'm -- I'm just repeating back to you something
25 from MBA/MPI-1-17, but it's fair to say that in the

1 Corporation's view, automobiles are recognized as a
2 necessity in our society?

3 MS. MARILYN MCLAREN: In the broadest
4 sense, yes.

5 MR. BYRON WILLIAMS: And it's also fair
6 to say that Basic is the core -- core business of MPI,
7 correct?

8 MS. MARILYN MCLAREN: Yes.

9 MR. BYRON WILLIAMS: And of course Basic
10 is a monopoly.

11 MS. MARILYN MCLAREN: Yes.

12 MR. BYRON WILLIAMS: And you'll agree
13 with me that by definition the consumers of a Basic auto
14 insurance monopoly are captive consumers, correct?

15 MS. MARILYN MCLAREN: Yes.

16 MR. BYRON WILLIAMS: To the extent that
17 they wish to purchase -- excuse me, to insure their car
18 and drive on -- on the road, there's no other game in
19 town, in -- in terms of Basic auto insurance licensing,
20 correct?

21 MS. MARILYN MCLAREN: That's true.

22

23 (BRIEF PAUSE)

24

25 MR. BYRON WILLIAMS: They cannot go

1 anyplace else in Manitoba?

2 MS. MARILYN MCLAREN: They must by
3 compulsory insurance in Manitoba, and they must buy it
4 from us.

5 MR. BYRON WILLIAMS: And I recognize that
6 we -- we do have a -- a rate regulator in Manitoba, but
7 you'll agree that if we -- for the purposes of a
8 hypothetical, assume no rate reg -- regulation, and the
9 existence of a monopoly, if they wanted to insure their
10 vehicles and drive on the road, they would have to pay
11 the rates demanded by the men -- monopoly, or park their
12 car?

13 Fair enough?

14 MS. MARILYN MCLAREN: They have to pay
15 the rates prescribed in regulation by the government.

16 MR. BYRON WILLIAMS: Fair enough. Now,
17 you --

18 MS. MARILYN MCLAREN: Which is also true
19 of Extension.

20 MR. BYRON WILLIAMS: Okay. You heard the
21 conversation with Mr. Parkinson and the -- the Board
22 chair last Thursday.

23 You recall that they had some conversation
24 last Thursday?

25 MS. MARILYN MCLAREN: I recall they had

1 some conversation. I did not hear it. In the back row,
2 it's very, very difficult to hear, and I have not had a
3 chance to review that transcript.

4 MR. BYRON WILLIAMS: And we'll -- we'll
5 walk down this as far as we can.

6 And -- so do you -- were you aware that
7 Mr. Parkinson made some comments on the convenience of
8 being able to purchase Basic and Extension from the same
9 broker?

10 MS. MARILYN MCLAREN: I was not aware
11 that he did that, but I would agree.

12 MR. BYRON WILLIAMS: And there's no
13 denying that certain benefits flow to Extension by virtue
14 of its relationship with Basic.

15 Would that be fair?

16 MS. MARILYN MCLAREN: Sure. We've talked
17 about that here lots of times. Extension -- by virtue of
18 the construct of the way Extension is developed by MPI to
19 Manitobans, that line of business has some advantages, it
20 has some disadvantages.

21 MR. BYRON WILLIAMS: One (1) of the
22 advantages is one-stop shopping, right? One-stop
23 shopping, the convenience of one-stop renewal with no
24 additional forms.

25 That's fair?

1 MS. MARILYN MCLAREN: I think that's an
2 advantage to the consumer, yeah.

3 MR. BYRON WILLIAMS: And the ext --
4 advantage to Extension, in terms of its business model as
5 well, is it not?

6 MS. MARILYN MCLAREN: That's fair.

7 MR. BYRON WILLIAMS: And you will not
8 deny that there is a possible benefit to Extension from
9 its association with the well-known Basic brand, correct?

10 MS. MARILYN MCLAREN: That's fair.

11 MR. BYRON WILLIAMS: And you would not
12 deny that there is a possible benefit to Extension from
13 its Exten -- its association with the popular brand --
14 brand name, Manitoba Public Insurance?

15 MS. MARILYN MCLAREN: Okay, that's fair.

16 MR. BYRON WILLIAMS: Would it be fair to
17 say that you never asked Deloitte for a calculation or
18 price of the advantages in the competitive marketplace
19 flowing to non-Basic lines of business, such as
20 Extension, from the relationship with the Basic monopoly?

21 MR. DON PALMER: That was not asked for,
22 no.

23 MR. BYRON WILLIAMS: Would it also be
24 fair that you never asked for a calculation or a price of
25 the standalone cost of an unregulated business, such as

1 Extension, developing its own information database and
2 billing systems?

3 Would that be fair?

4 MR. DON PALMER: I would say that would
5 be fair, except I'm not sure that that would be the case
6 for any competitive marketplace. Other competitors
7 coming in the list that I recall from the superintendent
8 of insurance would include other insurers that write
9 other lines of business, likely would use the same broker
10 network that they currently have, could use the same
11 system that they currently have.

12 So in -- in terms of a competitor being a
13 standalone and have to start from scratch, I would reject
14 that as being a possibility. But I would say that other
15 multi-line insurers that write many lines of business
16 that take advantage of their customers lists could be in
17 that business.

18 MR. BYRON WILLIAMS: Just to -- to go
19 back to my question, just to make sure I have the answer,
20 and then I understand the rest of it, you've nev -- you
21 never asked Deloitte for a calculation or a price of the
22 standalone cost of an unregulated business, such as
23 Extension, developing its own information database and
24 billing systems?

25 Is that correct?

1 MR. DON PALMER: We did not.

2 MR. BYRON WILLIAMS: And, similarly, you
3 never asked for a calculation or a price on the
4 standalone costs of an unregulated business, such as
5 Extension, buying in the free market from a third party
6 its own information database and billing systems.

7 Would that be fair?

8 MR. DON PALMER: That would be fair. Nor
9 did we calculate the increased cost to Basic if there was
10 no Extension business. We did not do that.

11 MR. BYRON WILLIAMS: Okay. And it --
12 would it also be fair that you have never asked for a
13 calculation of the investment required for an adjacent
14 business, such as Extension, to be financially and
15 operationally independent, self-sufficient of Basic
16 insurance?

17 MR. DON PALMER: We did not.

18 MR. BYRON WILLIAMS: Are you familiar
19 with the term "fee ride" as it is used to describe a
20 relationship in which a person or party receives a
21 benefit but -- but provides no compensation to the party
22 providing the benefit?

23 MR. DON PALMER: Yes, I'm familiar with
24 that term.

25 MR. BYRON WILLIAMS: And you're also

1 familiar with the term "cross-subsidy," would that be
2 fair?

3 MR. DON PALMER: That's fair too, yes.

4 MR. BYRON WILLIAMS: And you would agree
5 that in the context of a rate regulator setting rates for
6 a regulated monopoly, a regulated monopoly that also has
7 a non-regulated com -- company operating in a non-
8 regulated market, it is critical to ensure that there's
9 no subsidization of non-regulated operations by the
10 regulated operations.

11 Would that be fair?

12 MR. DON PALMER: I absolutely agree with
13 that.

14 MR. BYRON WILLIAMS: Mr. Chairman, if I
15 might just have one (1) second for some water?

16 THE CHAIRPERSON: Of course.

17

18 (BRIEF PAUSE)

19

20 CONTINUED BY MR. BYRON WILLIAMS:

21 MR. BYRON WILLIAMS: Staying on the
22 subject of cross-subsidy just for a second, really on the
23 subject of subsidy and affiliated cont -- affiliated
24 companies, would you agree that in the context of two (2)
25 related companies, there's a potential for one (1)

1 company to subsidize the other by assuming costs that
2 should be rightfully borne by the other company?

3 Would that be fair?

4 MR. DON PALMER: There is that
5 possibility, yes.

6 MR. BYRON WILLIAMS: Likewise, you would
7 agree there is a potential for one (1) company to -- to
8 subsidize the other by shifting revenues to the other
9 company? If -- if you need an example, Mr. Palmer, I'll
10 give you one (1) outside of the MPI context to help you.

11 MR. DON PALMER: Sure, that would be
12 good.

13 MR. BYRON WILLIAMS: Not that I'm
14 suggesting Hydro does this, but let's that the example
15 that meter reading service, you'll agree that that's a --
16 an operation that could be done internally at Manitoba
17 Hydro?

18 MR. DON PALMER: Yes.

19 MR. BYRON WILLIAMS: And if indeed it
20 creates a subsidiary to perform that service for it, and
21 for which a -- a fee is charged, is indeed shifting
22 revenues from -- to that other company.

23 Would that be fair?

24 MR. DON PALMER: Yes, that's fair.

25 MR. BYRON WILLIAMS: And again, not

1 speaking to what Hydro's doing, I've -- I've never
2 examined it, but -- so you'll agree that in the context
3 of two (2) affiliated companies, there's a potential for
4 one (1) company to subsidize the other by shifting
5 revenues to the other company, and charging less than a
6 fair market rate?

7 MR. DON PALMER: It could happen.

8 MR. BYRON WILLIAMS: I think the
9 Corporation, in its response to PUB-1-1, you don't need
10 to go there, noted that in the Corporation's last twenty-
11 three (23) rate applications, the regulator had approved,
12 let's say around seventeen (17) of them, roughly?

13 MR. DON PALMER: Yes, that's -- that's
14 approximate -- that's correct, subject to check.

15

16 (BRIEF PAUSE)

17

18 MR. BYRON WILLIAMS: I see you looking,
19 Mr. Palmer. I'm not sure if you're looking for the
20 response or not.

21 MR. DON PALMER: That's -- I know I'm
22 eventually going to have to go there anyway, so, yes.

23 MR. BYRON WILLIAMS: I don't think you
24 do, but if -- go ahead.

25 MR. DON PALMER: That's okay. Wrong

1 binder.

2 MR. BYRON WILLIAMS: Let -- let's ex --
3 and -- and I recognize that I was off by one (1) in my --
4 in terms of my application's calculation. But assuming
5 seventeen (17) out of twenty-three (23), that would be
6 well over 70 percent of the time the sought after reg --
7 rate has been approved by the Public Utilities Board
8 unchanged, correct?

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

10 MR. BYRON WILLIAMS: And again, I -- this
11 -- I want to take you through another hypothetical. And
12 again, without imputing any moments -- any motive, just
13 talk about incentives. Consider a scenario with a rate
14 regulated auto insurance monopoly that has an unregulated
15 affiliate with which the monopoly shares services or
16 costs.

17 You're with me so far, Mr. Palmer?

18 MR. DON PALMER: Yes, I'm there.

19 MR. BYRON WILLIAMS: And consider, as
20 well, and assume, that the monopoly has a fair degree of
21 confidence that the regulator will at -- approve its
22 general rate application, given that 70 percent have
23 been, in the past, approved unchanged, okay?

24 MR. DON PALMER: We have never gone into
25 a rate hearing assuming that the -- that it would be

1 approved.

2 MR. BYRON WILLIAMS: But you're --

3 MR. DON PALMER: Yes.

4 MR. BYRON WILLIAMS: -- working with me
5 on the hypothetical. You're prepared to do that?

6 MR. DON PALMER: Hypothetical, yes.

7 MR. BYRON WILLIAMS: Okay. Without
8 imputing any motive, would you agree that there is an
9 economic incentive for the regulated utility, shareholder
10 or management, to subsidize the unregulated entity,
11 either by assuming costs to itself, or shifting revenues
12 to the non-regulated company?

13 MR. DON PALMER: I don't see that
14 incentive at all.

15 MR. BYRON WILLIAMS: Well, would you
16 agree that if one (1) is able to shift costs from an
17 unregulated entity to the regulated entity, and in --
18 recovered those increased costs in rates, one (1) has
19 enhanced the competitive position of the company in the
20 unregulated marketplace without injuring the returns of
21 the regulated company?

22 Do you want me to repeat that?

23 MR. DON PALMER: No, I -- I think that's
24 okay. That possibility could exist if -- if you were so
25 inclined to try to slide something by the regulator, if

1 that's what you're implying. And I would not ever do
2 that for Manitoba Public Insurance.

3 MR. BYRON WILLIAMS: And I'm certainly
4 not trying to imply anything. Thank you for that answer.

5 Mr. Chairman, this would be a -- a
6 convenient point to -- to break. I'll be moving to
7 issues of road safety next, and for the Board -- or for
8 the MPI's benefit, I will be referring -- well, I'll talk
9 to MPI offline in terms of where -- what I -- I'll be
10 referring to next. Thank you.

11 THE CHAIRPERSON: Thank you, Mr.
12 Williams. Okay, we'll see you back in fifteen (15)
13 minutes.

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

16 --- Upon resuming at 10:40 a.m.

17

18 THE CHAIRPERSON: Whenever you're ready,
19 Mr. Williams.

20 MS. CANDACE EVERARD: Actually, Mr.
21 Chairman, I'll just jump in, if I might.

22 We have an exhibit which comprises the
23 short article from Macleans that was referred to
24 yesterday. We didn't actually put it in, but this is the
25 list that we were speaking about of the relative auto

1 theft stats. It's got a hundred cities on it, for the
2 completeness of the record we'll put that in as PUB
3 Exhibit 18.

4

5 --- EXHIBIT NO. PUB-18: Macleans' article on auto
6 theft statistics

7

8 THE CHAIRPERSON: Thank you, Ms. Everard.
9 Back to you, Mr. Williams.

10

11 CONTINUED BY MR. BYRON WILLIAMS:

12 MR. BYRON WILLIAMS: Ms. McLaren, I'm --
13 I'm assuming you're the road safety person. Am I right?

14 MS. MARILYN MCLAREN: Yes.

15 MR. BYRON WILLIAMS: And I think for the
16 last couple years we've prefaced our conversations in
17 this regard by noting that MPI's -- while -- while it has
18 a big role in road safety, it's -- it's not entirely
19 responsible for the issue in Manitoba, or -- nor entirely
20 responsible for the results.

21 Would that be fair?

22 MS. MARILYN MCLAREN: Yes.

23 MR. BYRON WILLIAMS: Recognizing that MPI
24 does not have a monopoly on road safety issues, it would
25 be fair to say that it considers itself one (1) of the

1 key agencies in terms of road safety issues in Manitoba?

2 MS. MARILYN MCLAREN: Yes.

3 MR. BYRON WILLIAMS: And I'll go through
4 these in separate steps, but one (1) of its key roles is
5 identifying key risks, and key at-risk groups.

6 That would be fair?

7 MS. MARILYN MCLAREN: Yes.

8 MR. BYRON WILLIAMS: And another role
9 would be identifying -- bless you, Mr. Kramer --
10 identifying education and awareness programs to target
11 these key risks, and key at-risk groups, correct?

12 MS. MARILYN MCLAREN: Yes.

13 MR. BYRON WILLIAMS: It's also accurate
14 to say through other vehicles MPI seeks to positively
15 influence driver behaviour through, for example, the High
16 School Driver Education Program.

17 Would that be fair?

18 MS. MARILYN MCLAREN: Yes.

19 MR. BYRON WILLIAMS: As well, the driver
20 safety rating system is another mechanism intended to
21 hopefully incent (sic) appropriate behaviour.

22 MS. MARILYN MCLAREN: Yes.

23 MR. BYRON WILLIAMS: And another element
24 would be the dri -- DVA Improvement and Control Programs,
25 would that be fair?

1 MS. MARILYN MCLAREN: Yes.

2 MR. BYRON WILLIAMS: And certainly you've
3 talked at some length with My Friend, Ms. Everard, about
4 MPI seeing an opportunity to enhance road safety in
5 Manitoba through cooperation with other -- enhanced
6 cooperation with other key enforcement agencies, such as
7 the city of Winnipeg police, the city of Brandon police,
8 and the RCMP, would that be correct?

9 MS. MARILYN MCLAREN: Yes.

10 MR. BYRON WILLIAMS: Now, there's
11 reference in the Corporation's evidence -- I -- I'm quite
12 sure you don't need to turn there, but if -- if you're
13 like Mr. Palmer, it's SM.5, page 18. There's a reference
14 to RoadWatch funding to support visible roadside
15 enforcement outside of the traditional Christmas check
16 stop period. Does that ring a bell?

17 MS. MARILYN MCLAREN: Yes, it does.

18 MR. BYRON WILLIAMS: And I wonder, for
19 the benefit of my clients, if you could remind them what
20 RoadWatch is.

21 MS. MARILYN MCLAREN: For the most part,
22 it's a roadside check stop program where the police pull
23 people over to check for compliance related to --
24 sometimes it's even licencing and things like that, but
25 often seatbelts and drinking and driving. Probably the

1 major focus would generally be drinking and driving.

2 MR. BYRON WILLIAMS: And in terms of road
3 watch, would I be correct in presuming that some
4 financial support flows from MPI to the police agencies
5 to -- to enhance their enforcement activities in areas
6 such as licensing, seatbelts, and drinking and driving?
7 Would that be fair?

8 MS. MARILYN MCLAREN: Yes, that -- that
9 is what the funding the Corporation provides is used for,
10 is for additional police resources to conduct the check
11 stops. Often it involves overtime of officers.

12 MR. BYRON WILLIAMS: And the theory
13 behind the program is that by increase -- increasing
14 police enforcement activities at certain times and
15 locations, one ri -- increases the risk of apprehension
16 for those involved in high -- high-risk behaviours, such
17 as not wearing seatbelts, or drinking and driving.

18 MS. MARILYN MCLAREN: It increases the
19 risk of apprehension. But one (1) of the major goals of
20 initiatives like that is also to increase the perceived
21 risk of being caught. It -- not only that they are more
22 likely to be caught while the enforcement is going on,
23 but it creates the mind set that people don't know when
24 the next enforcement will be. And, therefore, it
25 increases the -- their belief that if they break the law,

1 they're likely to be caught.

2 MR. BYRON WILLIAMS: So the dual benefits
3 of such a program would be catching more offenders, but
4 perhaps more importantly, increasing in everyone's mind
5 the risk -- the -- the perceived risk of apprehension.
6 Would that be fair?

7 MS. MARILYN MCLAREN: Yes.

8 MR. BYRON WILLIAMS: And you don't need
9 to turn there, but certainly in your response to PUB
10 First Round Information Request 101, the Corporation has
11 suggested that evidence from research in Quebec suggests
12 that roadside stops of this nature can have a positive
13 impact in reducing high-risk behaviours, such as impaired
14 driving.

15 MS. MARILYN MCLAREN: Yes.

16 MR. BYRON WILLIAMS: And that would be
17 similar to the research garnered from a variety of US
18 jurisdictions suggesting positive results in terms of
19 encouraging occupant restraint usage, for example.

20 MS. MARILYN MCLAREN: Yes.

21 MR. BYRON WILLIAMS: I wonder if the
22 Corporation, because I don't think it's on the -- the
23 record, would be prepared to provide a line-by-line
24 budget for the RoadWatch Program in 2009/'10 as well as
25 the actual expenditures and include a breakdown of how

1 much of the budget was devoted to -- well, I -- I guess
2 let me back up.

3 I wonder if the Corporation would provide
4 an approved line-by-line budget for RoadWatch in
5 2009/'10, as well as an itemiz -- a line-by-line list of
6 the actual expenditures?

7 MS. MARILYN MCLAREN: I believe we can do
8 that, yes.

9 MR. BYRON WILLIAMS: And would it also be
10 in a position to provide the approved RoadWatch budget
11 for 2010/'11?

12 MS. MARILYN MCLAREN: I expect so.

13 MR. BYRON WILLIAMS: So you would
14 undertake to provide the -- the budget as well as the
15 actual expenditures for 2009/10 and in terms -- provided
16 that it's available, you would undertake to provide the
17 approved line-by-line budget for RoadWatch for 2010/11.

18 Is that fair?

19 MS. MARILYN MCLAREN: Yes.

20

21 --- UNDERTAKING NO. 25: MPI to provide budget as well
22 as the actual expenditures
23 for 2009/10, and provide the
24 approved line-by-line budget
25 for RoadWatch for 2010/11

1 CONTINUED BY MR. BYRON WILLIAMS:

2 MR. BYRON WILLIAMS: Now I believe your
3 evidence was that often the Corporation's expenditures
4 related to RoadWatch, relate to police overtime. Would
5 that be fair?

6 MS. MARILYN MCLAREN: Yes, that's my
7 understanding.

8 MR. BYRON WILLIAMS: Would it be fair to
9 say, and this isn't meant as a criticism, you -- you know
10 where my clients are coming from, that the RoadWatch
11 program is paying the police to do what they already
12 should be doing?

13 MS. MARILYN MCLAREN: I'm not sure that's
14 fair to say that. I mean in -- in the broadest sense, we
15 are paying for them to allocate more police officers to
16 do something they sometimes otherwise do. So from that
17 sense, they are doing police work and we are funding it.
18 I think it comes down to, you know, scope and scale, and
19 how much can they reasonably do, and how much can they do
20 with some extra overtime.

21 MR. BYRON WILLIAMS: And presumably, from
22 the Corporation's perspective, the question comes down to
23 is this sort of an investment, does it offer a payback in
24 terms of increased road safety in Manitoba?

25 MS. MARILYN MCLAREN: Right.

1 MR. BYRON WILLIAMS: Would it be fair to
2 presume that the Corporation performs an annual analysis
3 of the measured benefits of the RoadWatch program as
4 compared to its costs?

5 MS. MARILYN MCLAREN: No, not in terms of
6 actual cost savings. In terms of claims cost reductions,
7 we certainly measure road safety programs in terms of
8 what were we hoping to accomplish, and did we accomplish
9 that, but not in terms of a tangible claims reduction
10 effort.

11 MR. BYRON WILLIAMS: In terms of
12 RoadWatch, would there have been -- recognizing the --
13 the -- the -- your response, would there have been an --
14 an evaluation related to the program for the 2009/2010
15 year?

16 MS. MARILYN MCLAREN: I'm not sure. I'll
17 -- I'll find out and I'll report back. But I -- I know
18 the -- we do the kind of work that I just referred to,
19 where we established a -- the objectives and then measure
20 success against the objectives for the programs that are
21 more solely within our control, in terms of our
22 advertising programs and things like that. I'm not sure
23 that we've done it with RoadWatch, but I'll find out.

24 MR. BYRON WILLIAMS: Okay. And when you
25 do so, I wonder if you would agree -- if -- if there is

1 such an evaluation in existence, to provide the most
2 recent one conducted by the Corporation.

3 Would you do that, Ms. McLaren?

4 MS. MARILYN MCLAREN: Yes. If there is
5 one (1), we can do that.

6

7 --- UNDERTAKING NO. 26: MPI to provide the most
8 recent evaluation of
9 RoadWatch

10

11 CONTINUED BY MR. BYRON WILLIAMS:

12 MR. BYRON WILLIAMS: I wonder if you can
13 indicate, staying on RoadWatch for a minute, what would
14 be your go -- looking to the 2010/11 year, what would be
15 the objective or target of the RoadWatch investment for -
16 - for that year, from the perspective of MPI?

17

18 (BRIEF PAUSE)

19

20 MS. MARILYN MCLAREN: The objectives, I
21 think, would be related to specific roadside sessions in
22 terms of, you know, where were they, how long did they
23 last, how many vehicles were dealt with, was it
24 publicized beforehand, was it readily visibly hap -- you
25 know, was -- was there -- some of the combinations that

1 we talked about several days ago in terms of the public
2 awareness as well as the enforcement, as to what extent
3 did that -- did that integration occur. Those are some
4 of the objectives that I would expect that we would
5 establish going into it.

6 MR. BYRON WILLIAMS: Would there be
7 express criteria by which you would evaluate your
8 investment in Road -- RoadWatch for 2010/11? Are those
9 in existence?

10 MS. MARILYN MCLAREN: That I don't know,
11 but I will look into that.

12 MR. BYRON WILLIAMS: And you will report
13 back whether or not --

14 MS. MARILYN MCLAREN: And will report
15 back, yes.

16 MR. BYRON WILLIAMS: -- whether --
17 whether or not there are express criteria, and perhaps if
18 there are, if you could provide them. Would -- you would
19 agree to do that?

20 MS. MARILYN MCLAREN: Yes.

21

22 --- UNDERTAKING NO. 27: MPI to provide express
23 criteria for RoadWatch if
24 there is any
25

1 CONTINUED BY MR. BYRON WILLIAMS:

2 MR. BYRON WILLIAMS: Ms. McLaren, again
3 this is staying on the road safety issue. Again if
4 you're looking for any references, SM.5, pages 17, 18,
5 and 19 would -- would be helpful, but -- although I do
6 not think that you need to turn there.

7 You'll recall in your discussion with Ms.
8 Everard, I -- I believe it was last week, a discussion of
9 Manitoba's relative position compared to other provinces
10 in terms of certain road safety indicators, such as
11 fatalities per population, and fatalities per vehicle
12 kilometres travelled.

13 Do you recall that discussion?

14 MS. MARILYN MCLAREN: Yes.

15 MR. BYRON WILLIAMS: And certainly in
16 that discussion, as well as in SM.5, you relied on
17 Transport Canada data for -- for that information,
18 correct?

19 MS. MARILYN MCLAREN: Yes.

20 MR. BYRON WILLIAMS: Transport Canada
21 data, of course, being the best available data to look at
22 inter-provincial results that are -- that is available to
23 Manitoba Public Insurance.

24 MS. MARILYN MCLAREN: Yes. Definitely in
25 terms of comparisons, yes.

1 MR. BYRON WILLIAMS: And again, if you're
2 looking for a reference, it's SM.5, page 19, but it would
3 be fair to say that in terms of serious injuries, you
4 again use Transport Canada statistics when you looked at
5 im -- improvements in the result in a one (1) year period
6 from 2006 to 2007.

7 Would that be fair?

8 MS. MARILYN MCLAREN: Yes.

9 MR. BYRON WILLIAMS: Likewise, you used
10 Transport Canada statistics information to compare the
11 2007 results in terms of serious injuries against the
12 average during a five (5) year baseline from 1996 to
13 2001.

14 Would that be fair?

15 MS. MARILYN MCLAREN: Yes.

16

17 (BRIEF PAUSE)

18

19 MR. BYRON WILLIAMS: And again, Ms.
20 McLaren, I'm going to go over some areas where you had a
21 bit of discussion with Ms. Everard. I'm going to try not
22 to walk over the same -- same ground, but there'll be a
23 bit of duplication.

24 We have dis -- discussed about -- and --
25 and you discussed with Ms. Everard as well, the

1 opportunities to enhance road safety through an enhanced
2 cooperation with agencies such as the City of Winnipeg
3 police, or the RCMP, correct?

4 MS. MARILYN MCLAREN: Yes.

5 MR. BYRON WILLIAMS: And in your pre-
6 filed evidence, the Corporation indicated that one (1)
7 area of particular interest would be collaboration on
8 additional selective traffic enforcement programs to
9 supplement the current RoadWatch program.

10 That -- that would be fair?

11 MS. MARILYN MCLAREN: Yes.

12 MR. BYRON WILLIAMS: And for selected
13 traffic -- traffic enforcement programs, if I use the
14 initials STEP, you'll be comfortable with that, Ms.
15 McLaren?

16 MS. MARILYN MCLAREN: Yes.

17 MR. BYRON WILLIAMS: And going to your
18 evidence at AI.10, and again I -- I don't think you need
19 to go there, but one (1) example of a potential STEP
20 program would include, you indicate -- you'll confirm for
21 me, seat belt enforcement in rural Manitoba where the
22 Corporation has indicated, and I'm putting up quotation
23 marks:

24 "...a concerning number of motor
25 vehicle fatalities continue to involve

1 occupants who are not rest --
2 restrained at the time of the crash."

3 You recall that statement?

4 MS. MARILYN MCLAREN: Yes.

5 MR. BYRON WILLIAMS: And you recall the
6 Corporation using language such as, "a concerning number
7 of motor vehicle fatalities?"

8 MS. MARILYN MCLAREN: Yes.

9 MR. BYRON WILLIAMS: And certainly my --
10 my clients are -- are looking for an update on the
11 concerning number of motor vehicle fat -- fatalities, so
12 I wonder if the Corporation would agree to provide for
13 the 2008/09 year, the 2009/10 year, and the 2010/11 year
14 to-date, the total number of motor vehicle fatalities
15 involving occupants who were -- who were not restrained
16 at the time of the crash.

17 Would you undertake to do so?

18 MS. MARILYN MCLAREN: Yes.

19 MR. BYRON WILLIAMS: And if you could, if
20 that information could be broken down by rural, urban, or
21 even, ideally, by the territory in which it occurred,
22 that would be helpful.

23 MS. MARILYN MCLAREN: Yes, we should be
24 able to do that.

25

1 --- UNDERTAKING NO. 28: MPI to provide, for the
2 2008/09 year, the 2009/10
3 year, and the 2010/11 year
4 to-date, the total number of
5 motor vehicle fatalities
6 involving occupants who were
7 not restrained at the time of
8 the crash, and to break these
9 down by rural, urban, or by
10 the territory in which they
11 occurred
12

13 CONTINUED BY MR. BYRON WILLIAMS:

14 MR. BYRON WILLIAMS: We're ready, Ms.
15 McLaren?

16 MS. MARILYN MCLAREN: Yes.

17 MR. BYRON WILLIAMS: In terms of the STEP
18 campaigns, certainly there -- you've identified one (1)
19 aimed at seatbelt enforcement and another aimed at speed
20 enforcement during high wildlife activity months,
21 correct?

22 MS. MARILYN MCLAREN: Yes.

23 MR. BYRON WILLIAMS: And we saw the Bambi
24 map yesterday.

25 MS. MARILYN MCLAREN: Yes, we did.

1 MR. BYRON WILLIAMS: At this point in
2 time, are these the only additional selective traffic
3 enforcement campaigns being contemplated by the
4 Corporation?

5 MS. MARILYN MCLAREN: These are two (2)
6 that have actually, basically, been underway. So, no, I
7 think there's certainly been conversations with the
8 Association of Chiefs of Police Road Traffic Committee
9 about speed related and, you know, other road safety
10 concerns.

11 So certainly to use a word such as
12 "contemplated," certainly others have been contemplated.
13 These are actual, current at the moment, the two (2) that
14 you referenced.

15 MR. BYRON WILLIAMS: For the 2010/11 year
16 are there -- okay, would one reasonably expect that apart
17 from those two (2) there would be additional STEP
18 programs for the 2010/11 year?

19 MS. MARILYN MCLAREN: Maybe not, given
20 that the '10/'11 year ends in February, but certainly in
21 the future.

22 MR. BYRON WILLIAMS: For the 2011/12
23 year, I wonder if you can identify the ones that one
24 could reasonably expect of may be -- may be in play.

25 MS. MARILYN MCLAREN: I think you can

1 expect seatbelt efforts to continue as well as the
2 wildlife to be more extensive and -- and robust. And
3 probably -- maybe not both speeding and drinking and
4 driving, but certainly one (1) of the two (2).

5 MR. BYRON WILLIAMS: Thank you for that.
6 And -- and in -- in terms of STEP related to speeding and
7 drinking and driving, you indicated one (1) of the two
8 (2), perhaps not both.

9 MS. MARILYN MCLAREN: I -- I think that's
10 a reasonable expectation.

11

12 (BRIEF PAUSE)

13

14 MR. BYRON WILLIAMS: Let's assume you
15 went down the speeding path, and I'm not implying any
16 criticism by that, a speeding STEP for 2011/12, would
17 that -- would that mean that the existing RoadWatch
18 related to impaired driving would cease, or would that
19 mean no additional incremental expenditure for the
20 existing RoadWatch Impaired Driving Program?

21 MS. MARILYN MCLAREN: Right. I think you
22 used the word "additional," and that's what I was
23 referencing as well, additional.

24 MR. BYRON WILLIAMS: And I -- if I've
25 asked this already this -- this morning, you'll forgive

1 me. In terms of the existing impaired driving for the
2 impaired driving RoadWatch programming, do you have a
3 number in mind in terms of what the Corporation's current
4 expenditures are?

5 MS. MARILYN MCLAREN: No, I don't, off
6 the top of my head. I'm sure we can find it.

7 MR. BYRON WILLIAMS: And you'll agree to
8 do so?

9 MS. MARILYN MCLAREN: Yes.

10

11 --- UNDERTAKING NO. 29: MPI to indicate what its
12 current expenditures are, in
13 terms of the existing
14 impaired driving for the
15 impaired driving RoadWatch
16 programming

17

18 CONTINUED BY MR. BYRON WILLIAMS:

19 MR. BYRON WILLIAMS: So in terms of the
20 STEP programming focussed on seatbelts, does the
21 Corporation have express criteria or measures of success?

22 MS. MARILYN MCLAREN: By definition, a
23 STEP program would be something that the police and MPI
24 would work on together. The seatbelt STEP that really
25 occurred a couple of weekends ago, our involvement was

1 is that the Corporation, through its affiliation with the
2 Canadian Counsel of Motor Transport Administrators,
3 that's a mouthful, is aware that some western European
4 countries have introduced a safe system approach to road
5 safety, recognizing the interdependency --
6 interdependencies that exist between education,
7 legislation, enforcement, highway infrastructure, and
8 vehicle design.

9 Is that your understanding as well?

10 MS. MARILYN MCLAREN: Yes.

11 MR. BYRON WILLIAMS: And I wonder if you
12 could elaborate just for a moment on what the Corporation
13 means by the term, "safe system approach to road safety."

14 MS. MARILYN MCLAREN: Simply that you
15 cannot isolate the different components of the
16 significant levers on improving road safety, and expect
17 to have a real -- a real success by working independently
18 with one (1) separate from the others. They are highly
19 complex systems, and an integrated approach to making
20 changes really is what's required, and that -- that's the
21 intention of a com -- a phrase like safe systems.

22 MR. BYRON WILLIAMS: And certainly based
23 on your conversations with My Friend Ms. Everard last
24 week, it's my understanding that a new road safety vision
25 plan for MPI will be formulated in the next year or so.

1 significant difference in some of the programs and
2 strategies that we're involved in already, but I think it
3 certainly could very well be different, in terms of the -
4 - the extent to which we dovetail the things that we're
5 doing with input from others, and with other strategies
6 that people have. Things like working more tightly with
7 the police on STEP initiatives. We have improved the
8 extent to which we have done that just in the last few
9 months.

10 So sure, there would be a difference in
11 that regard.

12 MR. BYRON WILLIAMS: Thank you for that.
13 I wonder if you could turn to the Corporation's response
14 to CAC/MSOS-1-164.

15

16 (BRIEF PAUSE)

17

18 MR. BYRON WILLIAMS: One sixty-four
19 (164).

20 MS. MARILYN MCLAREN: I have it.

21 MR. BYRON WILLIAMS: I'm just waiting to
22 make sure the panel has it as well.

23 Now, this -- this attach -- and
24 specifically I'm directing your attention to the
25 attachment. This attachment sets out Basic share of the

1 Road Safety and Loss Prevention Program costs for the
2 years 2007/08 through to 2010/11.

3 Would that be fair?

4 MS. MARILYN MCLAREN: Yes.

5 MR. BYRON WILLIAMS: And for the years
6 2007/08, '08/'09 and '09/'10, it compares the forecast
7 expenditures as presented in the General Rate
8 Application, versus the actual expenditures.

9 Would that be correct?

10 MS. MARILYN MCLAREN: Yes.

11 MR. BYRON WILLIAMS: And if you could
12 turn your attention to line 2 of this table, you'll agree
13 that that sets out the line budget from impaired driving
14 prevention strategies, correct?

15 MS. MARILYN MCLAREN: Yes, it does.

16 MR. BYRON WILLIAMS: Directing your
17 attention to the 2008/09 results, would I be correct in
18 suggesting that for the purposes of the General Rate
19 Application it was forecast that the line item would
20 incur expenditures of approximately five hundred and
21 seventy-five thousand (575,000)?

22 Would that be fair?

23 MS. MARILYN MCLAREN: Yes.

24 MR. BYRON WILLIAMS: With the actual
25 expenditures being four hundred and seventy-three

1 thousand (473,000), correct?

2 MS. MARILYN MCLAREN: Yes.

3 MR. BYRON WILLIAMS: That difference
4 being about a hundred and two thousand (102,000) less
5 than forecast?

6 MS. MARILYN MCLAREN: Yes.

7 MR. BYRON WILLIAMS: Or close to 18
8 percent less than forecast.

9 Would that be fair?

10 MS. MARILYN MCLAREN: Subject to check,
11 yes.

12 MR. BYRON WILLIAMS: And, Ms. McLaren, if
13 you have this, this would be helpful. I wonder if you
14 could provide your forecast impaired driving expenditures
15 in '08/'09 for impaired driving prevention strategies
16 versus your actual expenditures, a line-by-line.

17 Would you be able to do that? Ms.

18 McLaren, if you can explore whether that's possible.

19 MS. MARILYN MCLAREN: We'll check that.

20

21 --- UNDERTAKING NO. 30: MPI to provide, if possible,
22 line-by-line forecast
23 impaired driving expenditures
24 in '08/'09 for impaired
25 driving prevention strategies

1 MR. BYRON WILLIAMS: Excuse me.
2 Likewise, if you could make inquiries into whether or not
3 it was possible to provide your forc -- forecast impaired
4 driving expenditures for the 2009/10 year, versus the
5 actual expenditures, that would be helpful. You'll agree
6 to --

7 MS. MARILYN MCLAREN: Yes, we'll --

8 MR. BYRON WILLIAMS: -- look into that?

9 MS. MARILYN MCLAREN: -- we'll look into
10 that, yes.

11

12 --- UNDERTAKING NO. 31: MPI to provide, if possible,
13 forecast impaired driving
14 expenditures for the 2009/10
15 year, versus the actual
16 expenditures

17

18 CONTINUED BY MR. BYRON WILLIAMS:

19 MR. BYRON WILLIAMS: Ms. McLaren, in your
20 pre-filed evidence -- again, this is at SM.5, page 23. I
21 don't nee -- think you need to turn there, but if you're
22 wondering where my source is.

23 You'll agree that you cite the Traffic
24 Injury Research Foundation, or TIRF Report, the Alcohol
25 Crash Problem in Canada, 2007.

1 MS. MARILYN MCLAREN: Yes.

2 MR. BYRON WILLIAMS: And you cite it for
3 the conclusion that:

4 "In Canada, 31.5 percent of fatally
5 injured motorcycle riders have been
6 drinking, and you -- and 64.7 percent
7 of those had blood alcohol readings
8 over the legal limit," that's correct?

9 MS. MARILYN MCLAREN: Yes.

10 MR. BYRON WILLIAMS: Again, you do not
11 need to turn there, but you'll agree that in your
12 response to CAC/MSOS-2-95 the Corporation suggested that
13 the TIRF study, T-I-R-F, demonstrated that alcohol was
14 not only a significant contributor to motorcycle
15 fatalities and serious injuries -- injuries, but that a
16 large percentage of motorcycle fatalities involved very
17 high blood alcohol content.

18 Would that be fair?

19 MS. MARILYN MCLAREN: Yes.

20 MR. BYRON WILLIAMS: It would be accurate
21 to say that the Corporation has placed some reliance on
22 the TIRF report, the alcohol crash problem in Canada
23 2007.

24 That would be fair?

25 MS. MARILYN MCLAREN: Yes.

1 MR. BYRON WILLIAMS: In general, you
2 consider the information to be reasonably reliable?

3 MS. MARILYN MCLAREN: Yes.

4 MR. BYRON WILLIAMS: And I wonder if you
5 can turn then to the Corporation's response to CAC-1-168
6 which provides a copy of that report.

7

8 (BRIEF PAUSE)

9

10 MS. MARILYN MCLAREN: I have it.

11 MR. BYRON WILLIAMS: We'll just wait a
12 second, Ms. McLaren, while others find it.

13

14 (BRIEF PAUSE)

15

16 MR. BYRON WILLIAMS: Now, just in -- in
17 terms of the report itself, it was prepared for the
18 Canadian Council of Motor Transport administrators, their
19 Standing Committee on road safety research and policies,
20 as well as by Transport Canada, is that correct?

21 MS. MARILYN MCLAREN: Yes.

22 MR. BYRON WILLIAMS: And it was prepared
23 by the Traffic Injury Research Foundation, correct?

24 MS. MARILYN MCLAREN: Yes.

25 MR. BYRON WILLIAMS: And just so I know

1 what the Canadian Council, or CCMTA, is, it -- it
2 comprises representatives of the provincial, territorial,
3 and federal governments, and, collectively, they make
4 some decisions in terms of operational matters dealing
5 with the licensing of drivers and highway safety, would
6 that be fair?

7 MS. MARILYN MCLAREN: Yes.

8 MR. BYRON WILLIAMS: And Mr. Keith would
9 sit on the CCMTA by virtue of his role as registrar of
10 motor vehicles, correct?

11 MS. MARILYN MCLAREN: Yes.

12 MR. BYRON WILLIAMS: And the CCMTA has
13 three (3) permanent standing co -- committees, including
14 the Committee on Road Safety Research and Policy,
15 correct?

16 MS. MARILYN MCLAREN: Yes.

17 MR. BYRON WILLIAMS: And MPI has had a
18 representative on that committee for about ten (10)
19 years.

20 Would that be fair?

21 MS. MARILYN MCLAREN: Yes, I believe at
22 least that long.

23

24

(BRIEF PAUSE)

25

1 MR. BYRON WILLIAMS: And, Ms. McLaren, if
2 you're -- certainly as you -- as we move along I'll -- I
3 don't think my suggestions to you will be controversial,
4 but to help you move along with me, just if you wanted to
5 turn to Roman numeral number v, page -- it's the
6 acknowledgement section.

7

8 (BRIEF PAUSE)

9

10 MS. MARILYN MCLAREN: I have it.

11 MR. BYRON WILLIAMS: And it would be fair
12 to say, in terms of this database, that TIRF, being the
13 Traffic Injury Research Foundation, has compiled data on
14 alcohol use among motor vehicle fatalities since the
15 early 1970s, correct?

16 MS. MARILYN MCLAREN: Yes.

17 MR. BYRON WILLIAMS: And on injuries
18 since 1995, correct?

19 MS. MARILYN MCLAREN: Yes.

20 MR. BYRON WILLIAMS: And if you're
21 looking for a source, you can turn to the abstract. But
22 you'll agree, in broad strokes, that this report
23 estimates the magnitude and extent of the alcohol crash
24 problem in Canada during 2007, correct?

25 MS. MARILYN MCLAREN: Yes.

1 MR. BYRON WILLIAMS: And it would also be
2 fair to say that it examines progress in Canada, and in
3 each province and territory, in meeting the strategy to
4 reduce impaired driving to ten (10) objective of reducing
5 by 40 percent the percent of fatalities and serious
6 injuries involving a drinking driver.

7 Is that fair?

8 MS. MARILYN MCLAREN: Yes.

9 MR. BYRON WILLIAMS: And, essentially,
10 the study does so by comparing 2007 data to a baseline
11 based upon information from 1996 through 2001, correct?

12 MS. MARILYN MCLAREN: Yes.

13 MR. BYRON WILLIAMS: And you'll agree --
14 I'll note that this report is dated March 2010, so this
15 would be the -- the most recent summary prepared by TIRF.

16 Would that be fair?

17 MS. MARILYN MCLAREN: Yes.

18 MR. BYRON WILLIAMS: And Mc -- Ms.
19 McLaren, we're going to get to the actual data in just a
20 second, but if you could turn to page 3 and 4 for just
21 one (1) moment, I want to talk a little bit about data
22 sources and definitions, just to assist the panel.

23

24 (BRIEF PAUSE)

25

1 MS. MARILYN MCLAREN: Yes.

2 MR. BYRON WILLIAMS: And just in terms of
3 the sources of the data, you'll agree that TIRF employed
4 two (2) national data bases to generate the statistics,
5 those being the fatality data base and the serious
6 injuries data base.

7 That would be correct?

8 MS. MARILYN MCLAREN: Yes.

9 MR. BYRON WILLIAMS: And if you turn to
10 the next page, being page number 4, you'll see a
11 definition for motor vehicle fatality, and you'll agree
12 with me that, for the purposes of this data base, a motor
13 vehicle fatality is defined as any person dying within
14 twelve (12) months as a result of injuries sustained in a
15 collision involving a motor vehicle.

16 Would that be fair?

17 MS. MARILYN MCLAREN: Yes.

18 MR. BYRON WILLIAMS: And moving down a
19 little bit lower, still on page 4 and then moving onto
20 page 5, you're aware, and there is a suggestion in this
21 report, that the figures in terms of fatalities obtained
22 from this report would be somewhat higher than adding
23 together the fatalities officially reported in each
24 jurisdiction.

25 Would that be fair?

1 MS. MARILYN MCLAREN: Yes, that's what it
2 says.

3

4 (BRIEF PAUSE)

5

6 MR. BYRON WILLIAMS: And turning to the
7 next page, you'll agree that the TIRF suggests there is
8 two (2) reasons for this. The first being that this data
9 base includes not only those person -- those fatalities
10 on public roads, but also fatalities due to motor vehicle
11 crashes on off road, and on private property.

12 That would be fair?

13 MS. MARILYN MCLAREN: Yes.

14 MR. BYRON WILLIAMS: And one (1) other
15 significant difference would be the definition in terms
16 of fatality in that TIRF uses a definition that extends
17 to over a twelve (12) month period.

18 That would be fair?

19 MS. MARILYN MCLAREN: Yes.

20 MR. BYRON WILLIAMS: And so if -- if
21 one's reading these reports, you'll agree with me that
22 one has to be careful checking under the -- the tables to
23 see if, for example, we're looking at -- at all deaths on
24 public and private land, or otherwise.

25 You'll -- you'll agree with me that that's

1 important when reading this information?

2 MS. MARILYN MCLAREN: Yes.

3 MR. BYRON WILLIAMS: And to the extent
4 that there may be some differences, it may be a
5 reflection of -- of what the -- the table is choosing to
6 report, whether it's deaths on public land, or all -- all
7 fatalities, correct?

8 MS. MARILYN MCLAREN: Right.

9 MR. BYRON WILLIAMS: And -- and we'll be
10 through this painful part in just a minute, or -- or two
11 (2). But just turning to page 6, you'll agree that a
12 critical part of this information is the availability,
13 and inclusion of objective data on the presence of
14 alcohol among traffic victims.

15 MS. MARILYN MCLAREN: Yes.

16 MR. BYRON WILLIAMS: That's fair?

17 MS. MARILYN MCLAREN: Yes.

18 MR. BYRON WILLIAMS: And as we look at
19 the data Canada wide, you'll agree that in terms of
20 fatally injured drivers there's a relatively high overall
21 average in terms of testing being in excess of 80 -- 80
22 percent.

23 Would that be fair?

24 MS. MARILYN MCLAREN: Yes.

25 MR. BYRON WILLIAMS: And flipping to the

1 top of the next page, being Figure 2.2 on page 7, you'll
2 agree with me that in terms of drivers, Manitoba,
3 approximately 88 percent of fatally injured drivers are
4 tested, correct?

5 MS. MARILYN MCLAREN: Yeah -- yes.

6 MR. BYRON WILLIAMS: So an even higher
7 percentage, fair enough?

8 MS. MARILYN MCLAREN: Yes.

9

10 (BRIEF PAUSE)

11

12 MR. BYRON WILLIAMS: Finally, the -- the
13 last question in terms of data sources and indicators,
14 perhaps you can turn to page 8, the second last paragraph
15 there.

16

17 (BRIEF PAUSE)

18

19 MR. BYRON WILLIAMS: Ms. McLaren, you'll
20 see a suggestion that in the case of three (3)
21 jurisdictions, the Northwest Territories, Nunavut, and
22 Manitoba, there's a suggestion that the number of drivers
23 in serious injury crashes used in this report might be
24 underestimated. Do you see that suggestion?

25 MS. MARILYN MCLAREN: Yes, I see that

1 suggestion.

2 MR. BYRON WILLIAMS: And you're -- you --
3 you're aware of -- of this potential in terms of reading
4 this report?

5 MS. MARILYN MCLAREN: Yes.

6 MR. BYRON WILLIAMS: If you would, Ms.
7 McLaren, I'd -- I'd ask you to turn to page 34 of this
8 report for a moment, and table 3.6 in particular.

9

10 (BRIEF PAUSE)

11

12 MR. BYRON WILLIAMS: That's page 34,
13 Table 3.6, Ms. McLaren.

14

15 (BRIEF PAUSE)

16

17 MS. MARILYN MCLAREN: I see a Figure
18 36(c). Sorry, I've got my page numbers off.

19

20 (BRIEF PAUSE)

21

22 MR. BYRON WILLIAMS: How are we doing,
23 Ms. McLaren?

24 MS. MARILYN MCLAREN: I have it, yes.

25 MR. BYRON WILLIAMS: And thank you for

1 your assistance in going through this document with me.
2 Again, I'm directing your attention to Table 3.6. And
3 perhaps it's important -- you'll agree that this table
4 purports to report the number and percent of motor
5 vehicle deaths involving a drinking driver in Canada
6 between 1995 and 2007, correct?

7 MS. MARILYN MCLAREN: Yes.

8 MR. BYRON WILLIAMS: And going back to
9 our point about checking out the asterisks, I'm not even
10 sure how to say that word, you'll agree that this table
11 presents information only on public hol -- high -- public
12 roadways. Would that be fair?

13 MS. MARILYN MCLAREN: Yes.

14 MR. BYRON WILLIAMS: And essentially,
15 what the -- the table does, is look at specific years,
16 the total number of -- of deaths, and then looking at the
17 subset of alcohol related deaths as a -- both as a number
18 and as a percentage of the total number of motor vehicle
19 deaths on public roadways. Would that be fair?

20 MS. MARILYN MCLAREN: Yes.

21 MR. BYRON WILLIAMS: And essentially,
22 what they've done is com -- create a -- a baseline
23 looking at five (5) years -- excuse me, six (6) years,
24 from 1996 through 2001. And that baseline appears at the
25 bottom of this table under the line -- or line heading,

1 "1996 to 2001 Baseline."

2 Is that correct?

3 MS. MARILYN MCLAREN: Yes.

4 MR. BYRON WILLIAMS: And essentially,
5 what one can do, for example, looking at the 2007 year,
6 is compare the 2007 results to the 1996 to 2001 baseline,
7 correct?

8 MS. MARILYN MCLAREN: Yes.

9 MR. BYRON WILLIAMS: And for example, we
10 can see doing that comparison for Can -- Canada, of the
11 nine hundred and sixty-six (966) while in -- the baseline
12 from 1996 through 2001 was nine hundred and sixty-six
13 (966) in terms of alcohol related deaths.

14 The 2007 results were somewhat lower,
15 being eight hundred and sixty-three (863), correct?

16 MS. MARILYN MCLAREN: Yes.

17 MR. BYRON WILLIAMS: Likewise, we can see
18 that alcohol related deaths, as a percent of the total
19 number of deaths were, in the baseline period, 33.1
20 percent as compared to 32.3 percent for 2007, correct?

21 MS. MARILYN MCLAREN: Yes.

22 MR. BYRON WILLIAMS: Again, a -- a -- a
23 very small decline. Fair enough?

24 MS. MARILYN MCLAREN: Yes, that's a small
25 decline.

1 (BRIEF PAUSE)

2

3 MR. BYRON WILLIAMS: And just flipping to
4 the next page, being page 35, and figure 3.12 for a
5 second, you'll see a graphical representation of the
6 trend in terms of number and percent of deaths involving
7 a drinking driver in Canada between the 1997 and 2007
8 period.

9 Would that be fair?

10 MS. MARILYN MCLAREN: Yes.

11 MR. BYRON WILLIAMS: Ms. McLaren, if we
12 could now, I wonder if you could turn to page 94 of this
13 document, and Yable 7.1, which is Manitoba's specific
14 information.

15

16 (BRIEF PAUSE)

17

18 MS. MARILYN MCLAREN: I have it.

19 MR. BYRON WILLIAMS: And Ms. McLaren, I'm
20 going to be referring you to the Table 7.1, but if you
21 require assistance, just because I know you -- you
22 haven't memorized this table, there's a bit of a
23 description above on the same page.

24 But essentially, Table 7.1 is a bit of a
25 different table. It looks at deaths in alcohol related

1 crashes in Manitoba in 2007, correct?

2 MS. MARILYN MCLAREN: Yes.

3 MR. BYRON WILLIAMS: And going to the
4 little asterisk at the bottom, it uses a little broader
5 definition in that it looks at persons dying with twelve
6 (12) months in collisions on and off public roadways, the
7 distinction from the previous table being it looks also
8 at those off public road -- roadways, correct?

9 MS. MARILYN MCLAREN: Yes.

10 MR. BYRON WILLIAMS: Turning to the
11 bottom line of this table, you'll see a suggestion that
12 the total number of deaths in motor vehicle crashes in
13 Manitoba in this year was calculated to be one hundred
14 and twenty-six (126), correct?

15 MS. MARILYN MCLAREN: Yes.

16 MR. BYRON WILLIAMS: Going to the next
17 line, we'll see that in 91.3 percent of those cases, or a
18 hundred and fifteen (115) of those fatalities, it was
19 possible to determine whether alcohol was a factor.

20 That doesn't mean it -- it was a factor,
21 but that it was possible to -- to determine whether
22 alcohol was a factor, correct?

23 MS. MARILYN MCLAREN: Yes.

24 MR. BYRON WILLIAMS: So of these known
25 cases, there's a suggestion, going to the fourth column,

1 that alcohol was a known factor in fifty-one (51) of the
2 cases, correct?

3 MS. MARILYN MCLAREN: Yes.

4 MR. BYRON WILLIAMS: Looking at fifty-one
5 (51) divided by a hundred and fifteen (115), the next
6 line shows that in 44.3 percent of the one hundred and
7 fifteen (115) deaths, alcohol was a -- a known factor.

8 MS. MARILYN MCLAREN: Yes, that's what it
9 shows.

10 MR. BYRON WILLIAMS: And this doesn't
11 appear on the table, but it certainly, if you look to the
12 explanation at the top of this page, that if one wanted
13 to extrapolate the number of these fatalities in which
14 alcohol was a known factor, you would simply multiply the
15 total number of deaths, being one hundred and twenty-six
16 (126), by forty-four point three (44.3), correct?

17 MS. MARILYN MCLAREN: Yes.

18 MR. BYRON WILLIAMS: And that would yield
19 an estimate that in Manitoba during 2007, fifty-six (56)
20 persons died in alcohol related crashes, fair enough?

21 MS. MARILYN MCLAREN: Yes.

22

23 (BRIEF PAUSE)

24

25 MR. BYRON WILLIAMS: Ms. McLaren, thank

1 you for your patience on this. Going to the col -- type
2 -- that heading which appears about halfway down this
3 table, and you'll -- you'll see, "Driver Operator," as
4 the first lis -- listing under type.

5 Do you see that, Ms. McLaren?

6 MS. MARILYN MCLAREN: Yes.

7 MR. BYRON WILLIAMS: And going to the
8 extreme right side of that column, you'll agree that
9 TIRF, T-I-R-F, estimates that a little less than 70
10 percent of those persons who died in alcohol related
11 crashes were drivers.

12 Would that be fair?

13 MS. MARILYN MCLAREN: Yes.

14 MR. BYRON WILLIAMS: Moving up a little
15 bit on the line in terms of gender, and again going to
16 the males on the right-hand side of the column, you'll
17 see the estimate by TIRF that close to 71 percent of
18 those who died were men. Would that be fair?

19 MS. MARILYN MCLAREN: Yes.

20 MR. BYRON WILLIAMS: And again moving up
21 the column looking at the ages, in terms of those most
22 likely to be involved in alcohol related deaths in -- in
23 2007, it would be fair to say that the -- the largest
24 population in this -- in this group, as demarked by age,
25 would be those between the ages of twenty (20) and

1 twenty-five (25), at 27.5 percent, correct?

2 MS. MARILYN MCLAREN: Yes.

3 MR. BYRON WILLIAMS: The second largest
4 group being those between twenty-six (26) and thirty-five
5 (35), being marked at -- or demarked at twenty-one (21) -
6 - estimated at 21.6 percent, correct?

7 MS. MARILYN MCLAREN: Yes.

8 MR. BYRON WILLIAMS: So at least when we
9 take a snapshot of the problem in 2007, in Manitoba, by
10 gender and by age, to no one's surprise, we're -- the key
11 at-risk groups are men between the ages of twenty (20)
12 and thirty-five (35). Would that be fair?

13 MS. MARILYN MCLAREN: Yes, that's fair.

14 MR. BYRON WILLIAMS: We'll move on with
15 this table in -- in just a moment, but in terms of that
16 demographic, what, if any, specific programming does MPI
17 have in that regard, currently target -- targeted at that
18 group, in terms of road safety?

19 MS. MARILYN MCLAREN: It's because of
20 that demographic that a significant amount of our road
21 safety advertising and sponsorship happens through
22 professional sports teams. That's one (1) of the main
23 things, Bomber Games, Moose Games. That is -- we -- we
24 understand that is a key demographic, and we use that
25 vehicle to approach them. And the other things that we

1 do would clearly be more broadly based. But I would say
2 that that's the -- the one (1) key thing that we
3 emphasize because of this demographic.

4 MR. BYRON WILLIAMS: That's a helpful
5 answer. Now, I can't -- unlike My Friend, Mr. Peters,
6 who appears for the Board on -- on other matters, I can't
7 say I'm a regular Moose devotee, but my suggestion to you
8 from my -- my relatively brief appearances at Moose games
9 last year is much of the demo -- demographic that you're
10 targeting might be too impaired to -- to actually absorb
11 the message during the game.

12 Do -- do you have any comments on that
13 suggestion?

14 MS. MARILYN MCLAREN: No, I don't.

15 MR. BYRON WILLIAMS: If you turn to page
16 102, you'll see table 7.4. If you'd do that, I would
17 appreciate it.

18

19 (BRIEF PAUSE)

20

21 MS. MARILYN MCLAREN: I have that.

22 MR. BYRON WILLIAMS: Thank you. And
23 again, we're looking at a table that addresses the --
24 purports to address the number and percent of motor
25 vehicle deaths involving a drinking Man -- driver in

1 Manitoba, 1995 to 2007, correct?

2 MS. MARILYN MCLAREN: Yes.

3 MR. BYRON WILLIAMS: And looking at the
4 two (2) asterisks at the bottom, we'll see that this
5 table, unlike the one (1) that preceded it, only looks at
6 fatalities on public roadways, correct?

7 MS. MARILYN MCLAREN: Yes.

8 MR. BYRON WILLIAMS: And just to ex --
9 explain the significance of that, for example, we'll see
10 that the estimated number of alcohol related deaths in
11 2007, in this table is forty-six (46), as compared to the
12 estimate in the previous table being fifty-six (56),
13 correct?

14 Ms. McLaren, I'm just trying to make the
15 point that this is --

16 MS. MARILYN MCLAREN: Yes.

17 MR. BYRON WILLIAMS: -- a bit smaller
18 number of fatalities. You'll agree with that?

19 MS. MARILYN MCLAREN: Yes.

20 MR. BYRON WILLIAMS: And that would be a
21 reflection that they're looking only on deaths on public
22 roadways, correct?

23 MS. MARILYN MCLAREN: Yes.

24 MR. BYRON WILLIAMS: So again, you can
25 see the baseline period being 1996 through 2001. And

1 that's set out in the rectangle towards the top of this
2 table, correct?

3 MS. MARILYN MCLAREN: Yes.

4 MR. BYRON WILLIAMS: And just focussing
5 on that specific time period for a second, in terms of
6 the -- the highest number of alcohol related deaths,
7 within the baseline period, that would be forty-two (42)
8 deaths in the 1997 year, correct?

9 MS. MARILYN MCLAREN: Yes.

10 MR. BYRON WILLIAMS: And the lowest
11 number of deaths would be twenty-nine (29) in the 2001
12 year, and I'm speaking specifically only of the baseline
13 period, correct?

14 MS. MARILYN MCLAREN: Yes. Yes.

15 MR. BYRON WILLIAMS: And if we were
16 looking, again, focussing exclusively on the baseline
17 period, the highest percentage of alcohol related deaths
18 would be in 1996, being 37.5 percent, correct?

19 MS. MARILYN MCLAREN: Yes.

20 MR. BYRON WILLIAMS: And we can see on
21 average during this period the -- being the baseline
22 period of 1996 through 2001, there were a hundred and ten
23 (110) deaths of which, on average, thirty-six (36) were
24 considered to be alcohol related deaths, correct?

25 MS. MARILYN MCLAREN: Yes.

1 MR. BYRON WILLIAMS: And, again, in this
2 baseline period it's estimated that 32.7 percent of all
3 deaths were alcohol related, correct?

4 MS. MARILYN MCLAREN: Yes.

5 MR. BYRON WILLIAMS: And you'll agree
6 with me that the -- subject to check, that the averages
7 were simply ca -- ca -- calculated by taking the results
8 for the six (6) years in question and divided them by six
9 (6).

10 MS. MARILYN MCLAREN: Yes, I believe so.

11 MR. BYRON WILLIAMS: Now, if we look
12 through the period subsequent to the baseline, that being
13 in this report 2002 through 2007, you'll agree with me
14 that the highest number of alcohol related deaths would
15 be 2007, would that be fair? That would be forty-six
16 (46).

17 MS. MARILYN MCLAREN: Yes.

18 MR. BYRON WILLIAMS: The lowest number of
19 alcohol related deaths would be in 2005 with thirty (30),
20 correct?

21 MS. MARILYN MCLAREN: Yes.

22 MR. BYRON WILLIAMS: Again, looking just
23 at the 2002 through 2007 period. And the highest
24 percentage of alcohol related deaths would be in 2007,
25 being 42.2 percent of total fatalities, correct?

1 MS. MARILYN MCLAREN: Yes.

2 MR. BYRON WILLIAMS: Using the same
3 methodology as I described to you previously, I wonder if
4 you would accept that, subject to check, on average,
5 through the 2002 through 2007 period, there was -- there
6 were one hundred and ten (110) deaths of which forty (40)
7 were alcohol related, on average, in this later period.

8 You'll accept that subject to check?

9 MS. MARILYN MCLAREN: Yes.

10 MR. BYRON WILLIAMS: And, again, through
11 this later period, 36.2 percent of the deaths you'll
12 accept, subject to check, were alcohol related, correct?

13 MS. MARILYN MCLAREN: Yes.

14 MR. BYRON WILLIAMS: And, again, subject
15 to check again, if we look at a more recent average,
16 being the 2005 through 2007 years, I wonder if you'll
17 accept that the average would be forty (40) alcohol
18 related deaths with 35.6 percent of them being alcohol --
19 excuse me, with -- let me back up.

20 Looking only at a three (3) year average,
21 subject to check, you'll accept that the average would be
22 forty (40) alcohol related deaths?

23 MS. MARILYN MCLAREN: Yes, subject to
24 check, that looks about right.

25 MR. BYRON WILLIAMS: And, again, going

1 exclusively at the period 2005 through 2007, alcohol re -
2 - related deaths, I'm going to suggest to you, subject to
3 check, accounted for 35.6 percent of total deaths.

4 MS. MARILYN MCLAREN: Okay, yes.

5 MR. BYRON WILLIAMS: Turn, if you will,
6 Ms. McLaren, and -- to page 118 of this report.

7

8 (BRIEF PAUSE)

9

10 MR. BYRON WILLIAMS: Do you have it, Ms.
11 McLaren?

12 MS. MARILYN MCLAREN: I do.

13 MR. BYRON WILLIAMS: And just for your
14 information -- or just for your confirmation, you'll
15 agree that figure 8.2 provides a graphical representation
16 of trends in the number and percent of deaths involving a
17 drinking driver in Ontario from 1995 through 2007.

18 Would that be fair?

19 MS. MARILYN MCLAREN: I'm sorry, I
20 thought you'd said page 108.

21 MR. BYRON WILLIAMS: Ms. McLaren, I
22 misspoke if I did. I was re -- referring you to page
23 118. I apologize.

24

25 (BRIEF PAUSE)

1 MS. MARILYN MCLAREN: I have that.

2 MR. BYRON WILLIAMS: And, again, without
3 asking you to go through it, you'll agree that figure 8.2
4 presents a graphical representation of the number and
5 percent of deaths involving a drinking driver in Ontario
6 between 1995 and 2007.

7 Would that be fair?

8 MS. MARILYN MCLAREN: Yes.

9 MR. BYRON WILLIAMS: Ms. McLaren, just a
10 couple more questions on road safety. And going back to
11 the STEP programs, it would be accurate to say that the
12 Corporation's review of empirical research on STEP
13 programming, focussing on impaired driving, suggests that
14 there is strong empirical support for programming in this
15 area, if you look at work in Quebec, or Massachusetts, or
16 elsewhere?

17 MS. MARILYN MCLAREN: Yes.

18 MR. BYRON WILLIAMS: And the Corporation
19 has conducted a literature review, and examined data
20 relating to programs in Quebec, programs in Minnesota,
21 programs in Massachusetts.

22 Fair enough?

23 MS. MARILYN MCLAREN: Yes.

24 MR. BYRON WILLIAMS: And is there any
25 reason to think that those types of programs won't work

1 in Manitoba?

2 MS. MARILYN MCLAREN: None immediately
3 obvious.

4

5 (BRIEF PAUSE)

6

7 MR. BYRON WILLIAMS: Mr. Chairman, I'm
8 moving to a new area, cost allocation. I'm at the
9 Board's discretion. I could finish now, and resume at
10 one o'clock. As I said, I'm at your -- at your
11 discretion.

12 THE CHAIRPERSON: How long would it take?

13 MR. BYRON WILLIAMS: I'm not sure, Mr.
14 Chairman. I'd estimate half an hour.

15 THE CHAIRPERSON: Okay. Then we'll come
16 back at one o'clock.

17

18 --- Upon recessing at 11:44 a.m.

19 --- Upon resuming at 1:09 p.m.

20

21 THE CHAIRPERSON: Okay. Due to an
22 unexpected event, Mr. Williams will have to put off the
23 rest of his cross until tomorrow. Fortunately, Mr.
24 Oakes, for CMMG, is able and willing to begin his cross
25 now.

1 So thank you, Mr. Oakes. So you can begin
2 whenever you wish.

3 MR. RAYMOND OAKES: Thank you, Mr.
4 Chairman. I understood that My Learned Friend had
5 exhibits they wish to file at this time.

6 Is that correct?

7 THE CHAIRPERSON: Apparently you're
8 correct.

9

10 (BRIEF PAUSE)

11

12 MS. CANDACE EVERARD: The next exhibit
13 number, Mr. Chairman, for the Board -- or for MPI will
14 MPI Exhibit 24.

15 THE CHAIRPERSON: Thank you. Okay, Mr.
16 Oakes.

17 MR. RAYMOND OAKES: Thank you, Mr.
18 Chairman.

19

20 CROSS-EXAMINATION BY MR. RAYMOND OAKES:

21 MR. RAYMOND OAKES: My first questions to
22 the MPI panel relate to the background to the rates as
23 applied for. And I'd ask the Corporation's witnesses if
24 they could indicate what percentage motorcycle premiums
25 have increased over the last decade, including the 2011

1 applied for rates.

2 MR. DON PALMER: Mr. Oakes and I have a
3 brief conversation just before the break and he provided
4 me with some of these questions that would -- that he was
5 letting me know were going to ask me. And, to save some
6 time, I was going to have them all ready at the time of
7 the cross when that happened tomorrow.

8 So, unfortunately, as we have found out at
9 the beginning of this cross, about ten (10) minutes ago,
10 we have been unable to find -- find that information, so
11 I'll take that as an undertaking.

12

13 --- UNDERTAKING NO. 32: MPI to indicate what
14 percentage motorcycle
15 premiums have increased over
16 the last decade, including
17 the 2011 applied for rates

18

19 CONTINUED BY MR. RAYMOND OAKES:

20 MR. RAYMOND OAKES: Thank you, Mr.
21 Palmer. In fact, I thought I was up Monday, if that's
22 any consultation.

23 I wonder by way of undertaking then if you
24 could indicate by what percentage the currents would be
25 higher than the 2001 rates?

1 Would you agree to do that in due course,
2 sir?

3 MR. DON PALMER: Yes, I would.

4
5 --- UNDERTAKING NO. 33: MPI to indicate by what
6 percentage the currents would
7 be higher than the 2001
8 motorcycle rates

9
10 CONTINUED BY MR. RAYMOND OAKES:

11 MR. RAYMOND OAKES: And, similarly,
12 Question number 2 on the list, you'll confirm that some
13 motorcyclists will see an increase of more than 10
14 percent if the Application's approved.

15 Are you prepared to acknowledge that at
16 this time, sir?

17 MR. DON PALMER: Yes, there's a
18 distribution of rate increases contained in TI.3, and,
19 yes, that would be the case.

20 MR. RAYMOND OAKES: And either at this
21 time, or by way of undertaking, would you please advise
22 what percentage of motorcyclists would receive an
23 increase of more than one hundred dollars (\$100), and,
24 also, more than two hundred dollars (\$200).

25

1 (BRIEF PAUSE)

2

3 MR. DON PALMER: That information is
4 contained in TI.3, Part 2. On -- on motorcycles
5 increases of more than one hundred dollars (\$100) would
6 be approximately 14 percent of the motorcycle major
7 class, which would include mopeds. More than two hundred
8 dollars (\$200) would be about 2 1/2 percent of
9 motorcycles.

10 MR. RAYMOND OAKES: Thank you, Mr.
11 Palmer. If I could refer you at this time to the
12 Motorcycle Risk Study Report, AI.12.A. And I purport to
13 read the information contained in the Corporation's page
14 2 of that.

15

16 (BRIEF PAUSE)

17

18 MR. DON PALMER: I have that.

19 MR. RAYMOND OAKES: Thank you, sir. And
20 I'd ask you to confirm that overall motorcycle frequency
21 has been gradually declining from a high of sixty-nine
22 point eight nine (69.89) claims per thousand in 2002, to
23 a low of forty-nine point seven one (49.71) claims per
24 thousand units in 2009?

25 MR. DON PALMER: Yes, that -- that's

1 correct.

2 MR. RAYMOND OAKES: And then I'd ask you
3 to turn, sir, if you would, to Pre-ask Question 3.1, of
4 CMMG.

5 MR. DON PALMER: I have that.

6 MR. RAYMOND OAKES: And in Pre-ask 3.1,
7 CMMG asks the Corporation to update Undertaking 44 from
8 last year and add the 2009 loss information, and that
9 resulted in a comparison of projected versus actual for
10 motorcycle major class.

11 Is that correct, sir?

12 MR. DON PALMER: That's correct.

13

14 (BRIEF PAUSE)

15

16 MR. RAYMOND OAKES: And as part of the
17 answer to the Undertaking 44 of last year, the
18 Corporation made the statement:

19 "The loss ratio is greater than the
20 Corporation's break-even target."

21 My question to you, sir, is what is the
22 Corporation's break-even target?

23 MR. DON PALMER: The target loss ratio is
24 -- 85 percent is the -- the guarantee in our -- well, not
25 a guarantee, but the goal in the Corporate goals, that we

1 will return 85 percent in claims, and claims related
2 expenses to policyholders. So this 94 percent is nine
3 (9) points greater than eighty-five (85), and this would
4 not include any claims expenses.

5 MR. RAYMOND OAKES: And has the target
6 always been 85 percent?

7 MR. DON PALMER: As long as I can
8 remember, yes.

9 MR. RAYMOND OAKES: Okay. And so when we
10 look at the answer the Corporation gave in Pre-ask 3.1
11 this year, it indicates that the average over the last
12 six (6) years is 85.17 percent.

13 Is that correct, sir?

14

15 (BRIEF PAUSE)

16

17 MR. DON PALMER: That's the actual paid -
18 - that could be somewhat misleading because there is
19 future development, especially on most recent accident
20 years.

21 MR. RAYMOND OAKES: So you're saying that
22 some of these numbers aren't yet ultimate?

23 MR. DON PALMER: That's correct.

24 MR. RAYMOND OAKES: I agree with you that
25 there's some concern about taking these conclusions of

1 the 85 percent at face value. And I'd ask you to look at
2 the specific years represented there.

3 2004, the first year reported in that
4 table, showed projected losses of seven million nine
5 hundred and forty-six thousand (7,946,000), and the
6 actual losses in that year, I'd ask you to confirm, were
7 only three million one hundred and four thousand
8 (3,104,000).

9 Is that correct, sir?

10

11 (BRIEF PAUSE)

12

13 MR. DON PALMER: I apologize, Mr. Oakes.
14 The loss ratio that you show there, the 85 percent, would
15 be a -- an ultimate level, but does not include claims
16 expenses. On the projected total loss -- losses, those
17 were the projections when we did our rate setting, and
18 the numbers that you quoted were correct.

19 MR. RAYMOND OAKES: Okay. Well, thank
20 you for correcting the record concerning the ultimate
21 nature of those losses. I recall in and about two
22 thousand (2,000) a year, and in fact, for a number of
23 years in that period, a certain -- what we would --
24 motorcyclists would term a rhetoric of MPI and its news
25 releases, and its comments, that for every dollar of

1 premium, the Corporation was staining (phonetic) and
2 paying out a dollar thirty (\$1.30) in losses.

3 Do you recall that, sir?

4 MR. DON PALMER: I recall that.

5 MR. RAYMOND OAKS: And certainly that
6 wouldn't be true in 2004, would it?

7 MR. DON PALMER: In any given year,
8 because of the relatively small number of motorcycles,
9 that will jump around a bit. That 130 percent would have
10 been taken over a -- a period of time.

11 And as the 130 percent was not true in
12 2004 with 47 percent, it also wasn't true in 2006 with
13 143 percent.

14 MR. RAYMOND OAKS: Well, just before you
15 jump there, let's look at the next year, 2005. We have
16 projected total losses of eleven million five hundred and
17 fifty-nine thousand (11,559,000), and the actual losses
18 came in about half of that forecast.

19 Isn't that correct?

20 MR. DON PALMER: It's significantly more
21 than half. I'd say about 65 percent.

22 MR. RAYMOND OAKS: And then when we look
23 at 2008, again you'll forgive me for a -- a rough
24 approximation, but it's about half again, isn't it?

25 MR. DON PALMER: That is, yes.

1 MR. RAYMOND OAKS: And if we look at the
2 six (6) years, the actual losses are less in four (4) out
3 of those six (6) years.

4 Isn't that correct?

5 MR. DON PALMER: That's correct.

6 MR. RAYMOND OAKS: So two-thirds (2/3) of
7 the time, the Corporation's wrong.

8 MR. DON PALMER: No, taken over a five
9 (5) year period, essentially with an 85 percent loss
10 ratio, I think it's a pretty good forecast.

11 MR. RAYMOND OAKS: Well, you'll forgive
12 me if I don't agree with you.

13 The next question that I have is, two-
14 thirds (2/3) of the time, the losses are more than -- the
15 projected total losses are more than the actual losses.

16 MR. DON PALMER: That's correct.

17 MR. RAYMOND OAKS: You -- you talked
18 about 2006. When you look at the actual loss ratio for
19 2006, would an actuary call that an outlier, given the
20 other five (5) years represented there?

21 MR. DON PALMER: Not necessarily. We've
22 talked elsewhere in these proceedings about skewed
23 distributions.

24 So it's -- because of the inherent nature
25 of the motorcycles, they are more prone to serious losses

1 than other types of vehicles. So you will get on a
2 regular basis very large claims.

3 So if this had happened once every hundred
4 (100) years, then yes, it would be an outlier. If it
5 happens regularly every five (5) years, then it's not an
6 outlier.

7 MR. RAYMOND OAKS: And in this case, it
8 could certainly happen less than one (1) in six (6)
9 years. We have one (1) in six (6) years before us, but
10 it could not read -- be repeated for another six (6)
11 years for all the Corporation knows.

12 MR. DON PALMER: And as much as that one
13 (1) is an outlier, I would suggest that if -- if that's
14 your wor -- terminology, the 2004 could be, as well.

15 MR. RAYMOND OAKS: Mr. Palmer, I know you
16 have mathematical resources at your disposal. What I've
17 done is taken that 2006 that I refer to as an outlier out
18 of the data, added them together, divided by five (5),
19 and I come up with 55.83 percent as the applicable loss
20 ratio for those five (5) years.

21 Would you have the ability to check that,
22 in short order?

23

24

(BRIEF PAUSE)

25

1 would be roughly what percent?

2 MR. DON PALMER: Again, with that target
3 of 85 percent that I mentioned before, including claims
4 expenses.

5 MR. RAYMOND OAKES: No, sir, I'm asking -
6 - you indicated that the -- the motorcyclist shouldn't
7 get a large percentage reduction because the numbers in
8 front of us fail to account for the claims expenses.
9 What additional sum likely would we be looking at on a
10 percentage basis for those claims expenses?

11 MR. DON PALMER: Just going back to --
12 again, we've double checked the numbers. If we exclude
13 the 2006 loss ratio or losses and just have the loss
14 ratio from the remaining five (5) years, we -- we get a
15 loss ratio of 74 percent.

16 MR. RAYMOND OAKES: And I'm not sure why
17 our numbers are different. I add those five (5) to get a
18 total of two hundred and seventy-nine point one three
19 (279.13) divided by five (5).

20 MR. DON PALMER: I'm sorry, Mr. Oakes,
21 but you have added and taken an average of a loss ratio.
22 That's absolutely the incorrect way to do it,
23 unfortunately. What you have to do to get the loss ratio
24 is add up the losses and divide it by the premium for
25 those five (5) years, and that's where we get the 74

1 percent.

2 MR. RAYMOND OAKES: And you disagree
3 that, on those calculations, motorcyclists should be
4 entitled to a rate that's 26 percent lower.

5 MR. DON PALMER: Based on those
6 calculations and an expected loss ratio of 85 percent
7 loss ratio -- or round numbers, a 10 percent rate
8 decrease, based on what I would call flawed assumptions.

9 MR. RAYMOND OAKES: All right. And is
10 there a correlating percentage? If the Corporation is
11 always 15 percent below what it's targeting for the
12 projected losses, then presumably it's okay with 115
13 percent of projected losses as well as the loss ratio.

14 MR. DON PALMER: I'm -- I'm sorry, Mr.
15 Oakes, you've lost me.

16 MR. RAYMOND OAKES: Can the loss ratio be
17 higher than a hundred percent?

18 MR. DON PALMER: In -- in what
19 circumstances? We've had some years where the loss ratio
20 has been a hundred percent. For a break-even target on
21 rates, the projected loss ratio would be somewhat less
22 than 100 percent.

23 MR. RAYMOND OAKES: Right. In fact, they
24 show at 2006 that the loss ratio is 143 percent. What
25 I'm saying is if the Corporation accepts 85 percent as a

1 target, then presumably it accepts the swing the other
2 way as well, 115 percent of the target?

3

4

(BRIEF PAUSE)

5

6 MR. DON PALMER: Accept that that type of
7 experience could happen? I wouldn't disagree with that.

8 MR. RAYMOND OAKES: Okay. But in fact,
9 that's not what this table shows. It shows in five (5)
10 out of the six (6) years, the corporal -- Corporation is
11 well below the hundred thou -- 100 percent?

12 MR. DON PALMER: That's correct. And one
13 (1) year it was well over the 100 percent.

14 MR. RAYMOND OAKES: Moving from that
15 table to the Motorcycle Risk Study Update. And the
16 question relates to the Corporation's conclusion that,
17 annually, ten (10) claims can resu -- represent up to 50
18 percent of the motorcycle claims experience.

19 Are you familiar with that in the
20 application, sir?

21 MR. DON PALMER: Yes, but could you give
22 me a reference, please?

23

24

(BRIEF PAUSE)

25

1 MR. DON PALMER: I can help you out, Mr.
2 Oakes. It's page 15.

3

4 (BRIEF PAUSE)

5

6 MR. RAYMOND OAKES: You'll agree with me
7 that that situation gives rise to concerns of consumers
8 about volatility.

9 Is that correct?

10 MR. DON PALMER: With the -- with the
11 small class, with this many serious losses, there will be
12 some volatility in the results, yes.

13 MR. RAYMOND OAKES: All right. And in
14 fact, there'll be -- likely volatility both in the claims
15 losses and in the premium as a result of those factors.

16 Is that correct? Is that you --
17 reasonable to expect?

18 MR. DON PALMER: Not so much in the
19 premium, because we have several techniques to smooth the
20 premium over time, but we would see a volatility in the
21 losses from year-to-year, as you've pointed out in pre-
22 ask 3.1.

23 MR. RAYMOND OAKES: Okay. And we'll --
24 we'll talk about those in just a second. Can you tell
25 me, Mr. Palmer, whether there's any other major use of

1 vehicles that has this phenomenon that about ten (10)
2 claims are responsible for over 50 percent of the
3 incurred losses?

4

5

(BRIEF PAUSE)

6

7 MR. DON PALMER: Not at all. And -- and
8 really, the fact that such -- such a large percentage of
9 the motorcycle losses are injury claims, and
10 unfortunately, the -- the dollars are such that a small
11 number of claims precipitate large dollars from that
12 perspective. And really, that underlines the, I would
13 say -- and -- and I know we've had some discussions on
14 these terms before, but the inherent risk in riding a
15 motorcycle.

16 And although I took issue with much of the
17 Dion Durrell report, that I know that we'll discuss later
18 and -- and tomorrow, I -- I did agree with one (1)
19 sentence that he had, when he said:

20 "The nature of motorcycling is such
21 that in a collision between a
22 motorcycle and live -- wildlife or
23 lovestock -- livestock, the
24 motorcyclist will, due to a much lower
25 level of protection, generally be

1 injured more severely than the driver
2 of a car involved in a similar
3 accident."

4 I would say that that very much could be
5 extended into a collision with another vehicle, with a
6 pole. It's the -- the nature of the -- the vehicle that
7 there -- are prone to serious injuries.

8 MR. RAYMOND OAKS: So by your answer
9 then, I can conclude that you would agree that this type
10 of experience is anomalous, in terms of other vehicle
11 populations?

12 MR. DON PALMER: Other vehicle
13 populations do not have the same inherent risk as
14 motorcycles. I would agree with that.

15 MR. RAYMOND OAKS: I'm speaking
16 specifically of the fact that ten (10) claims are
17 responsible for 50 percent of the incurred losses.

18 MR. DON PALMER: That's correct. There's
19 no other group that has that experience, or that
20 phenomena.

21 MR. RAYMOND OAKS: Now, Mr. Palmer, you
22 talked about the fact that the Corporation uses
23 techniques related to credibility and smoothing to
24 attempt to deal with this anomalous situation.

25 Is that correct?

1 MR. DON PALMER: Yes, we do.

2 MR. RAYMOND OAKS: Okay. And the
3 Corporation has for decades now put on the record its
4 methodology with respect to that smoothing, and how it
5 treats the claims over both a five (5) and ten (10) year
6 period, determining --depending on whether they're
7 serious loss claims, or not.

8 Would you agree with me that there are
9 other sound actuarial techniques that could be employed
10 to deal with that same fact situation?

11 MR. DON PALMER: There are other tec --
12 techniques that could be available, yes.

13 MR. RAYMOND OAKS: And I'll reference
14 some other examples. One (1) example would be a similar
15 approach used for natural catastrophes to mitigate the
16 impact of large losses on the rates where claims are
17 capped at a certain level, and then capped claims are
18 then used in the rate making methodology to calculate the
19 per -- pure premium, and a load for large losses.

20 Would that be an actuarially sound way of
21 dealing with those facts?

22 MR. DON PALMER: Given that you could
23 determine the -- the load for large losses, then
24 absolutely.

25 MR. RAYMOND OAKS: Okay. But that's not

1 the methodology employed by the Corporation with result -
2 - with respect to these large few claims of motorcycles.

3 Is that correct?

4

5 (BRIEF PAUSE)

6

7 MR. DON PALMER: It's pretty close to
8 what we do, if you -- if you consider that the large
9 losses are averaged over a ten (10) year period instead
10 of a five -- five (5) year period. That essentially
11 creates a large loss load, so I think the -- the
12 techniques that we have with the data that we have
13 available is very consistent with what you say, the
14 capped losses, which would be the five (5) year losses,
15 and then add a large -- large loss load, which would be
16 the average over ten (10) years.

17 So it's very consistent.

18 MR. RAYMOND OAKS: Another way of dealing
19 with it might be the method used by the SAAQ in Quebec,
20 where large losses in excess of \$1 million are
21 redistributed to all categories of vehicles.

22 Do you agree, sir?

23 MR. DON PALMER: I would disagree with
24 that, unless -- with one (1) -- one (1) provision. I think
25 that that's a -- and -- and that's a variation on a large

1 loss load. But what would happen, and that's absolutely
2 a -- a valid approach, if the assumption is that large
3 losses above \$1 million are random amongst all the
4 various classes.

5 I don't think that's true for motorcycles,
6 because of the inherent nature of the -- inherent risk
7 within those vehicles. The probability of large loss
8 above \$1 million is higher for motorcycle than it is for
9 other vehicles.

10 So I would say that if you just replaced
11 and spread the -- the risk of that large loss among --
12 amongst other vehicle types, then that would constitute a
13 cross-subsidy.

14 MR. RAYMOND OAKES: And that may well be
15 your opinion, Mr. Palmer, but you're not telling the
16 Board that, in your opinion, the method used by the SAAQ
17 in Quebec is not actuarially sound?

18 MR. DON PALMER: I would have to
19 investigate further. As I understand it, for -- if
20 Manitoba did this in the Manitoba environment, because of
21 the large loss in Manitoba, I don't think this would be
22 actuarially sound because it doesn't capture the cost of
23 the risk transfer.

24 MR. RAYMOND OAKES: I just want to deal
25 with one (1) matter that arose out of this morning while

1 we're talking about the Motorcycle Risk Study update.
2 And there was questions and answers -- questions by Mr.
3 Williams concerning the percent of fatally injured
4 motorcycle riders with alcohol involvement versus private
5 passenger.

6 Would the Corporation agree that that's a
7 serious problem for both motorcyclists and for private
8 passengers?

9 MR. DON PALMER: Absolutely.

10 MR. RAYMOND OAKES: And in the Traffic
11 Injury Research Foundation report that was provided in
12 response to CAC/MSOS-1-68A it indicates that the
13 percentage of fatally injured drivers, and we're speaking
14 private passengers as well, with blood alcohol levels
15 over the legal limit generally declined from 1987 of 60
16 percent to 1998, 28.8 percent; increased in 2001, 36.5
17 percent; decreased in 2002, 32.7 percent; and rose again,
18 in 2003, 41.5 percent.

19 And would you agree that those are similar
20 to the levels with respect to motorcyclists?

21 MR. DON PALMER: Subject to check, I
22 would agree with that.

23 MR. RAYMOND OAKES: Moving on then to one
24 (1) of the major issues with respect to CMMG's
25 intervention this year, and that's the issue that the

1 MR. DON PALMER: Yes, I do.

2 MR. RAYMOND OAKES: And just to highlight
3 the problem further, we understand from the material
4 contained in MPI Exhibit number 23, what was
5 affectionately referred to as the "Bambi Map," I believe,
6 that there some sixty-six hundred (6,600) deer vehicle
7 collisions in Manitoba, that three hundred (300) people
8 are injured annually, three (3) people were killed in
9 deer/automobile collisions between 2005 and 2009, and the
10 Corporation has referenced in the Board order, pays out
11 approximately \$30 million a year in those claims.

12 Is that correct?

13 MR. DON PALMER: That's correct.

14 MR. RAYMOND OAKES: And in CMMG
15 Interrogatory 1-6, the Corporation indicated that:

16 "Motorcycle losses average \$1.1 million
17 a year as a result of those collisions
18 between motorcycles and wildlife."

19 Can you confirm that, sir?

20

21 (BRIEF PAUSE)

22

23 MR. DON PALMER: Yes, one point one
24 (1.1), that's correct.

25 MR. RAYMOND OAKES: And I appreciate that

1 there are more cars on the road today, and certainly the
2 PIPP benefits are greater than they have been decades
3 ago, but this has been a problem for MPI, really, since
4 its inception in 1972?

5 MR. DON PALMER: There have always been
6 deer in Manitoba. Yes, I will agree with that.

7 MR. RAYMOND OAKES: If we were to
8 summarize the responses of MPI, they would be twofold.
9 Speaking generally, they would be the STEP programs with
10 police, and they would be public education.

11 Is that correct?

12 MR. DON PALMER: That's correct.

13

14 (BRIEF PAUSE)

15

16 MR. RAYMOND OAKES: And the Corporation
17 provided materials in this application, to deal with the
18 Board's requests for the Corporation's -- the Corporation
19 to do work in this area. And I'd like to ref -- refer
20 you to CMMG IR-1-10 at this time.

21

22 (BRIEF PAUSE)

23

24 MR. DON PALMER: I have it.

25 MR. RAYMOND OAKES: And CMM -- CMMG --

1 CMMG-IR-1-10 asks to advise -- the Corporation to advise
2 the amount of the expenditures made at this time for the
3 strategies and user being piloted, as described in the
4 four (4) bullets on page 3 of AI.9.

5 Can you confirm whether the Corporation
6 has made any of those expenditures to this date?

7 MR. DON PALMER: I'll -- I'll read into
8 the record our response to CMMG-1-10:

9 "At this time, no expenditures are
10 being made in Manitoba on any of the
11 four (4) strategies listed on page 3 of
12 AI.9."

13 MR. RAYMOND OAKES: And that's still true
14 to-date?

15 MR. DON PALMER: Yes.

16 MR. RAYMOND OAKES: And then if I could
17 refer you to CMMG-1-7. And the question indicated:

18 "Please respond to the Board's
19 recommendations at page 61 in Board
20 order 161/09, and the Board's
21 recommendation that MPI undertake
22 research, including a full jurisdiction
23 for review of both public and private
24 insurance jurisdictions with respect to
25 strategies to reduce wildlife/livestock

1 related claims, in the treatment of
2 same, including the geographical
3 analysis and the other factors
4 mentioned on page 61 of the Board
5 order."

6 Do you see that, sir?

7 MR. DON PALMER: Yes, I do.

8 MR. RAYMOND OAKES: And with respect to
9 that request, the Corporation produced AI.9.

10 Is that correct?

11 MR. DON PALMER: That's correct.

12 MR. RAYMOND OAKES: And when I reviewed
13 the Corporation's AI.9, it appeared to take the rate
14 application material from the year before and regurgitate
15 it in this year's application.

16 Would -- is that fair?

17

18 (BRIEF PAUSE)

19

20 MR. DON PALMER: The technology with
21 regard to possible mitigation of wildlife probably hasn't
22 changed in the last year, so it's quite likely that
23 that's true.

24 MR. RAYMOND OAKS: Now, we read out the
25 Board's recommendations at page 61, or summarized them in

1 that IR, and it recommended that MPI undertake research.

2 And presumably since that time has MPI
3 responded to that, and undertaken research, including a
4 full jurisdictional review?

5 MR. DON PALMER: The research has begun.
6 I -- I think the first part of that is identification of
7 the problem, and when you see the nature of the problem,
8 that identifies some of the possible solutions. And
9 really they identify -- identification of that problem in
10 a lot of ways is the Bambi map. I think that's going to
11 be terminology that's used forever and a day now.

12 But as was outlined by Ms. McLaren in the
13 last couple of days, the issue with wildlife collision,
14 especially deer, is province-wide. It's -- it's
15 everywhere.

16 That -- and because of the nature of the
17 problem, things like fences, or -- or tunnels are really
18 cost prohibitive. They're -- they don't lend themselves
19 -- this particular map doesn't lend themselves to some of
20 those specific strategies that are used in the -- in
21 Banff for the Trans-Canada, for -- for instance.

22 MR. RAYMOND OAKS: Well, I want to make
23 sure I understand your response to my question.

24 Are you saying that in response to that
25 Board recommendation, that the only material that MPI

1 provided, other than regurgitating last year's material,
2 is the Bambi map? Is that the Corporation's position?

3

4

(BRIEF PAUSE)

5

6 MS. MARILYN MCLAREN: AI.9 is the work
7 that the Corporation did in the last several months in
8 response to the Board order. Where some of it might look
9 like similar to something we published the year before, I
10 can tell you that this work was done subsequent to
11 161/'09 by people who were not even in the positions
12 they're in now in the Corporation a year and a half ago,
13 so it was a fresh set of eyes. It was a fresh work.
14 This is the literature review of what happens in other
15 jurisdictions and this work is ongoing.

16

17 But the extent to which we are in a
18 position to make a decision about significant, really
19 what would have to be called infrastructure investment,
20 is not in the foreseeable future, given the fact that
21 this is a city-wide and province-wide problem.

22

23 So this is something that's on our radar.
24 There was conversations in the last few -- few days
25 between the Board chair and myself, as well as counsel
for the Board.

26

But it's something that we'll continue to

1 think about. It's something we'll continue to work on.
2 We are working more proactively with the police, in terms
3 of enforcement during the October/November period.

4 So I guess in -- in short, this is a
5 literature review and research that was done in the last
6 few months, and it's something that continues to be
7 important to the Corporation.

8

9 (BRIEF PAUSE)

10

11 MR. RAYMOND OAKS: I wonder, Ms. McLaren,
12 if you can advise us specifically when that material was
13 written then, and advise us whether then Mr. Palmer's
14 answer a few minutes ago was incorrect.

15 MS. MARILYN MCLAREN: This material was
16 written in the spring leading up to the June filing, and
17 the fact that it bears some resemblance to information
18 that was also on the record and discussed last year is
19 because there have been no earthshattering new
20 evolutionary, revolutionary, advancements in terms of
21 dealing with this type of roadway risk. That was Mr.
22 Palmer's comment. He was not incorrect.

23 And the material was written leading up to
24 this filing.

25 MR. RAYMOND OAKS: I'll move along at

1 this point. Ms. McLaren, as the chief executive of a
2 multi-billion dollar corporation, you'd be familiar with
3 expense benefit kind of forecasts and evaluations?

4 MS. MARILYN MCLAREN: Certainly.

5 MR. RAYMOND OAKES: And in CMMG
6 interrogatory 1-9 we asked the Corporation with respect
7 to the materials at AI.9 how many millions in claims
8 expenses would the Corporation have to pay out per year
9 in order to justify spending on some of the bulleted
10 suggestions that they had, including elevated roadways,
11 road tunnels, emptying systems, and animal detection
12 systems.

13 Has the Corporation done any of that loss-
14 benefit kind of evaluation?

15 MS. MARILYN MCLAREN: No, we haven't
16 because that would require identification of a specific
17 section of roadway and a specific calculation of the
18 engineering and infrastructure requirements.

19 First of all, you know, with, I guess,
20 occasional exceptions that you might point to in terms of
21 things like RoadWatch initiatives and -- and some of the
22 other work that the Corporation does, it's emphasis is
23 not in building highways, or building overpasses, or
24 building fences. So part of the -- the matter that would
25 have to be discussed if we were ever to think about

1 spending ratepayer dollars on these things is what is the
2 Corporation's legitimate role.

3 Just because there's a cost benefit
4 potentially still would not mean that it's necessarily
5 our responsibility or -- or even legitim -- legitimate
6 role to play. I -- I suspect we might save some money if
7 -- if we took on our own fleet of sanding and salting
8 trucks in the city of Winnipeg. We're not about to do
9 that.

10 So there's a lot of issues here other than
11 just might we calculate an actual benefit. But I can
12 tell you, I mean, of the \$30 million that we spend on
13 wildlife claims in a year, you probably can't find one
14 (1) reasonably short piece of roadway or one (1) small
15 specific geographic area that would account for more than
16 a million dollars of that thirty (30). So this is a
17 widespread problem.

18 MR. RAYMOND OAKES: I think C. D. Howe
19 got in trouble for saying it was only a million dollars,
20 but I'll leave that alone. I understand your answer.
21 The first part of your answer said that the Corporation
22 has not performed those calculations.

23 Is that correct?

24 MS. MARILYN MCLAREN: Yes.

25 MR. RAYMOND OAKES: So Mr. Palmer was

1 again wrong a few minutes ago when he said that all of
2 those systems are too expensive.

3 MS. MARILYN MCLAREN: Well, he wasn't
4 wrong the first time, yeah, because I clarified that on
5 the record, so it's difficult to jump to "again". But
6 they're extremely cost prohibitive and expensive, and
7 that's simply on the face of it.

8 I mean, I think there was lots of talk,
9 many years ago now, when the Federal Government decided
10 to put in the two (2) overpasses on the Trans-Canada
11 Highway in Banff National Park. They're extremely
12 expensive endeavours. And if you expect to do something
13 in a very limited area, you're not going to be able to
14 calculate anything closely approximating a reasonable
15 payback period.

16 MR. RAYMOND OAKES: Now, the second part
17 of your answer you talked about the fact that it may not
18 be within the MPI's mandate, in any event, it could fall
19 to other agencies within the government within Manitoba.

20 Was that correct?

21 MS. MARILYN MCLAREN: Yes.

22 MR. RAYMOND OAKES: And I'd ask you, Ms.
23 McLaren, is not the situation with respect to attempting
24 to remedy these huge losses, both financial and in human
25 life, to Manitobans, is it not reasonable to expect the

1 Corporation to shoulder some of those burden and partner
2 with other agencies to get that done given that it has
3 done that with respect to other problems, like car theft,
4 where it's partnered with the police and the courts and
5 the private industries that -- tha -- that installed
6 immobilizers?

7 MS. MARILYN MCLAREN: There may very well
8 be a role beyond what the Corporation does today.
9 Building overpasses, underpasses, and -- and miles of
10 fencing, I suspect, will not be something that would end
11 up being part of what the Corporation does. But
12 certainly, this is something I continue to say, it's
13 something that we're concerned about. It's something
14 that is on our radar, and we'll continue to look for
15 feasible appropriate opportunities for the Corporation to
16 work with others to reduce this risk and this cost.

17 MR. RAYMOND OAKES: My question is a hard
18 one (1). Given that Mr. Palmer has testified that this
19 has been a problem since the Corporation's inception in
20 1972, I don't think it's unfair to ask, why is the
21 Corporation just trying to identify what their role is at
22 this late stage, more than three (3) dec -- well almost
23 four (4) decades later?

24 MS. MARILYN MCLAREN: As it's been for
25 four (4) decades, and as it continues to be at this

1 point, our role is to educate and inform, and work with
2 others who have ano -- who have a broader and different
3 road safety mandate. That hasn't changed.

4 MR. RAYMOND OAKES: Ms. McLaren, we'd
5 looked at the material in the Wildlife Collision Review,
6 and we'd talked about the fact that motorcycle claims
7 with respect to wildlife collisions are over a million
8 dollars a year on average. Do you recall that testimony
9 this afternoon?

10 MS. MARILYN MCLAREN: Yes.

11 MR. RAYMOND OAKES: Okay. And given that
12 we've looked at pre-ask 3, and we've seen what the -- the
13 losses are each ye -- year, would you accept my
14 calculations that that's representing somewhere between a
15 -- well representing somewhere between a third (1/3) and
16 a twelfth (1/12) of the overall loss costs in -- in a
17 year, that million dollars?

18

19 (BRIEF PAUSE)

20

21 MR. DON PALMER: I'll refer you to AI.12.
22 That's the Risk Study on page 17, where approximately 7
23 percent of losses for motorcycles are wildlife claims.
24 And that's similar to private passengers.

25 MR. RAYMOND OAKES: Would you agree with

1 me that based on that, at 7 percent, that even that is a
2 very significant exposure for motorcycles?

3 MR. DON PALMER: And as this states, it's
4 -- this -- approximately the same for private passenger
5 vehicles.

6 MR. RAYMOND OAKES: Now the next area is
7 a difficult one (1) as well. And this is -- I can tell
8 the Corporation that our clients, when we meet to review
9 the application and the like, they have concerns, just as
10 other parties to these proceedings have, about
11 transparency.

12 And, Ms. McLaren, we have difficulty
13 understanding the Corporation's response to CMMG-1-8.
14 And I appreciate you've been over this point at some
15 length in the hearings to date, but can you advise
16 whether there is any direction that the Corporation's
17 received with respect to remedying this problem?

18

19 (BRIEF PAUSE)

20

21 MS. MARILYN MCLAREN: No, I don't have
22 anything to share. If there was direction that had been
23 received, that we -- that we were to action on, we would
24 be making that public.

25 MR. RAYMOND OAKES: So I'm going to ask

1 you just some very simple questions, starting with,
2 you'll agree that MPI is the public insurer from
3 Manitoba?

4 MS. MARILYN MCLAREN: Yes.

5 MR. RAYMOND OAKES: And everything the
6 Corporation does is to be for the benefit of the Manitoba
7 motoring public?

8 MS. MARILYN MCLAREN: Yes.

9 MR. RAYMOND OAKES: And you'll agree that
10 the hearing that we're in today is a public hearing?

11 MS. MARILYN MCLAREN: Yes, it is.

12 MR. RAYMOND OAKES: And based on all of
13 those points, would you not expect that the public has a
14 right to hear what MPI is planning to do with respect to
15 this problem?

16

17 (BRIEF PAUSE)

18

19 MS. MARILYN MCLAREN: What we've been
20 talking about every time the issue of wildlife claims
21 has come up in these proceedings, we have been talking
22 about what we plan to do in this regard.

23 And I expect future hearings we'll have
24 more conversations about what we've done, and what we
25 plan to do, so we're not anything but transparent when it

1 comes to what are we planning to do with respect to this
2 issue.

3 MR. RAYMOND OAKS: You agree that the
4 public would view it as more transparent if you would
5 tell us what discussions, and what plans have been
6 formulated between yourselves and government?

7 MS. MARILYN MCLAREN: Well, all I can say
8 to that is that there's legislation that -- that
9 specifies what we do and do not talk about when it comes
10 to discussions with government, and we comply with that.

11 MR. RAYMOND OAKS: Moving onto the issue
12 of comparative fault, and this is likely Mr. Palmer's
13 bailiwick, but the question relates to the similarities
14 between losses arising from pedestrian cyclist collisions
15 versus wildlife.

16 And Mr. Palmer, would you agree that both
17 of those collisions involve, likely, a darting onto a
18 roadway and little opportunity to avoid either wildlife,
19 pedestrian, or cyclist?

20

21 (BRIEF PAUSE)

22

23 MR. DON PALMER: In terms of just that
24 particular action, then the pedestrian or cyclist does
25 something that a motorist either doesn't see, or doesn't

1 anticipate. I would not necessarily disagree with that.

2 MR. RAYMOND OAKS: And the actuary at
3 Dion Durrell indicated that they were similar because
4 both involved an insured vehicle, and an uninsured moving
5 body.

6 Do you accept that, sir?

7 MR. DON PALMER: No, I would not accept
8 that. In a collision with a motor vehicle, both a
9 pedestrian and a cyclist are insured under the statute --
10 under PIPP statute; wildlife is not.

11 MR. RAYMOND OAKS: Okay. I appreciate
12 that fine distinction that you've drawn. Would you agree
13 with me that both involve an insured vehicle, and a
14 unplated moving body?

15 MR. DON PALMER: Maybe there is a
16 pedestrian wearing a plate, I'm not sure. But
17 pedestrians and cyclists are unplated. Yes, I would
18 agree with that.

19 MR. RAYMOND OAKS: And the Dion
20 Durrell testimony, which we'll hear from tomorrow, but
21 certainly filed as a part of this public record,
22 indicated that motorcyclists were much less of a danger
23 to pedestrians and cyclists than private passenger cars.

24 Do you recall that fact, sir?

25 MR. DON PALMER: I recall the fact that

1 with the small motorcycle population in the last five (5)
2 years, there haven't been many motorcycle/pedestrian
3 collisions.

4 I recall that, yes.

5 MR. RAYMOND OAKS: It's -- it's almost
6 insignificant, isn't it, sir?

7 MR. DON PALMER: In the last five (5)
8 years, yes.

9 MR. RAYMOND OAKS: And with respect to
10 the private passengers, which are certainly private
11 passenger vehicles, primarily automobiles, they're
12 certainly more of a danger to cyclists and pedestrians
13 than motorcyclists. That follows.

14 Is that correct?

15 MR. DON PALMER: Yes, that's correct. In
16 the last five (5) years, that's what the experience shows
17 us, yes.

18 MR. RAYMOND OAKS: And those accident
19 damages, those loss costs from the prisa -- private
20 passengers when they're striking these pedestrians and
21 cyclists, those are spread across all major classes of
22 vehicles, aren't they?

23 Aren't they pooled?

24 MR. DON PALMER: Yes, they are, under the
25 provisions of Board Order 97/05.

1 MR. RAYMOND OAKES: And would you agree
2 with Dion Durrell that that pooling is detrimental to
3 motorcyclists given what we've just talked about, their
4 insignificant exposure, that part?

5 MR. DON PALMER: No, I would -- I
6 wouldn't agree with that. The nature of the PIPP
7 legislation is that coverage is -- is a condition of
8 residency that should be -- and the cost of that coverage
9 is spread amongst all -- all plated insured vehicles. So
10 that's consistent with Board Order 97/05.

11 MR. RAYMOND OAKES: On a primarily rate-
12 making methodology would you agree with me that pooling
13 the pedestrian cyclist claims is detrimental to
14 motorcyclists given the fact that they have a
15 insignificant exposure on those type of claims?

16 MR. DON PALMER: Again, this is not about
17 coverage of the motorcycle or the private passenger
18 vehicle. It's -- it's funding the coverage for
19 pedestrians and cyclists. So, from that standpoint, I --
20 I think that was the spirit of the Order of -- of 97/05
21 and -- and I don't have an argument with it.

22

23

(BRIEF PAUSE)

24

25 MR. RAYMOND OAKES: I'm going to move

1 from that area to that of road safety. And I'd ask the
2 Corporation to confirm that the budgeted amounts for
3 motorcycle specific programs have not significantly
4 increased over the last five (5) years.

5 MR. DON PALMER: Again, could I have a
6 reference, please?

7

8 (BRIEF PAUSE)

9

10 MR. RAYMOND OAKES: I have to get back to
11 you with the reference, but the Corporation has been
12 spending roughly two hundred thousand dollars (\$200,000)
13 annually with respect to motorcycle specific programs
14 over the last five (5) years.

15 Is the Corporation able to confirm that?

16 MR. DON PALMER: Subject to check, I
17 would agree with that.

18 MR. RAYMOND OAKES: Out of that sum, the
19 lion's share, I think, in this year, approximately a
20 hundred and thirty thousand (130,000) of that, goes to
21 the rider education programs.

22 MS. MARILYN MCLAREN: Yes, I believe
23 that's right.

24 MR. RAYMOND OAKES: Okay. And the amount
25 that the Corporation spends on motorcycle specific road

1 safety am -- programs is roughly proportionate to their
2 vehicle -- their percentage of the total vehicle
3 population. I think we've had those discussions before,
4 Ms. McLaren.

5 MS. MARILYN MCLAREN: Yeah, the
6 advertising that specifically targeted to motorcyclists,
7 and to motorists to be aware of motorcyclists, is -- is
8 the balance of that overall cost and -- and is relatively
9 representative.

10 But what we always talk about as well is
11 that all of the -- the fundamental broadly-based risks
12 associated with using motor vehicles is directed at
13 motorcycles every bit as much as private passenger
14 vehicles, things like speeding, and drinking and driving.

15

16 (BRIEF PAUSE)

17

18 MR. RAYMOND OAKES: And I -- I appreciate
19 that qualification, Ms. McLaren. We've talked about that
20 in the past. Would you agree or disagree with the
21 contention of the CMMG, that the amount budgeted for
22 motorcycle specific programs is not representative of
23 their characterization as a vulnerable road user.

24 Would you agree to that?

25 MS. MARILYN MCLAREN: No. I -- I don't

1 think there's another category that we spend that kind of
2 money on supporting the training. I mean, that -- that's
3 a significant expenditure.

4 And as you know, we've both talked about
5 in these proceedings, we do have ongoing discussions with
6 your members, and if they have ideas as to other kinds of
7 road safety promotions specifically for them, we're
8 certainly open to -- to listening to those.

9 MR. RAYMOND OAKS: Ms. McLaren, I'm
10 confused. You said there isn't another category of major
11 use that you spend that kind of money, but you --
12 previous testimony you indicated that the amount was
13 roughly proportionate to the percentage that motorcycles
14 bear to the total vehicle population.

15 Can you clarify that for it?

16 MS. MARILYN MCLAREN: Talking about the
17 advertising. In relation to our overall advertising
18 budget, what we spend on motorcycles is about
19 representative.

20 What I was talking about is a hundred and
21 thirty thousand dollars (\$130,000) supporting the two (2)
22 day rider training program is -- is a significant
23 expenditure.

24

25

(BRIEF PAUSE)

1 MR. RAYMOND OAKS: Ms. McLaren, we talked
2 earlier this afternoon about the fact that ten (10)
3 claims on -- in a year can make up 50 percent of all the
4 losses experienced by a motorcyclist in that year. Would
5 you agree with me that that represents a huge opportunity
6 for MPI in its road safety investment, because presumably
7 you only have to affect ten (10) parties, or ten (10)
8 insured claims in a year to have a drastic reduction?

9 MS. MARILYN MCLAREN: If only we knew
10 which ten (10). And I really don't mean that factiously,
11 you know? I mean, the fact that motorcyclists are -- are
12 vulnerable to very high claims costs per incident is
13 certainly been acknowledged fully in these proceedings,
14 and every time the com -- the Corporation's had
15 conversations with motorcyclists.

16 I -- I don't think it's at all reasonable
17 to say, you know, there's a real potential here because
18 you're only really targeting ten (10) people. We're
19 targeting the entire motorcycle driving population. And
20 -- and there's so many other factors that come into it.

21 So I think if there was a way to lower the
22 average cost of a motorcycle claim without even
23 eliminating any claims, there would probably be, you
24 know, as -- as much advantage, because you could do that
25 by dealing with and working with the entire population.

1 The fact that such a small number creates such a high
2 claims cost doesn't help at all, in terms of id --
3 figuring out successful ways to really intervene before
4 those crashes happen.

5 MR. RAYMOND OAKS: Ms. McLaren, in your
6 answer you -- you said you have to deal with programs for
7 the entire motorcycle population. We're only talking
8 about twelve thousand nine hundred (12,900) people, aren't
9 we?

10 MS. MARILYN MCLAREN: Sure.
11 Acknowledged.

12 MR. RAYMOND OAKS: Okay. Ms. McLaren,
13 would you agree with me that now that the Immobilizer
14 Program is being wound down, that that frees MPI, and its
15 resources, to deal with other problematic issues, such as
16 the loss experience with motorcycles by investment in
17 road safety?

18 MS. MARILYN MCLAREN: No, it -- it's not
19 quite that simple. First of all, because the Immobilizer
20 Program was funded by a special allocation of Basic
21 Insurance retained earnings, and secondly because we
22 created specially dedicated resources within the
23 Corporation to administer that program, and have wound
24 down the administration of the program in place of that.

25 But having said that, separate from the

1 Immobilizer Program, the Corporation does intend, through
2 the work that we're doing to establish a new road safety
3 vision, does intend to increase the emphasis on the broad
4 responsibility for road safety at Manitoba Public
5 Insurance, and I don't think there will be any shortage
6 of resources to -- to spend on initiatives like this.

7 And I mean that on (sic) all sincerity in
8 terms of saying, if you're members have, you know, ideas
9 of other things they'd like, they -- they really should
10 tell us because we're certainly open to hearing them.

11 And, you know, I mean, a number of times
12 CMMG has come back to this fact. And there was comment
13 in 161/09 about including them as part of a vulnerable
14 road user group. Vulnerable road users as a category,
15 involves, you know, pedestrians, cyclists, sometimes
16 aging drivers, those kinds of -- you know, motorcyclists
17 are not losing anything by having their own category of
18 road safety risk at Manitoba Public Insurance, so I don't
19 think that's a downside at all that we look specifically
20 at motorcyclists.

21 In rela -- also, within -- as well as in
22 the broad road safety objectives of reducing drinking and
23 driving and reducing speeding and things like that, but
24 there's now dow -- no downside to not being in a
25 vulnerable road user group that has characteristics

1 unlike motorcyclists, and there's -- there's no real
2 preconceived barrier or limit to what the Corporation
3 will devote to road safety initiatives if we find
4 reasonable and practical uses of those funds.

5

6 (BRIEF PAUSE)

7

8 MR. RAYMOND OAKES: Ms. McLaren, in
9 general terms, how much of a -- how -- in dollar terms,
10 how much of a problem was car theft each year before the
11 Immobilizer Program?

12 MS. MARILYN MCLAREN: Well, the numbers
13 we've been talking about this year is that it's costing
14 us this year alone, \$30 million less than it would have
15 if not for the auto theft strategies.

16 So I guess it used to be about at \$30
17 million prog -- problem that would have grown
18 significantly up until this point, and now it is less
19 than 20 million, I believe.

20 So it's a ballpark. Is that what you're
21 looking for?

22 MR. RAYMOND OAKES: Ballpark, I was
23 indeed.

24 So it used to be 50 million? I'm not
25 clear from your answer.

1 MS. MARILYN MCLAREN: No. Back in
2 '04/'05 it was somewhat north of 30 million a year.

3 MR. RAYMOND OAKES: Okay. And it's now --

4 MS. MARILYN MCLAREN: Expenditure.

5 MR. RAYMOND OAKES: -- presently?

6 MS. MARILYN MCLAREN: Approximately 10
7 million a year or so now, this year.

8 MR. RAYMOND OAKES: Okay. So it's gone
9 down 20 million?

10 MS. MARILYN MCLAREN: That's right. And
11 when we talk about the \$30 million that it would
12 otherwise have cost, it has a built in -- you know, the
13 in -- the inflationary aspect as well as the expectation
14 that -- that it would have continued to be a bigger
15 problem.

16 MR. RAYMOND OAKES: Okay. And -- and
17 again, in ballpark numbers, what do the Corporation spend
18 on the Immobilizer Program?

19 MS. MARILYN MCLAREN: The Immobilizer
20 Incentive Fund was about \$50 million, I think.

21 MR. RAYMOND OAKES: All right. And just
22 to confirm, apart from the -- the driver training aspect
23 of MPI funding with respect to motorcycles, spending
24 about seventy thousand dollars (\$70,000) on motorcycle
25 specific programs?

1 MS. MARILYN MCLAREN: Motorcycle specific
2 advertising, yes.

3 MR. RAYMOND OAKES: Yeah. And, Ms.
4 McLaren, there were -- was an IR concerning the research
5 component. The Corporation in its road safety budget
6 showed four thousand dollars (\$4,000) for research.

7 You'll agree with me that really wasn't
8 research; it was four thousand dollars (\$4,000) in phone
9 surveys?

10 MS. MARILYN MCLAREN: That's what the
11 expenditure was for, yes.

12 MR. RAYMOND OAKES: And so we can take by
13 that fact that there is no motorcycle specific research
14 funded by MPI in this budget?

15 MS. MARILYN MCLAREN: That's right.

16 MR. RAYMOND OAKES: Mr. Chairman, those
17 are the questions I have.

18 THE CHAIRPERSON: Thank you, Mr. Oakes.
19 Ms. Everard, do we have any update on Mr.
20 Williams?

21 MS. CANDACE EVERARD: I don't. Although,
22 I could just quickly check here with your -- the Board's
23 indulgence, to see if something has come.

24 THE CHAIRPERSON: Well let's take a ten
25 (10) minute break and then we'll rejoin and be able to

1 advise the parties where we are.

2 MS. CANDACE EVERARD: Yeah, I think that
3 would be the best, Mr. Chairman. Also, though, just
4 before we go, Ms. Kalinowsky did have a series of
5 exhibits to be marked at the outset when we resumed from
6 lunch. And so Exhibit 24 will just be the first one. So
7 perhaps we should, just for the purposes of the record,
8 explain which Undertaking will be which exhibit.

9 MS. KATHY KALINOWSKY: Sure. I'll go
10 through that then quickly so that we have it on the
11 record.

12 Undertaking Number 3 should be MPI Exhibit
13 Number 24.

14

15 --- EXHIBIT NO. MPI-24: Response to Undertaking 3

16

17 MS. KATHY KALINOWSKY: Undertaking Number
18 11 should be MPI Exhibit Number 25.

19

20 --- EXHIBIT NO. MPI-25: Response to Undertaking 11

21

22 --- EXHIBIT NO. MPI-26: Response to Undertaking 12

23

24 MS. KATHY KALINOWSKY: Undertaking Number
25 17 should be MPI Exhibit Number 27.

1 --- EXHIBIT NO. MPI-27: Response to Undertaking 17

2

3 MS. KATHY KALINOWSKY: And Undertaking
4 Number 20 should be MPI Exhibit number 28.

5

6 --- EXHIBIT NO. MPI-28: Response to Undertaking 20

7

8 MS. KATHY KALINOWSKY: And that's all at
9 this stage. Thank you very much.

10 THE CHAIRPERSON: Thank you. Okay.

11 Well, let's make it fifteen (15) minutes because if need
12 be we have a few questions, and we'll find out the update
13 on Mr. Williams.

14 Regardless, we'll be going tomorrow to the
15 CMMG witness?

16 MS. CANDACE EVERARD: Yes, Mr. Chairman.

17 THE CHAIRPERSON: Okay. And that'll be
18 at 9:00 in the morning. Thank you.

19

20 --- Upon recessing at 2:24 p.m.

21 --- Upon resuming at 2:58 p.m.

22

23 QUESTIONED BY THE BOARD:

24 THE CHAIRPERSON: Okay. Sorry for the
25 delay. With the changed circumstances and the order of

1 the cross, I thought we might as well make the best use
2 of the time that we have available. So we've been
3 gradually developing a few questions as the cross carried
4 on, and it's more in the form of a discussion than
5 anything else, but it'll clear off a few points, and be
6 helpful, I believe.

7 With respect to Ms. McLaren's indication
8 that in proposing rate changes, MPI looks around to see
9 if there's anything that could derail -- I'm paraphrasing
10 it -- derail their proposal, that is make what was to be
11 proposed unwise, I note in the annual report the Board of
12 Director's chairperson, Mr. Janzen, indicates that, I
13 quote:

14 "We continue to review PIPP regularly
15 to ensure that it meets Manitoba's
16 needs."

17 I realize you won't be able to answer this
18 question right now probably, but maybe you could provide
19 an undertaking.

20 Please remind us when, excepting for the
21 case of the enhanced benefits for those that are
22 catastrophically injured, which has been extensively
23 discussed, was the last time major changes occurred to
24 Basic's -- Basic's parameters, and what those changes
25 were. For example, and to be specific, when was the last

1 time the Basic deductible was raised, and what was it
2 raised from and to. When was the last time that the
3 third party liability limit for Basic changed. Things of
4 that particular order, so that we can put it in some form
5 of context.

6 So could you take that as an undertaking?

7 MR. DON PALMER: Mr. Chairman, I -- I
8 believe in Volume III of maybe TI -- or -- or AI.2 or 3,
9 there is a history of Basic coverage. So that should
10 provide the information that you require.

11 THE CHAIRPERSON: Good. If it -- we'll
12 have a look at that, and I'm sure you'll have a review,
13 too.

14 MS. CANDACE EVERARD: It's AI.3.

15 THE CHAIRPERSON: Next question was:
16 Would you agree that a change in Basic impacts Extension?
17 Like it either increases its market opportunities, or it
18 restricts it.

19

20 (BRIEF PAUSE)

21

22 MS. MARILYN MCLAREN: Sure, just by the
23 simple anything that's not mandatory is potentially
24 optional.

25 THE CHAIRPERSON: Would you kindly

1 explain, just basically, the -- the nature of SRE? Who
2 are the customers. How competitive is the market. What
3 is the relationship between SRE and Basic, and SRE and
4 Extension. What was the rationale for the past transfers
5 of excess SRE retained earnings to Basic RSR. What risk
6 for MPI lines, if any, lies with SRE, and how material
7 are those risks to MPI's overall financial position and
8 prospects.

9 MS. MARILYN MCLAREN: Would you mind
10 going through that one (1) at a time?

11 THE CHAIRPERSON: There's a fair bit of
12 content packed into a few words, which probably slowed my
13 typing down a bit.

14 Would you kindly explain the nature of
15 SRE. Just confirm it. Who are the customers, basically.
16 How competitive is the market? We know that --

17 MS. MARILYN MCLAREN: That -- that --

18 THE CHAIRPERSON: We know the situ --

19 MS. MARILYN MCLAREN: That much for now,
20 is that okay?

21 THE CHAIRPERSON: Sure.

22 MS. MARILYN MCLAREN: Okay. For the most
23 part, the customers are companies, companies who either
24 are in the transportation business or fundamentally their
25 business relies on the ability to transport their own

1 goods and services.

2 We -- we insure -- I can think of at least
3 one (1) example. We insure a company that does business
4 in just about every province in the country but their
5 base of operations is here, and, therefore, they have
6 trucks insured in every province but they do it through
7 us and they just use those trucks as part of their
8 ongoing -- the business enterprise that they have. Most
9 of the business though tends to be more transportation
10 related.

11 It is very competitive in a fairly
12 volatile way. One (1) of the things that we believe very
13 strongly at Manitoba Public Insurance is that we do
14 provide a stable long-term market. You know, with not
15 too much of a facetious twist, we say we are in the
16 business for the long haul.

17 Peop -- companies doing business elsewhere
18 in Canada decide to get really interested in this market
19 in Manitoba. They come in. It can be very disruptive.
20 And almost as soon as they come in, they decide to leave
21 again. So there's a lot of -- a lot of value for us to
22 really work with our clients so that they continue to
23 choose to stay with us even if another market comes to
24 town because it's very disruptive on them if that same
25 market decides it's leaving in another year, or two (2),

1 or three (3), which is what tends to happen with this
2 business.

3 So when they decide they're interested in
4 the market, it's very competitive, it's challenging. And
5 -- and I think that was only two (2), and I already can't
6 remember the third one, sorry.

7 THE CHAIRPERSON: That's helpful because
8 I noticed from your annual report it's -- your only line
9 of business would actually -- has had a decrease over the
10 last five (5) years, whereas Extension and Basic had both
11 gone up by approximately 17 percent over five (5) years
12 ago. The SRE appears to have declined although there's
13 some commentary in the annual report. Anyway, that's --
14 I -- that's helpful.

15 What is the relationship between SRE and
16 Basic?

17 MS. MARILYN MCLAREN: Not much, really,
18 other than they do share services like, you know, the
19 Executive Committee and finance and HR and things like
20 that. It's -- it's not as -- in terms of the delivery,
21 it's not tied together the way Basic and Extension are,
22 so there's very little relationship between Extension and
23 SRE, and, really, for that matter, between Basic and SRE.

24 THE CHAIRPERSON: Okay, because you've
25 covered off the other one, SRE and Extension. What was

1 the rationale for the past transfers of excess SRE
2 retained earnings to Basic RSR?

3 MS. MARILYN MCLAREN: To -- to build the
4 RSR to the Corporation's goal of -- I'm thinking back
5 then it was two hundred (200) and some odd million
6 dollars. The rationale was solely to -- to build an RSR
7 to what we really believe the Corpora -- the Basic plan
8 needed.

9 THE CHAIRPERSON: So you're treating
10 basically the Basic policyholders as, if you want, the
11 primary shareholders then, gaining the benefit from a
12 competitive line?

13 MS. MARILYN MCLAREN: No, not -- no, not
14 -- that was not the thought process. The thought process
15 was that SRE, and then later, Extension, did have excess
16 retained earnings, that the Corporation did not believe
17 that there -- at that time, there was a better use for
18 than to help Basic because it had excess and we wanted to
19 really build that RSR.

20 THE CHAIRPERSON: No, I understand. Just
21 so that you understand my comment. For example, we have
22 a regulated company that has gone into a different line,
23 okay, and the surplus or deficiency on that particular
24 line basically falls to the primary customers of that
25 particular utility, which becomes a proxy, if you like,

1 as -- if you want to call it the shareholder. That's why
2 I asked the question.

3 MS. MARILYN MCLAREN: I understand, but
4 that -- that just wasn't our thought process.

5 THE CHAIRPERSON: Okay. Thank you. Now
6 the primary question: What risk for MPI, overall, lies
7 with SRE, and how material are those risks? I'm
8 remembering back to the days of reinsurance assumed.

9 MS. MARILYN MCLAREN: No, there --
10 there's no reinsurance assumed at MPI anywhere, anyhow.
11 I -- I guess in terms of corporately, we could
12 potentially have some sort of an analogy similar to
13 motorcycles in that it's a -- it is the smallest
14 insurance book of business. You can see that from the
15 annual report, motorcycles being a fairly small category
16 of vehicles here in Manitoba.

17 And they potentially, because of the
18 nature of the business, the transportation industry, they
19 are fairly susceptible to some very large individual
20 losses. And so that is a risk for that business, but we
21 have very adequate retained earnings, we have
22 reinsurance, we mitigate that risk. So in terms of risk
23 to the Corporation from that line of business, I don't
24 see any possibility of something that could really wash
25 over the Corporation as a whole and would not be isolated

1 to that line of business.

2 THE CHAIRPERSON: Do you have anything
3 comparable with respect to SRE, like the DCAT?

4 MS. MARILYN MCLAREN: Oh, absolutely. We
5 -- we do DCATs for all three (3) insurance lines of
6 business. And we have sort of a -- you know, we -- we
7 had sort of an MCT based target for retained earnings,
8 but we used the DCAT, just like we do for Basic, in terms
9 of deciding what the retained earnings should be.

10 And it's on that basis that, you know, we
11 have had excesses and prior -- some of it was transferred
12 to Basic. More recently it was used to create the EDF.
13 But we use the same tools and techniques to identify
14 risk, mitigate risk, protect that aspect of the
15 Corporation.

16 THE CHAIRPERSON: So the -- the
17 Corporate's retaining earnings goal for SRE takes into
18 account that the risk that SRE present to the overall
19 Corporation?

20 MS. MARILYN MCLAREN: Absolutely.

21 MR. DON PALMER: Just as a reference for
22 that, Mr. Chairman, in our annual report, note 7, on page
23 66, outlines the DCATs for both Extension and -- and SRE.

24 THE CHAIRPERSON: Thank you, Mr. Palmer.
25 Just as a sideline while we're on that particular topic,

1 is SRE still financing the trucker training program?

2 MS. MARILYN MCLAREN: Yes.

3 THE CHAIRPERSON: Ms. McLaren, has MPI
4 modelled the impact on premium levels of the various
5 vehicle classes and the actuarial credibility of their
6 experience if MPI employed only one (1) territory, as
7 does, we understand, SGI, as does Manitoba Hydro with
8 respect to grid electricity rates, as does Centra Gas
9 with respect to the distribution of natural gas through
10 all their franchise areas? Have you modelled what the
11 effect would be?

12 MS. MARILYN MCLAREN: We have not.

13 THE CHAIRPERSON: Because the territories
14 go back to the -- pretty well the inception, I guess?

15 MS. MARILYN MCLAREN: And -- and it was
16 based on insurance models that were -- that were employed
17 at that time. In conversations with people from SGI and
18 what they've said on the public record, as well, is that
19 they have no actuarial basis to need territories. And we
20 know that statistically there are significant differences
21 in the risk -- the cost of the risk transfer in different
22 parts of Manitoba.

23 You know, if you look at -- they have, I
24 don't know, half a dozen cities of approximately the same
25 size. It's a very different geographic and -- and

1 demographic in Saskatchewan.

2 THE CHAIRPERSON: Yeah, the distribution
3 of population is significantly different.

4 MS. MARILYN MCLAREN: Yes.

5 THE CHAIRPERSON: I realize that.

6 MS. MARILYN MCLAREN: Yeah.

7 THE CHAIRPERSON: With respect to road
8 safety, the identification of risks and approaches to
9 bring down the frequency and severity of accidents, just
10 a couple of questions. Would you agree that MPI is in an
11 enviable position compared to private insurers with
12 respect to being able to identify and actually address
13 road safety issues?

14 MS. MARILYN MCLAREN: Sure, because we
15 have the entire population.

16 THE CHAIRPERSON: I understand from
17 previous testimony, if I remember -- recall properly,
18 that motor -- the motorcyclists that have the most
19 experience also have the fewest accidents. It's
20 basically the same as the other vehicle class?

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

22 THE CHAIRPERSON: You've already stated,
23 and its been covered off many times in the past, that the
24 PIPP claims for motorcyclists can be very expensive due
25 to the nature of the vehicles.

1 MR. DON PALMER: Yes, that's true.

2 THE CHAIRPERSON: Have you ever
3 considered a form of graduated licencing for
4 motorcyclists? Say restrict new motorcycle licensees to
5 operating motorcycles only in the daytime, or particular
6 months of the year to avoid inclement weather conditions,
7 or something, in other words, allow a more graduated
8 approach to motorcycling?

9 MS. MARILYN MCLAREN: The GDL program in
10 Manitoba does apply to motorcyclists, as well as others.
11 There are restrictions specifically related to carrying
12 passengers, and things like that.

13 Some jurisdictions I know restrict the
14 size of the motorcycle, and -- and perhaps when it can be
15 operated.

16 THE CHAIRPERSON: I was coming to that.

17 MS. MARILYN MCLAREN: Yeah. I -- I mean,
18 this isn't something that -- that is our authority, that
19 the specifics of the GDL are in -- in the HTA, so it is
20 the government's responsibility.

21 I think -- maybe I'll just leave it at
22 that. I mean, some jurisdictions have more restrictive,
23 some have less restrictive, particular provisions for
24 motorcycles.

25 THE CHAIRPERSON: You -- you haven't

1 looked into them to find out what type of experience they
2 got, for example. Like restrictions on the, you said it
3 yourself, types of motorcycles novice motorcyclists may
4 operate?

5 MS. MARILYN MCLAREN: No. That's --
6 that's not something I have firsthand experience with in
7 terms of really comparing experience related to
8 motorcycle crashes according to GDL provisions.

9 You know, I -- I have to believe that
10 there is certainly something that -- you know, when we do
11 look at it, I expect we will find some -- some useful
12 information.

13 I mean, some of the information that's
14 been shared here, and elsewhere, just in terms of the GDL
15 program itself has had a significant reduction in
16 injuries and crashes involving GDL operators since before
17 the introduction of the program.

18 I suspect it would be the -- the same for
19 motorcyclists.

20 THE CHAIRPERSON: Thank you. And I -- I
21 do understand that some of these things that I'm raising
22 are issues that you can't control directly that form the
23 basis of discussions that you might have with government
24 or...

25 It -- it seems that MPI accepts the

1 premise that some, if not many, wildlife vehicle
2 accidents occur to -- due to excess speed.

3 MS. MARILYN MCLAREN: Excess speed for
4 conditions, I think, and -- and the condition is ten --
5 this time of year it is dusk and dawn, and -- and wooded
6 areas, absolutely.

7 THE CHAIRPERSON: The -- that's exactly
8 where I was going. I think with respect to excess speed,
9 it could either be the speed limit itself, or it could be
10 the road conditions at the time.

11 MS. MARILYN MCLAREN: Definitely, yes.

12 THE CHAIRPERSON: Has there been any
13 consideration about recommending reduced, given that you
14 have this -- this mapping, reduced speed limits for
15 certain areas possibly during particular times of the
16 year towards reducing the risk of these accidents which
17 can be so -- well, they can be fatal?

18 MS. MARILYN MCLAREN: I can't say. I
19 know that those conversations have been held. I think
20 it's a really good idea. It springs to mind the 70
21 kilometre an hour speed limit heading into Lake Louise in
22 Banff National Park. I -- I think that certainly would
23 likely have some merit.

24 THE CHAIRPERSON: It's interesting you'd
25 say that because that was exactly what I was thinking of,

1 because we drove to the Yukon and back, and saw that.

2 Along the same lines, have you considered
3 recommending photo radar, or increased traffic
4 enforcement, in certain areas during certain periods of
5 the year and day for areas where wildlife collisions have
6 been prevalent?

7 MS. MARILYN MCLAREN: No. No, I'm not
8 aware of any of those conversations. I -- I want to say
9 that, you know, the collaborative effort related to
10 wildlife claims has really just begun.

11 And I -- I think those are a couple of
12 really good ideas that -- that I'm certainly prepared to
13 carry back to the people working with the police on that.
14 And there's MI --

15 THE CHAIRPERSON: Is the --

16 MS. MARILYN MCLAREN: There's MIT
17 representation of those meetings, as well, so it's not
18 just the police. Yeah.

19 THE CHAIRPERSON: Yes, we were actually
20 drawing on that point, that you were working with other
21 groups.

22 In fact, the -- the panel also has noticed
23 in our own observations the opportunities for mobile
24 signage indicating speed and the fact that you can move
25 these things.

1 MS. MARILYN MCLAREN: Yeah, definitely.
2 And we've actually purchased some of those. Those are --
3 we have a number of them that we use in some of the
4 community based speed watch programs. And I think, you
5 know, that's another area that -- that could be
6 leveraged, particularly at this time of year.

7 THE CHAIRPERSON: The particular interest
8 of the Board in this is that the quantum of these
9 wildlife claims is getting in -- well, it's the same
10 range as when the Corporation began the pursuit of
11 bringing down the auto thefts. And --

12 MS. MARILYN MCLAREN: Agree.

13 THE CHAIRPERSON: On another note, please
14 confirm, and I'm sure Mr. Palmer will point me to some
15 section that you've already covered this off, but MPI's
16 view as to the merits of incorporating, to some, or any,
17 extent, red light photo radar infractions within the DSR
18 scheme.

19 I'm not talking about one (1), or two (2),
20 or the occasional ones, but I believe we heard evidence
21 before that there can be multiple infractions involving
22 the same vehicle, suggestive of to -- some might say
23 unsafe driving behaviour.

24 The way I also recall Mr. Palmer's earlier
25 remark from -- maybe it was last year about that, despite

1 the graph showing how the distribution depending on
2 number of years without at fault, the vast majority of
3 accidents still happen in the group that hasn't had one
4 in a number of years before.

5 MS. MARILYN MCLAREN: Most accidents are
6 caused by good drivers who mess up every decade or two
7 (2).

8 THE CHAIRPERSON: Hence the idea of the
9 red light photo radar infractions. And photo radar
10 basically is whether or not they're predictive of a --
11 if you want to call it a future accident, waiting to
12 happen.

13 MS. MARILYN MCLAREN: You know, I -- I
14 think the only point on that really is that, separate
15 from the obvious of it being, you know, a government
16 regulation, government decision, but, you know, that the
17 -- the primary issue related to demerits and photo radar
18 is that you don't know who was driving.

19 And I think that has kept most
20 jurisdictions from including demerits for those kinds of
21 infractions because it almost -- the -- the most common
22 reaction, as I understand it, is that it just feels like
23 unnatural justice. It doesn't feel like justice at all
24 because you don't know who was driving.

25 THE CHAIRPERSON: I supposed some would

1 say the contrary argument is the owner controls the
2 vehicle.

3 MS. MARILYN MCLAREN: Yes, in -- insurers
4 particularly like to make that argument, some with
5 limited success.

6 THE CHAIRPERSON: Okay, we'll leave you
7 with that for that. Along the same lines, about we've
8 all watched people text and talk as they roar around
9 corners and through yellow lights, at least. Is there
10 any thought about demerits being attached to handheld
11 devices used during driving for which a ticket has been
12 issued?

13 MS. MARILYN MCLAREN: I don't know of --
14 of any thinking or -- or decisions that may occur on the
15 part of the government on that one. I -- I can though, I
16 think, refer back to seatbelts, you know. When -- when
17 seatbelt legislation first came in there were no demerits
18 and it was an iterative process of occasionally
19 increasing fines, and then, finally, when we were still
20 really not meeting the targets, significantly increasing
21 fines and demerits, and that's when there was a really
22 significant improvement.

23 So I think the iterative process might be
24 what we can expect in terms of this particular piece of
25 legislation, but that's my own personal opinion. I -- I

1 have nothing from government on which to base that.

2 THE CHAIRPERSON: We all know like
3 Guinness' Book of Records, et cetera. In fact, I think
4 they used to put these things out the top ten (10) of
5 virtually everything, like music, best football games,
6 worst this, worst that. Would you kindly indicate what
7 kinds of actions or circumstances that represent the
8 major contributions to incurred claims and the projected
9 annual cost for each category, because we see them moving
10 them around now as efforts made on theft and attempted
11 theft. It seems to be falling down the -- the chart, so
12 to speak. We know about impaired driving, speed, no
13 seatbelt, theft, and attempted theft, and wildlife. I'm
14 not quite sure if I could just put my hands on the
15 quantum, like -- or if there are any other significant
16 factors that are driving the overall incurred claims?

17 MS. MARILYN MCLAREN: You know, nothing
18 really comes to mind, and we will go back and have a look
19 at that and -- and bring forward the information. But,
20 you know, for the most part, both in terms of where
21 accidents happen, and what kind -- you know, it's -- two-
22 way traffic and somebody turns left in -- in front of
23 somebody else, different variations on the theme of, you
24 know, two (2) or -- or more vehicle accidents, rear end
25 bumper crashes, and then there's all the typical single

1 vehicle accidents where someone just, you know, runs off
2 the road, hits a pole, backs into a fence.

3 There's not anything really substantive
4 that comes to mind that really is an opportunity to -- to
5 really leverage a -- a different kind of approach when it
6 comes to collision claims in general. And that also
7 holds true of where the claims happen. You know, the --
8 we collect, and I think the police as well, you know,
9 where the most common intersection crashes are.

10 But, you know, if you looked at -- and
11 that moose, you know, that Regent and Lagimodiere is one
12 (1), something out, probably, Wilkes and Waverley will be
13 another one (1), but -- and it flips -- flips back and
14 forth through time. But there's not much more than a
15 million dollars in claims costs a year, which, you know,
16 it's only a million dollars is not what I'm saying, but
17 total collision claims costs are what, 400 million?

18 With just -- just the vehicle claims
19 themselves, \$250 million a year. So they're very spre --
20 I mean, this is a very large non-density city, so those
21 are all things that -- that come to mind in terms of
22 answering that question. But we'll go back and have
23 another look and if there's anything that stands out,
24 we'll let you know.

25 THE CHAIRPERSON: I appreciate it. Well,

1 of course, the general approach is the DSR and efforts to
2 try and graduate the licensing and things of that --

3 MS. MARILYN MCLAREN: M-hm.

4 THE CHAIRPERSON: -- particular nature
5 that make people aware of the risks that are there.

6

7 --- UNDERTAKING NO. 34: MPI to indicate what kinds of
8 actions or circumstances that
9 represent the major
10 contributions to incurred
11 claims and the projected
12 annual cost for each category

13

14 THE CHAIRPERSON: Now, things that we've
15 been talking about here, I mean things that are
16 controllable. I mean if you're going slow enough, you're
17 not going to hit anything. We all know that. I mean,
18 it's very hard for an unmoving vehicle to cause a lot of
19 damage. But there are circumstances which are, everyone
20 would say, non-controllable. Okay.

21 And, you know, hail, sleet, rainstorm,
22 road conditions, and things of that particular nature.
23 Just in a general contextual form, what's the available
24 target for bringing down incurred claims, okay, over the
25 things that, no matter what you do, you're not going to

1 be able to control?

2 Do you have any sense for that, or is it
3 just one (1) item after another, I guess?

4 MS. MARILYN MCLAREN: No, I mean, I think
5 the ones that -- that are potentially controllable are --
6 are collision claims. And, you know, I mean, we can
7 think about coming -- I mean, maybe these are things that
8 we could think about providing another approach to in the
9 next application, in terms of a -- a different --
10 different way to think about some of the data and the
11 claims experience.

12 I think, along with that, we would have to
13 say that we really have to count on more and more hail in
14 the future. So while there are opportunities to bring
15 certain things down, I think it's pretty clear that
16 that's a -- that's one (1) that is little opportunity to
17 do much with, and is increasing in Manitoba.

18 THE CHAIRPERSON: Well, in some cases we
19 enjoy climate change, but you're -- you're right, we
20 seemingly can look forward to significantly varying
21 circumstances from time to time, above weather in
22 January, and who knows what. I understand.

23 Just a general question to help us in --
24 overall, while looking at it. If one assumes that
25 there's approximately, based on that study that Mr.

1 Williams was talking about, five hundred (500) major
2 accidents, okay, which presumably includes fatalities,
3 brain injuries, fractures, things of that particular
4 nature.

5 Do you have a sense, for example, what one
6 (1) of those five hundred (500) major accidents would
7 contribute to the overall incurred claims on average?
8 You probably do.

9 MS. MARILYN MCLAREN: I mean, if -- if
10 you take away the fatalities and think about the
11 survivors, every year we have somewhere between two (2)
12 and six (6) people who become paraplegics or
13 quadriplegics. You could expect that each of those would
14 likely be somewhere between one (1) and \$4 million.

15 The -- the most common category of very
16 serious injury we have are brain injuries. Anywhere
17 between sixty (60) and eighty (80) of those a year.

18 And again, depending on the severity, you
19 know those can be relatively low cost, or they can be
20 every bit as expensive as one (1) of the quadriplegic
21 claims.

22 THE CHAIRPERSON: Yes, we just can't lose
23 fact of the, or lose track of the fact that the -- the
24 unique opportunity that Manitoba Public Insurance has to
25 work towards reducing the accidents, along with of course

1 compensating people, and --

2 MS. MARILYN MCLAREN: Absolutely.

3 THE CHAIRPERSON: -- providing service.

4 MS. MARILYN MCLAREN: Absolutely.

5 THE CHAIRPERSON: And the more research
6 that goes along there, you can...

7 And -- and no wrong implications to be put
8 -- put on this question, but it's a general one (1).
9 You've got a very large corporation that does a whole
10 host of different things. You've got lines of business.
11 You've got almost two thousand (2,000) employees.

12 Given the importance of road safety, and
13 the toll of property and human damage, i.e., death,
14 dismemberment, and serious injury, that arise out of
15 motor vehicle accidents, and as that MPI is granted --
16 but one (1) party involved in the -- in the effort to
17 reduce the toll, has MPI given any consideration to the
18 pros and cons of establishing a separate body independent
19 of MPI whose board would be comprised of representatives
20 of various agencies and groups that have a direct
21 interest in road safety? One (1) that perhaps could be
22 partially funded by MPI to focus on road safety?

23 Such is the case, for example, with WCB
24 and Workplace Safety and Health, which is the overall
25 scope, or do you feel that MPI is best equipped to have

1 it within your bailiwick, so to speak, because of the
2 interplay of the information, the adjusters, and et
3 cetera, et cetera?

4 It's a question without a thought-out
5 view.

6 MS. MARILYN MCLAREN: Yeah. I'm -- you
7 know, I think at various times there's been, you know,
8 the Manitoba Road Safety Committee, certainly not a --
9 not a stand alone organization with its own Board of
10 Directors and so on, but I guess the immediate thought
11 that comes to mind is your comment that such an
12 organization could be partially funded by MPI.

13 I would worry about the "partially" word
14 on that one (1), given, you know, governments have huge
15 constraints, police organizations have huge constraints,
16 everyone thinks we can make a business case for spending
17 money on road safety because we'll save money.

18 It's a bit of a problematic construct, I
19 think, on immediately top of mind. I think -- you know,
20 the -- the reason, and I think we've put this on the
21 record, the reason we are undertaking this effort to
22 really establish a new road safety vision is because we
23 have not yet sorted that out since the merger with DVL.

24 A huge opportunity, potentially, to, you
25 know, reduce the cost of claims, reduce the human toll of

1 -- of road accidents, and particularly since we have some
2 regulatory responsibilities along with the opportunity of
3 being the mandatory insurance provider.

4 But we haven't quite sorted that out yet,
5 so I think those are some of the things we do need to
6 think through, and we need to really establish what makes
7 sense to us in our new, you know, larger, more
8 multifaceted organization.

9 But when it comes right down to it, we
10 still will always have to work with others, and we have
11 to make sure the -- the rate payer dollars are -- are
12 spent appropriately.

13 I would be a little uncomfortable with,
14 sort of, handing off that money to a third party, even
15 though we had some role in overseeing that third party.

16 THE CHAIRPERSON: Thank you. I'll just,
17 I guess what they call short snappers. I've got a few
18 here.

19 Would you agree that cross-subsidization
20 is actually prevalent where the approach is taken by many
21 monopoly utilities and programs?

22 MS. MARILYN MCLAREN: I don't know enough
23 to have an opinion on that.

24 THE CHAIRPERSON: Like for example,
25 cross-subsidy, is it not in place right now with MPI with

1 -- with respect to the PIPP cost for the long-haul
2 truckers, because those costs, in effect, are being born
3 by other motorists?

4 Isn't that a form of cross-subsidy?

5 MS. MARILYN MCLAREN: A cross-subsidy of
6 one (1) part of MPI to another part? I don't see that,
7 no.

8 THE CHAIRPERSON: Another example, and --
9 for example, and it's not Basic, but are Extension
10 policyholders not now, in a sense, providing a subsidy,
11 in essence, to the Administration of DVA?

12 MS. MARILYN MCLAREN: Excess returned
13 earnings from that line of business have been used for
14 that, yeah.

15 THE CHAIRPERSON: And even, for example,
16 are some -- as you've explained it, I appreciate that,
17 some or many of the SRE policyholders, are they not, in a
18 sense, cross-subsidizing other ones through the trucker
19 training, when one (1) particular firm doesn't get
20 involved in it?

21 MS. MARILYN MCLAREN: Well, again, that
22 project was funded with excess retained earnings, so it's
23 not really built into the rate on a going forward basis.

24 THE CHAIRPERSON: You're making a
25 distinction over the -- between the use of excess money

1 as opposed to ongoing rate.

2 MS. MARILYN MCLAREN: I -- I think -- I
3 think it is, particularly for the competitive lines of
4 business that have some expectation of making a small
5 profit. It's critically important, as with any
6 competitive business, that you price your product
7 appropriately so that you don't lose market share or that
8 you have the market share that you would wish to have.

9 So as long as you believe you're putting a
10 product on the market that is well priced, that's
11 attractive to people that want to buy, and you make a bit
12 of money doing that, what you do with the money doesn't
13 necessarily constitute a subsidy of the rate that people
14 paid.

15 THE CHAIRPERSON: Thank you. I've got a
16 few more, probably, I guess, just to cover off the area.
17 But, in general, in society, for example, you could argue
18 that taxpayers that don't take care of their health,
19 they're cross-subsidizing taxpayers that do with respect
20 to health costs. That's true, is it not, in general?

21 MS. MARILYN MCLAREN: Sure. In a very
22 general sense, sure.

23 THE CHAIRPERSON: Has MPI ever considered
24 recommending, I know you couldn't do it directly, changes
25 to mandatory coverage for motorcycles towards providing

1 the owners potential savings through reduced coverage?

2 MS. MARILYN MCLAREN: No. No, that's not
3 something that we've thought about. And in conversation
4 with motorcyclists, they are -- they understand and
5 appreciate the -- the benefits of coverage available
6 through PIPP. That's not something that's come from
7 them, either.

8 THE CHAIRPERSON: Not necessarily PIPP,
9 but other areas of Basic, smaller dollars then.

10 MS. MARILYN MCLAREN: Definitely smaller
11 dollars. And -- and it's more limited coverage already.
12 They don't have comprehensive coverage as part of the
13 compulsory program already.

14 MR. DON PALMER: Just from that
15 standpoint, about 85 percent of the costs attributed to
16 motorcycle, between eighty-five (85) and ninety (90), are
17 PIPP costs, so that -- that's their cost base.

18 THE CHAIRPERSON: Just to confirm in your
19 response to Mr. Oakes, I take it you do not consider the
20 approach to spread cyclists-pedestrian vehicle accident
21 costs across all vehicle classes, a cross-subsidy by
22 motorcyclists. Is this because the case, from your
23 perspective, it has not been made that motorcycles are
24 less likely to injure bicyclists and pedestrians than any
25 other vehicle class?

1 (BRIEF PAUSE)

2

3 MR. DON PALMER: From -- from that
4 standpoint, back prior to 2007, all costs attributed to
5 pedestrian losses, with whatever vehicle, was attributed
6 to that particular type of vehicle. That changed with
7 Board Order 97/05.

8 THE CHAIRPERSON: Yes, of cour -- we're
9 aware of that.

10 MR. DON PALMER: So, from -- from that
11 standpoint, I think, as I explained to Mr. Oakes, we look
12 at -- at that as essentially a collision with insured
13 entities. So a car hits a pedestrian, they are still in
14 -- insured. The cars' pool is the cars' pool. The
15 pedestrians' pool is the pool as a whole. So from that,
16 it's a -- it's a shared cost amongst all the insureds of
17 the Corporation,

18 THE CHAIRPERSON: No, we understand the
19 argument and what the situation is. The question I had
20 was: Do you buy in concept, okay, the view that
21 motorcycles are less likely to injure bicyclists and
22 pedestrians than another -- than passenger cars?

23 MS. MARILYN MCLAREN: Yeah, I think the
24 data showed that prior to the different PIPP allocation
25 that the Board came up with and -- and, you know, we

1 didn't take issue with that and we've been using it ever
2 since. But prior to that ruling of the Board the
3 evidence showed that motorcyclists were less likely to be
4 involved with pedestrian and cyclists, and their rate
5 base until that point reflected that.

6 THE CHAIRPERSON: Do you know if that's
7 the case outside of Manitoba with other insurers, other
8 places? Is it a statistical anomaly, or is it something
9 that's been -- that's sort of proved itself over a long
10 period of time?

11 MS. MARILYN MCLAREN: We don't know that,
12 but I think it's -- it -- I think -- my sense of it and
13 my knowledge of -- you know, my experience with the
14 Corporation with motorcycle claims and so on is that they
15 are more manoeuvrable. They -- they can manoeuver more
16 quickly. They can stop more quickly. The problem for
17 motorcyclists is when those diversionary tactics don't
18 work. But it's likely to believe that they are more able
19 to avoid a pedestrian and more able to avoid a bicycle.

20 THE CHAIRPERSON: Thank you. That's
21 helpful. Do you -- do you agree, I guess you would, that
22 motorcyclists -- motorcycles contribute less to
23 greenhouse gas emissions than other vehicle classes?

24 MS. MARILYN MCLAREN: I think the --

25 THE CHAIRPERSON: Per vehicle.

1 MS. MARILYN MCLAREN: -- miles per gallon
2 are better than cars, I think.

3 THE CHAIRPERSON: Yes, okay. And do you
4 accept that there's a -- it's been argued by various
5 parties before, that there's a social benefit with
6 respect to particularly scooters and mopeds, and perhaps
7 motorcycles, in the fact that they're affordable
8 transportation as compared to a vehicle with respect to
9 operating costs other than insurance, obviously?

10 MS. MARILYN MCLAREN: Because they have
11 lower operating costs, they're --

12 THE CHAIRPERSON: No, would you --

13 MS. MARILYN MCLAREN: -- good for the --

14 THE CHAIRPERSON: Would you accept the
15 fact that because they have lower operating cost,
16 excluding insurance, that an argument could be made that
17 they're potentially more affordable transportation for
18 students, lower income people?

19 MS. MARILYN MCLAREN: Except that you can
20 only use them for a few months a year in this province,
21 generally, yes, I would agree.

22 THE CHAIRPERSON: Do you -- do you agree
23 that MPI in general takes into account social,
24 environmental, and economic development concerns and
25 factors with respect to your general operations?

1 MS. MARILYN MCLAREN: Our general
2 operations, yes.

3 THE CHAIRPERSON: And this is another
4 question asked without knowing an answer. Do you agree
5 that certain other jurisdictions charge motorcycle
6 premiums that are lower than those that are charge by
7 MPI?

8 MS. MARILYN MCLAREN: I think you
9 certainly legally register a motorcycle with the minimum
10 coverage in other jurisdictions for less than it costs
11 here. I don't believe that comparable coverage is
12 significantly a different cost in other jurisdictions.

13 THE CHAIRPERSON: So, in other words, the
14 difference, from your perspective, is the coverage
15 extended by the no fault plan in Manitoba, the PIPP.
16 And, as Mr. Palmer said, 85 to 90 percent of the cost
17 attributable to motorcycles, I think you just said,
18 related to PIPP, correct?

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

21 THE CHAIRPERSON: Just a last general
22 question in these called snow -- short snappers. Is it
23 good for public auto insurance, and MPI specifically, to
24 constantly have offside, so to speak, a large group of
25 policyholders, that is motorcyclists, many who also own a

1 passenger vehicle?

2 MS. MARILYN MCLAREN: And have friends
3 and families and others who care about them.

4 THE CHAIRPERSON: I could have added
5 that.

6 MS. MARILYN MCLAREN: No, no, I don't
7 think so. I think we've worked hard to build bridges
8 with motorcyclists, and I think there is a much greater
9 appreciation for what makes up the cost now amongst --
10 particularly the membership, the leadership of CMMG. We
11 go out of our way to work with them and talk with them
12 and -- as often as they want us to, and I think, for the
13 most part, that has improved. I think we've done some
14 other things that have improved that relationship.

15 But the fact that the -- the broad based
16 perception is still they pay way more than they would
17 somewhere else is -- is a strongly held belief that --
18 that certainly doesn't hurt -- that does not help and --
19 and does hurt the relationship.

20 THE CHAIRPERSON: Thank you. I think in
21 an earlier hearing I remember when PIPP first came in,
22 and correct me if I'm wrong, I think it's fair to say
23 neither the Corporation or the other stakeholders
24 realized the implications for that particular group.

25 Is that true?

1 MR. DON PALMER: At that point in time,
2 in -- in 1994, we had a pretty strong feeling that the
3 costs for motorcyclists would increase. And -- but there
4 was a -- a policy decision made at that time that when we
5 went to the PIPP produ -- product, that there would be no
6 rate increases for anybody in the first year. The Board,
7 in fact, overruled us on that particular point, and
8 understood that there would be an increase in cost, and -
9 - and ordered an increase in cost in that first PIPP
10 year.

11 So that's my recollection back then. And,
12 of course, as costs have emerged, we have seen that the
13 costs under PIPP for motorcycles are higher, and it
14 doesn't really have anything to do with loss attribution
15 or loss transfer.

16 What it has to do with is the fact that we
17 have about 50 percent of motorcycle accidents are -- are
18 single vehicle accidents, and about 30 percent of -- of
19 the remaining are the fault of the motorcyclists, so --
20 so that leaves that 65 percent of motorcyclists in -- in
21 accidents get benefits, substantial benefits, under PIPP.
22 Where in a tort environment, or pre-PIPP, they didn't --
23 they would get nothing, or -- or very minimal benefits.

24 So that's really the -- the cost driver is
25 that there are benefits that are given to motorcyclists

1 in accidents that in a tort jurisdiction, they just
2 wouldn't be available.

3 THE CHAIRPERSON: I recall the time in
4 the debate, and I must admit, I don't remember, in the
5 discourse at the time, a lot of attention being paid as
6 to the application. It was felt that the introduction of
7 PIPP would be good for motorists, generally, at the time
8 the tort system costs were going like -- like that.

9 But I -- I appreciate your comments, and
10 if I'm wrong about the discourse, and the effect on
11 motorcycles were known from the get-go, I would like, you
12 know, you can let us know. But the history doesn't hurt.

13 Thank you very much. I -- I appreciate
14 this discussion.

15

16 (PANEL RETIRES)

17

18 THE CHAIRPERSON: And, Ms. Everard, I
19 guess this would bring to a close today's session.

20 MS. CANDACE EVERARD: I think so, Mr.
21 Chairman. Unfortunately, Mr. Dawson couldn't get here
22 within the time parameter that we gave him, and so I'll
23 try to touch base with Mr. Williams between today and
24 tomorrow and see if he'll be back tomorrow. Although, of
25 course, we have Mr. Oakes' witness, who I gather will be

1 here at 9:00, and there may be a direct-examination, I
2 don't know, and then cross by Ms. Kalinowsky and myself,
3 and other Intervenors if they wish.

4 So we'll see how long that all takes
5 tomorrow, and then we may be able to either have Mr.
6 Dawson's cross, or a continuation by Mr. Williams of the
7 panel of MPI.

8 THE CHAIRPERSON: So the plan right now
9 is to have the CMMG witness tomorrow and deal with that
10 issue. And if we can fit anything more in we would?

11 MS. CANDACE EVERARD: Exactly.

12 THE CHAIRPERSON: Then we would go to
13 next Monday, and then we would start closing arguments on
14 Tuesday, correct?

15 MS. CANDACE EVERARD: Correct. That's
16 the plan.

17 THE CHAIRPERSON: Okay. Well best wishes
18 to Mr. Williams. We'll see you all tomorrow at nine
19 o'clock.

20

21 --- Upon adjourning at 3:46 a.m.

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1 Certified Correct

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8 Cheryl Lavigne, Ms.

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