

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE COMPANY (MPI)
GENERAL RATE APPLICATION
FOR 2012/13 INSURANCE YEAR

Before Board Panel:

- Susan Proven - Board Chairman
- Len Evans - Board Member
- Regis Gosselin - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 25, 2011
Pages 1742 to 1926

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

APPEARANCES

Candace Grammond) Board Counsel
Nicole Hamilton (np))
Kathy Kalinowsky) MPI
Michael Triggs)
Raymond Oakes) CMMG
Byron Williams) CAC/MSOS (MPI) Manitoba
Nick Roberts (np)) MUCDA
Liz Peters) CAA Manitoba
Jerry Kruk)
Dave Schioler (np)) IBAM

1	TABLE OF CONTENTS	
2		Page No.
3	List of Exhibits	1745
4	List of Undertakings	1746
5		
6	MPI PANEL 1, Resumed:	
7	MARILYN MCLAREN, Resumed	
8	DONALD PALMER, Resumed	
9	Continued Cross-examination by Mr. Byron Williams	
10	Cross-examination by Mr. Raymond Oakes	
11	Re-direct Examination by Ms. Kathy Kalinowsky	
12		
13	Certificate of Transcript	1926
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1	LIST OF EXHIBITS		
2	NO.	DESCRIPTION	PAGE NO.
3	MPI-40	Response to Undertaking 19	1788
4	MPI-41	Response to Undertaking 27	1788
5	MPI-42	Response to Undertaking 36	1788
6	MPI-43	Response to Undertaking 38	1788
7	MPI-44	Response to Undertaking 34	1789
8	MPI-45	Response to Undertaking 35	1789
9	CAC-12	Notice of question	1790
10	MPI-46	Consumer price index (1992 = 100)	
11		auto insurance premiums	1825
12	MPI-47	ICBC Road Improvement Program	1909
13	MPI-48	Inter-jurisdictional Report on	
14		Fatalities	1909
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

	LIST OF UNDERTAKINGS		
1			
2	NO.	DESCRIPTION	PAGE NO.
3	39	MPI to provide the Statistics Canada	
4		catalogue number	1829
5	40	MPI to explore whether ICBC has put this	
6		investment policy on the public record.	
7		And in the event that it has, the	
8		Corporation would undertake to file it	
9		in the course of this proceeding,	
10		recognizing that it may not be filed	
11		before the filing of argument	1845
12	41	MPI to indicate how much it would have	
13		cost to process the two (2) rebates in	
14		2011, including the cost of its staff	1879
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

1 --- Upon commencing at 9:35 a.m.

2

3 THE CHAIRPERSON: Welcome back. Ms.
4 Grammond, where are we now?

5 MS. CANDACE GRAMMOND: I think, Madam
6 Chair, MPI has some undertakings to answer, but we'll
7 just given them an opportunity to collate them.

8 THE CHAIRPERSON: Okay.

9 MS. CANDACE GRAMMOND: So we'll enter
10 those maybe just after the break. So Mr. Will --
11 Williams then would continue with his cross at this
12 point.

13 THE CHAIRPERSON: Go ahead, Mr. Williams.

14 MR. BYRON WILLIAMS: Yes. Thank you, and
15 good morning, Madam Chair and members of the Board.
16 Before I -- I start with my cross, just if -- if I could
17 just inquire of MPI counsel.

18 In terms of Undertaking 19, which was the
19 request of Mr. Christie, is -- is there a response
20 available for that?

21 MS. KATHY KALINOWSKY: Yes, there is.
22 That's one (1) of those that I intend to distribute as
23 soon as they're collated.

24 MR. BYRON WILLIAMS: Okay. So --

25 MS. KATHY KALINOWSKY: Would you -- would

1 you like a --

2 MR. BYRON WILLIAMS: -- it -- it's fine
3 then as long as -- I'll just make a note to myself to not
4 leave without going through that. Okay.

5 Madam Chair, just for -- and for the
6 benefit of the MPI panel, the doc -- I'm going to ask for
7 -- just to assist with the housekeeping, there are three
8 (3) MPI exhibits from last week which were, I believe,
9 filed on Thursday that you may wish to have at hand.

10 One (1) is MPI Exhibit 34, which was the
11 response to Undertaking 21. And, Madam Chair, I'll --
12 I'll perhaps give you all three (3). The second is
13 Exhibit 36, which is the response to Undertaking 25. And
14 the third is what I believe is MPI Exhibit 39, which is
15 the response to Undertaking 30.

16 So just to repeat the numbers, MPI Exhibit
17 34 responding to Undertaking 21.

18 THE CHAIRPERSON: We have it.

19 MR. BYRON WILLIAMS: MPI Exhibit 36
20 responding to Undertaking 25.

21 THE CHAIRPERSON: Yes.

22 MR. BYRON WILLIAMS: And MPI Exhibit 39
23 responding to Undertaking 20.

24 THE CHAIRPERSON: That's the one (1) that
25 I don't have. Do you have it? I have to confess, I took

1 some home for the weekend, brought back what I got read,
2 which was this, but this is not containing it, so --

3 MR. HOLLIS SINGH: I got it.

4 THE CHAIRPERSON: Mr. Singh is providing
5 it in a moment.

6 MR. HOLLIS SINGH: Yeah.

7 THE CHAIRPERSON: Okay. All right. Now,
8 do you need to come and join us? Okay. Okay, now we are
9 ready.

10 MR. BYRON WILLIAMS: The record will show
11 that again the Board is cuddling.

12 THE CHAIRPERSON: Which one (1) are you
13 going to have us look at first?

14 MR. BYRON WILLIAMS: We're -- we're going
15 to start, Madam Chair, at MPI -- with MPI Exhibit 34,
16 which is the response to Undertaking 21. Do you have
17 that, Ms. McLaren, or is that Mr. Palmer?

18 MS. MARILYN MCLAREN: I have it.

19 THE CHAIRPERSON: Go ahead.

20

21 MPI PANEL 1:

22 DONALD PALMER, Resumed

23 MARILYN MCLAREN, Resumed

24

25 CONTINUED CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

1 MR. BYRON WILLIAMS: And just to make
2 sure we are all on the same page, Ms. McLaren, if we turn
3 to the second page of this document this is a publication
4 of Gartner Group from November 10th, 2010, a IT budget
5 scorecard.

6 Is that correct?

7 MS. MARILYN MCLAREN: Yes.

8 MR. BYRON WILLIAMS: And we'll come to
9 some spa -- page references in just one (1) second, Ms.
10 McLaren. But, essentially, the purpose of this, what is
11 called a -- this scorecard, is a means for MPI to test
12 its efficiency and effectiveness versus commercial peer
13 organizations, correct?

14 MS. MARILYN MCLAREN: That -- that's
15 probably fair with respect to the budget scorecard in
16 particular. I would suggest the CIO scorecard component
17 of it is much more strategic beyond simply, you know,
18 effectiveness and efficiency.

19 MR. BYRON WILLIAMS: And -- and, Ms.
20 McLaren, I use those words be -- and -- because at page
21 22 of the document with regard to the CIO scorecard
22 Gartner Group presents this as -- the CIO scorecard as a
23 means to measure its efficiency and effectiveness versus
24 commercial peer organizations.

25 Are you aware of that?

1 MS. MARILYN MCLAREN: For sure. That's -
2 - that's fair. You know, if you look into the objectives
3 that are immediately below the quote that you just
4 referenced on page 22, when it talks about running,
5 growing, and transforming li -- the company, that's the
6 nature of the effectiveness that I had in my mind.

7 MR. BYRON WILLIAMS: But it also
8 purports, on behalf of Gartner, the CIO scorecard, to
9 look at Manitoba Public Insurance's efficiency as
10 compared to commercial peer organizations, correct?

11 MS. MARILYN MCLAREN: Yes.

12 MR. BYRON WILLIAMS: And, essentially, by
13 way of methodology, and if you're looking for a page
14 reference, Ms. -- Ms. McLaren, I'm tur -- directing you
15 back to page 5, what Mani -- what the Gartner Group has
16 done is evaluated Manitoba Public Insurance against
17 eleven (11) other organizations based upon industry
18 revenue and operational expense to try and achieve
19 comparable peers, correct?

20 MS. MARILYN MCLAREN: Yes.

21 MR. BYRON WILLIAMS: And, Ms. McLaren,
22 just in terms of where this report went, going back to
23 page 4 of the Gartner Group document, I see -- I see, and
24 you'll agree with me, that it was -- it was -- in Phase 3
25 there was a management report and briefing.

1 Is that your understanding?

2 MS. MARILYN MCLAREN: Yes.

3 MR. BYRON WILLIAMS: And would I be
4 correct in assuming that this document would also be
5 shared with the board of Manitoba Public Insurance?

6 MS. MARILYN MCLAREN: If I can have just
7 a minute.

8

9 (BRIEF PAUSE)

10

11 MS. MARILYN MCLAREN: I'm struggling to
12 recall, and I believe certain aspects were discussed with
13 the board. The report in its entirety was not a document
14 that was provided specifically to me, let alone the
15 board. It was provided to the CI -- CIO who consulted
16 and -- and met with me and his peers to -- to review it.
17 Some aspects were -- were likely discussed with the board
18 but certainly not the report in its entirety.

19 MR. BYRON WILLIAMS: And thank you for
20 your effort at precision, Ms. McLaren. Just so I
21 understand, this report in its entirety would not have
22 been shared with the MPI board?

23 MS. MARILYN MCLAREN: That's my
24 recollection.

25 MR. BYRON WILLIAMS: And certainly if --

1 if your recollection changes you'll -- you'll advise us?

2 MS. MARILYN MCLAREN: I will, yes.

3 MR. BYRON WILLIAMS: Ms. McLaren, if you
4 can turn to page 8 of the -- of the -- the report. What
5 you'll see if you have the colour version is a -- page 8
6 -- is a comparison of IT spending as a percent of
7 operational expense, correct?

8 MS. MARILYN MCLAREN: Yes.

9 MR. BYRON WILLIAMS: And if we look at
10 the -- I guess we'll call this -- can we call this a
11 graph, Ms. McLaren? If we look at the presentation on
12 the left-hand side the Manitoba Public Insurance would be
13 the brown at the top? I'm not sure how good my colours
14 are, quite frankly.

15 MS. MARILYN MCLAREN: Yes, I believe MPI
16 is at the top.

17 MR. BYRON WILLIAMS: And what this
18 suggests is that MPI spending as a percentage of
19 operational expense at 7.8 percent is higher than the
20 peer average at 6.9 percent.

21 Would that be your interpretation, Ms.
22 McLaren?

23 MS. MARILYN MCLAREN: Yes.

24 MR. BYRON WILLIAMS: Now I want to flip
25 along to page 16 of this document, Ms. McLaren. And that

1 should be labelled "IT spending per employee."

2 Do you have that?

3 MS. MARILYN MCLAREN: I do.

4 MR. BYRON WILLIAMS: And again, I'll
5 suggest to you that when we look to what I'll call the
6 graph on the left-hand side, MPI is the brown, which is
7 with the number beside it of thirty-eight thousand zero
8 six seven (38,067).

9 Would that be your understanding as well?

10 MS. MARILYN MCLAREN: Yes.

11 MR. BYRON WILLIAMS: And your peer
12 average would be represented by the figure of twenty-two
13 thousand one hundred and ninety-nine (22,199).

14 Would that be -- be correct?

15 MS. MARILYN MCLAREN: Yes.

16 MR. BYRON WILLIAMS: And I'll suggest to
17 you that the interpretation we might draw from this graph
18 is that MPI's IT spending per employee at a bit over
19 thirty-eight thousand (38,000) is higher than the -- as
20 compared to the peer group in the range of twenty-two
21 thousand (22,000), correct?

22 MS. MARILYN MCLAREN: Yes.

23 MR. BYRON WILLIAMS: And this would have
24 been for the -- the '09/'10 year, Ms. McLaren? This was
25 the -- when the study was conducted? I think it --

1 you'll -- you'll -- perhaps you'll accept subject to
2 check, that it says fiscal 2010?

3 MS. MARILYN MCLAREN: Subject to check,
4 yes.

5 MR. BYRON WILLIAMS: And, Ms. McLaren, if
6 you would go over one (1) page to page 18 you'll see
7 "Operational expense per employee."

8 MS. MARILYN MCLAREN: I have that.

9 MR. BYRON WILLIAMS: And what we have
10 there is from Manitoba Public Insurance a figure of five
11 hundred and thirty-three thousand nine hundred and
12 thirty-five (533,935) as compared to the industry average
13 -- excuse me, let me back up. As compared to the peer
14 average of four hundred and thirty-one thousand four
15 hundred and fifty-nine (431,459), correct?

16 MS. MARILYN MCLAREN: Yes.

17 MR. BYRON WILLIAMS: Ms. McLaren, I -- I
18 apologize for this, there's one (1) other document that I
19 -- or one (1) other page before we get to the conclusions
20 from the CIO that I want to go to, and that's back to
21 page 9. So that's page 9 and you should see a heading
22 "Spending distribution by cost category." That's page 9,
23 Ms. McLaren.

24 MS. MARILYN MCLAREN: Yes.

25 MR. BYRON WILLIAMS: And you'll see under

1 the second bullet a statement and I -- by Gartner
2 concluding that MPI has 71 percent of its cost in
3 personnel and only 21 percent at hardware and software,
4 as compared to the peer groups 43 percent and 42 percent
5 respectively.

6 Do you see that Ms. McLaren?

7 MS. MARILYN MCLAREN: I do. That's what
8 it says, yes.

9 MR. BYRON WILLIAMS: Yes. Now perhaps if
10 you could turn to page 24 of the report.

11 MS. MARILYN MCLAREN: Page 24?

12 MR. BYRON WILLIAMS: Yes, please, Ms.
13 McLaren.

14 MS. MARILYN MCLAREN: I have it.

15 MR. BYRON WILLIAMS: And it's labelled,
16 "Bottom line." You -- you have that page?

17 MS. MARILYN MCLAREN: I do.

18 MR. BYRON WILLIAMS: Okay. And this is
19 the -- the section of the report which is the CIO
20 scorecard section of the report.

21 Is that right, Ms. McLaren?

22 MS. MARILYN MCLAREN: I believe so, yes.

23 MR. BYRON WILLIAMS: And the conclusion
24 of the Gartner Group was -- and that's towards the top of
25 the page, was that M -- MPI's IT spending is higher than

1 industry peers and the overall process mat -- maturity of
2 the IT organization was rated below the average peer in
3 the CIO scorecard database.

4 Is that your understanding of their
5 conclusions, Ms. McLaren?

6 MS. MARILYN MCLAREN: Yes, I believe I
7 would read that the same as you read it.

8 MR. BYRON WILLIAMS: And if we just go
9 down to the implications, which is still on page 24,
10 Gartner is suggesting that to become a stronger team
11 player MPI will need to not only adopt stronger cost
12 contained -- containment strategies, but also implement
13 a more integrated service management approach.

14 Is that your understanding of Gart -- the
15 implications Gartner drew, Ms. McLaren?

16 MS. MARILYN MCLAREN: Yes, it is.

17 MR. BYRON WILLIAMS: And it expressed the
18 concern that cost issues -- otherwise cost issues will
19 increasingly limit IT's ability to respond to business
20 demand, correct?

21 MS. MARILYN MCLAREN: Absolutely.

22 MR. BYRON WILLIAMS: Ms. McLaren, if you
23 could turn to page 32 of the CIO scorecard you'll see a
24 heading, "Cost containment." That's page 32.

25 MS. MARILYN MCLAREN: Yes.

1 MR. BYRON WILLIAMS: And -- excuse me.
2 And the conclusion that -- that Gartner Group drew in
3 terms of its CIO scorecard results for cost containment
4 was that MPI has implemented fewer cost-containment
5 strategies than other team player organizations.

6 Is that your understanding, Ms. McLaren?

7 MS. MARILYN MCLAREN: Yes, it is.

8 MR. BYRON WILLIAMS: Ms. McLaren, just in
9 -- to -- to what extent have the -- the conclusions of
10 Gartner Group affected MPI's operations on a going-
11 forward basis?

12 MS. MARILYN MCLAREN: I think clearly --
13 and you can go back to slide 24, page 24, when we talk --
14 when they talk about the implications and you look at the
15 evaluation components and the recommendations there is
16 high -- high congruence between the results of the
17 scorecard, the recommendations, and the strategies that
18 have been described in IT optimization.

19 So clearly this has been, probably to a
20 lesser extent immediately embedded in the day to day
21 operations, but it has to a certain extent. And there is
22 information about what we have done over the last year
23 with respect to day to day operations in -- I believe it
24 was PUB 2-something, that's at Tab 22 of the PUB book of
25 documents. But there's -- there is a high congruence and

1 we were absolutely influenced by these recommendations.
2 And I think that's clearly reflected, even in the
3 language and, you know, things like the business process
4 management and -- and so on. And the overall process
5 maturity is rated below the peer average. That's all
6 been reflected in HP's work, in Gartner's assessment, and
7 strategies to re -- to improve these areas are in IT
8 optimization.

9 MR. BYRON WILLIAMS: Now, Ms. McLaren, I
10 -- I thank you for reading the -- the second part of --
11 of that sentence relating to overall process maturity
12 being rated below the average peer.

13 But Gartner's conclusion, as well, was
14 that IT spending was higher than industry peers, agreed?

15 MS. MARILYN MCLAREN: Absolutely. We
16 recognize that, and we believe we need to deal with that.

17 MR. BYRON WILLIAMS: So their conclusion,
18 based upon the '09/'10 year, was that you were spending
19 more than your peers, but in terms of overall maturity
20 achieving less, correct?

21 MS. MARILYN MCLAREN: Sure. And I really
22 think that that's another way to address the deficiencies
23 that -- that our own staff identified, and that we've
24 been clearly building into the initiatives that are under
25 way.

1 MR. BYRON WILLIAMS: And your response
2 has been to -- to spend more.

3 MS. MARILYN MCLAREN: Absolutely. You
4 don't fix things like this with -- by continuing to do
5 the same things with the same people the way you've
6 always done them.

7 MR. BYRON WILLIAMS: And Gartner Group
8 advised you, I'll suggest, that there was a
9 disproportionate investment in personnel -- IT personnel,
10 as compared to your peers?

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

12 MR. BYRON WILLIAMS: And I believe your
13 evidence from last week was that, in terms of the Basic
14 line of business, that when -- when we looked at full
15 time equivalents there were indeed more people running
16 around the Basic side of the business on IT applications
17 in the -- in the last two (2) fiscal years.

18 MS. MARILYN MCLAREN: Working on and
19 successfully implementing very important strategic
20 initiatives, absolutely.

21 MR. BYRON WILLIAMS: Ms. McLaren, you can
22 -- can you appreciate from a -- from a consumer
23 perspective a report like this is -- is not very
24 reassuring in terms of the -- the past five (5) to six
25 (6) years of heavy IT investment by the Corporation?

1 MS. MARILYN MCLAREN: No, I don't see
2 that at all. If you see what we've accomplished in the
3 last five (5) to six (6) years, the extent to which our
4 stakeholders are extremely satisfied with what we've
5 accomplished, what we're dealing with here is -- I think
6 Martin Geffen talked about it sort of more in terms of,
7 you know, the plumping and the wiring, and the processes
8 and the structure.

9 You need to be able to do things in a much
10 more sophisticated way, ideally with more effective
11 resources, to make sure you continue to meet the -- the
12 business needs going into the future.

13 We understand the limitations of what
14 we've been doing so far. We have a plan to -- to address
15 it. I -- I think from a consumer perspective, if they
16 had this report and nothing else, absolutely concerns.
17 But when you look at the obvious alignment between what
18 these issues are, and what we've put together in terms of
19 the IT optimization strategy, Gartner's support for that
20 strategy, strong support for the strategy to address the
21 areas of shortcoming, I don't think that should cause
22 concern at all.

23 MR. BYRON WILLIAMS: And you'll assure my
24 clients that in terms of the disproportionate investment
25 in IT employees that we can look for that to level off

1 and decrease over the next two (2) to three (3) fiscal
2 years, Ms. McLaren?

3 MS. MARILYN MCLAREN: I think over the
4 next two (2) to three (3) fiscal years you can see
5 significant -- you can expect to see significant progress
6 aga -- on this scorecard. We will continue to run the
7 scorecard. We will continue to share it in these
8 proceedings, and you have a reasonable expectation that
9 you're going to see some improvement.

10 MR. BYRON WILLIAMS: And do we have a
11 baseline for FTEs associated with I...

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: And do we have a
16 baseline in terms of F -- FTEs, full time equi --
17 equivalence for the reporter, related to the Basic
18 program and IT that we're -- we're working on, Ms.
19 McLaren?

20 MS. MARILYN MCLAREN: No, not -- not at
21 this point, but that will flow through in due course
22 through the consideration of the results of the
23 scorecard, where we want to be and how we plan to
24 operationalize many of the IT initiatives.

25 MR. BYRON WILLIAMS: So you're telling my

1 clients that there's no baseline from which to evaluate
2 the Corporation's progress?

3 MS. MARILYN MCLAREN: Sorry, no, the
4 baseline is this report. This is the baseline. This is
5 the first year we've done it. We've been very
6 transparent about sharing it and this is the baseline.

7 MR. BYRON WILLIAMS: And can we translate
8 this corporate report to a Basic report, Ms. McLaren?

9 MS. MARILYN MCLAREN: I'm sure we can do
10 that in some fashion because it would involve allocating
11 according to the policies that we have in effor -- in
12 effect.

13 MR. BYRON WILLIAMS: That's a
14 mathematical process, Ms. McLaren. What I'm looking for
15 is a way to evaluate Basic FTEs related to IT
16 optimization, not necessarily flowing from the math, but
17 in terms of what's going on in the Corporation.

18 How do -- how do you propose we do that?

19 MS. MARILYN MCLAREN: Well, I mean, we
20 have cor -- corporate staffing by department that is
21 shared in these applications generally. There are a
22 couple of very specific departments within the CIO's
23 division that are the ones that we're talking about here.
24 And I think that is something that is easy to track
25 through time.

1 MR. BYRON WILLIAMS: And you'll agree gro
2 -- going forward that for the Board, given the results of
3 this report, a special vig -- vigilance in terms of Basic
4 FTEs associated with IT would be called for?

5 MS. MARILYN MCLAREN: Sure. You know,
6 it's always conceivable that we may adopt a business
7 model that continues to rely more highly on staff
8 resources than peer groups. If that's true this Board
9 can expect that we would have a legitimate rationale and
10 explanation that -- that we will be willing to share.

11 MR. BYRON WILLIAMS: You're -- you're not
12 suggesting that -- or let me be clear on that. In terms
13 of the current model of Manitoba Public Insurance, are
14 you suggesting, Ms. McLaren, that it currently has a less
15 heavy reliance on external consultants than -- than its
16 peers?

17 MS. MARILYN MCLAREN: Going from memory,
18 I -- I think there was some indication of that in the
19 report, but I'd have to spend some time to go through it
20 in detail, but I believe there was some indication of
21 that.

22

23 (BRIEF PAUSE)

24

25 MR. BYRON WILLIAMS: Would it be correct

1 to say, going to page 19 of the report, Ms. McLaren, that
2 the Gartner Group suggests that MPI makes heavier use of
3 contractors than does the peer group?

4 MS. MARILYN MCLAREN: Yes, it does.

5 MR. BYRON WILLIAMS: Would it be accurate
6 to say that it concludes that it spends more than
7 average, and also that it -- it employs external
8 contractors to a heavier degree than its peer group --
9 peer groups?

10 MS. MARILYN MCLAREN: Yes, that's the
11 slide, yes.

12 MR. BYRON WILLIAMS: Ms. McLaren, if you
13 can turn to MPI Exhibit 36. That is the response to
14 Undertaking 25.

15 MS. MARILYN MCLAREN: I have that.

16 THE CHAIRPERSON: We have it.

17

18 CONTINUED BY MR. BYRON WILLIAMS:

19 MR. BYRON WILLIAMS: Thank you, Madam
20 Chair, and thank you, Ms. McLaren. Ms. McLaren, it's --
21 it's quite sometime ago so you might not recall the
22 conversation, but do you recall the conversation near the
23 start of my discussion with you on IT optimization when I
24 -- when I inquired of you whether you are aware of any
25 trends within the North American industry in terms of

1 expenditures on -- on IT in the -- in the wake of the
2 recession in the United States and the slowdown in -- in
3 Canada?

4 Do you recall that conversation?

5 MS. MARILYN MCLAREN: Only vaguely,
6 sorry.

7 MR. BYRON WILLIAMS: Not to worry. Not
8 to worry. What we -- what we have here is -- in -- in
9 the attachment to Exhibit 36 is an executive summary of
10 Gartner from December of 2010 looking at IT key metrics
11 data.

12 Would that be fair, Ms. McLaren?

13 MS. MARILYN MCLAREN: Yes.

14 MR. BYRON WILLIAMS: And -- and this is a
15 -- a document that the Corporation is familiar with?

16 MS. MARILYN MCLAREN: Only at a very,
17 very high level. This is something that Martin Geffen
18 promised to provide to Board members and we have reviewed
19 it very, very briefly.

20 MR. BYRON WILLIAMS: And that's fair
21 enough, Ms. McLaren. Based upon your brief review would
22 it be your understanding that -- and if you're looking
23 for a reference, the fourth bullet under "Key findings,"
24 that IT spending is a percentage of revenue con -- while
25 it's recovered somewhat is still below the 2008 level.

1 Would that be your understanding?

2 MS. MARILYN MCLAREN: Yes.

3 MR. BYRON WILLIAMS: And would it be your
4 understanding as well -- and if you need the fifth bullet
5 to assist you, that IT spending as a percent of operating
6 expenses based upon this evaluation at December 2010 is
7 still considerably lower than its percentage observed in
8 2007 and 2008?

9 Would that be correct?

10 MS. MARILYN MCLAREN: Yes, that's what it
11 says in the fifth bullet.

12 MR. BYRON WILLIAMS: And directing your
13 attention to the last bullet under "Findings" on the next
14 page, would it be your understanding that in 2010 capital
15 investments, in terms of IT, decreased by -- decreased
16 and were at their lowest percentage since 2003?

17 Would that be your understanding?

18 MS. MARILYN MCLAREN: Yes.

19 MR. BYRON WILLIAMS: Ms. McLaren, I
20 wonder if you can turn to the Corporation's response to
21 Undertaking 30, which is Exhibit 29 of -- of MPI. It
22 should be a one (1) page document.

23

24 (BRIEF PAUSE)

25

1 MR. BYRON WILLIAMS: Madam Chair, it's --
2 it's a simple one (1) page document. It should be
3 Undertaking number 30, and I think it's MPI Exhibit 39.

4 Ms. McLaren, is that your understanding?
5 Thirty-nine (39)?

6 MS. MARILYN MCLAREN: Sorry, what was my
7 understanding?

8 MR. BYRON WILLIAMS: Sorry. And I just
9 want to make sure I'm looking off the same -- Ms.
10 McLaren, do you have Undertaking number 30 marked as MPI-
11 39?

12 MS. MARILYN MCLAREN: Thirty (30) --
13 Undertaking 30 is Exhibit 39.

14 MR. BYRON WILLIAMS: Yeah. So it's MPI
15 Exhibit 39, Madam Chair.

16 THE CHAIRPERSON: We have it.

17

18 CONTINUED BY MR. BYRON WILLIAMS:

19 MR. BYRON WILLIAMS: And thank you for
20 your patience, Ms. McLaren. The question posed was that
21 the Corporation was to indi -- indicate, given the
22 budgeted amount of 37 million, spe -- what it -- it has
23 spent to date on B -- BTO initiatives.

24 Is that your understanding of the
25 undertaking first of all, Ms. McLaren?

1 MS. MARILYN MCLAREN: Yes, it is.

2 MR. BYRON WILLIAMS: And would it -- in
3 terms of the Corporation's response, would it be accurate
4 to say that to date, as of September 30th, of that
5 budgeted amount of 37 million it spent around 4.5
6 million?

7 Would that be fair?

8 MS. MARILYN MCLAREN: Yes, that would be
9 correct.

10 MR. BYRON WILLIAMS: And is -- I'll
11 suggest to you based upon the remainder of the
12 Corporation's response, the -- the Corporation recognizes
13 that not all will -- will be spent by the may -- excuse
14 me. That all may not be spent by the end of February, in
15 which case the residual -- residual, R-E-S-I-D-U-A-L,
16 will be spent in the 2012/2013 year.

17 Is that correct?

18 MS. MARILYN MCLAREN: That's what the
19 answer says, yes.

20 MR. BYRON WILLIAMS: Now the answer goes
21 on to suggest that given that this will be funded by the
22 IT optimization reserve there's no impact on 2012/'13
23 rates, correct?

24 MS. MARILYN MCLAREN: Yes, it does.

25 MR. BYRON WILLIAMS: What I want to ask

1 of you, Ms. McLaren, is -- well, let me back up.

2 Right now there's about thirty-one (31) --
3 thirty (30) -- 32 million more to spend in terms of that
4 budget, correct?

5 MS. MARILYN MCLAREN: Sure, go ahead.

6 MR. DONALD PALMER: In terms of the extra
7 spend, this is what has been recorded, so there's still
8 considerable expenses in -- in the pipeline, so to speak.
9 This is what we've recorded, but there could be more. We
10 don't have that figure.

11 MR. BYRON WILLIAMS: The difference
12 between what has been budgeted and what is recorded is in
13 the range of 32 million, Mr. Palmer?

14 MR. DONALD PALMER: Yes, it is.

15 MR. BYRON WILLIAMS: And you're unable to
16 tell my clients how much more will be spent within the --
17 the 2011/'12 fiscal year, correct?

18 MR. DONALD PALMER: On an exact basis,
19 that's correct.

20 MR. BYRON WILLIAMS: Can you give me an
21 approximate basis, Mr. Palmer?

22 MR. DONALD PALMER: Thirty-seven (37) is
23 still the budget. So -- and in terms of that spend, I
24 mean, there -- there are some really big ticket items in
25 terms of servers and hardware requirements. So really

1 that \$37 million is not inconceivable for this year.

2 MR. BYRON WILLIAMS: It may or may not
3 happen that the total budget will be expended, Mr.
4 Palmer?

5 MS. MARILYN MCLAREN: If I can, just for
6 a little bit of context, Mr. Williams. If you have a
7 look at MPI Exhibit 19, which was Undertaking 13, we have
8 awarded \$3.8 million of work under the IT optimization
9 project. That is -- again, that's more than 2 million
10 more than is shown here for the one point five (1.5) in
11 IT optimization.

12 So these things are ongoing, they're
13 coming through, it's happening all the time. And we
14 can't say specifically how much of the thirty-seven (37)
15 will be spent this year, but the initiatives -- you know,
16 there was another undertaking responded to that -- that
17 gave, sort of, a hor -- historical perspective for our
18 confidence that when we do budget and estimate things at
19 a fairly high level we -- we are pretty darn close. So
20 we have confidence that the money will be spent. We
21 cannot say exactly if it will all be spent and paid for
22 by February 28th, but the initiatives are underway. The
23 -- we are confident that our estimate of the costs is
24 reliable.

25 MR. BYRON WILLIAMS: Ms. -- Ms. McLaren,

1 let me be clear. My clients have no doubt that the money
2 will be spent. The question is the implications for the
3 2012/'13 estimates of costs, operating and claims costs.

4 And that's -- and so what -- what I'm
5 asking in terms of order of magnitude -- let's knock off
6 another 2 million that you said -- said has already been
7 contracted out. Let's say, if of that 30 million yet to
8 be spent and yet to be committed by tender, let's say
9 that -- that 20 million of that is not expended in the
10 2011/'12 year.

11 My question to the Corporation is:
12 Assuming that figure of 20 million, what would be the
13 impact in terms of operating and claims costs projections
14 for the 2012/'13 year?

15 MS. MARILYN MCLAREN: And if it is IT
16 optimization initiatives that are underspent this fiscal
17 year there will be no impact because of the IT
18 optimization fund. If there are other initiatives they
19 are still likely to have precious little impact because
20 these are multi-year largely capitalized initiative.

21 MR. BYRON WILLIAMS: Ms. McLaren, you may
22 have misunderstood my question. It's not how it's --
23 will be paid for. I want to have a sense of -- if it's
24 not spent in 2012 -- 2011/'12 in terms of operating and
25 claims costs. Let's assume 20 million is not spent, and

1 assuming some of that will be amortized.

2 How does it -- how does it affect
3 operating and claims costs for 2012/'13?

4

5 (BRIEF PAUSE)

6

7 MR. DONALD PALMER: In terms of the
8 impact on operating costs going forward, I would say very
9 little impact just because we have a certain capacity.

10 There are restrictions in terms of
11 employee capacity, so to get projects, or like a large-
12 scale project like IT optimization done, takes money. It
13 also takes time. As that is spread out and pushed back,
14 likely there would be impacts on other things that could
15 be pushed back, as well.

16 So in terms of whether there's \$20 million
17 that are deferred from this year to next year, that
18 doesn't necessarily mean that next year's will increase
19 by \$20 million.

20 MS. MARILYN MCLAREN: So I guess Mr.
21 Williams if that didn't answer your question then maybe
22 you can help us understand.

23 Because I don't understand how you can set
24 aside how it's going to be paid for, because it's really
25 an offset to operating claims expense, so I'm -- I'm

1 struggling with the concept you're trying to get us to
2 respond to.

3 MR. BYRON WILLIAMS: At the risk of
4 arguing loss, so My Learned Friend will -- will be alert,
5 Ms. McLaren, you'll agree that for rate setting purposes
6 the Public Utilities Board is -- is not obliged to -- to,
7 for rate setting purposes, exclude the cost of -- of the
8 IT expenditures for rate setting purposes.

9 And by that I mean, Ms. McLaren, it is
10 open to the Public Utilities Board for rate setting
11 purposes to say, We don't want to pay -- pay for that
12 through the IT optimization fund. We think that that
13 should be tracked through rates, just as AOL, just as
14 CARS, just as PIPP infrastructure were.

15 You'll agree that's open to the Board?

16 MS. MARILYN MCLAREN: I understand.

17 MR. BYRON WILLIAMS: Well then, Ms.
18 McLaren, if -- if you -- if you wish greater precision,
19 in the event that the Public Utilities Board in its
20 discretion chooses not to recognize the IT optimization
21 fund for the purposes of rate setting, but instead flows
22 through IT costs such -- related to the BTO initiative
23 through rates, and assuming \$20 million is not expended
24 in the 2011/'12 year, what will be the impact on rates --
25 excuse me, on -- on costs and rates for the 2012/'13

1 year?

2

3

(BRIEF PAUSE)

4

5

MS. MARILYN MCLAREN: Because we're talking about timing, I believe it's fair to say that there would be very little impact because if it's not all spent by February 28th it may very well be by March 22nd, or if not by March 22nd it will be April.

10

And the way these things work, particularly with IT optimization, and given that a significant amount of the budget is capital, and that it's not capital for -- to be used by a development project for a couple of years, as soon as it's spent and as soon as it's brought online, it's in production and we start to absorb the amortization.

17

So if it's not amortized as of February 28th, it will be very early in the next year, so, you know, you -- you're talking about an ongoing enterprise here. There's nothing magic about not spending it right by the end of the end of the fiscal year. If it's not, it'll be spent early the next year. The amortization cost will be very, very similar.

24

MR. BYRON WILLIAMS: Very little means what, Ms. McLaren, 1 percent?

25

1 (BRIEF PAUSE)

2

3 MS. MARILYN MCLAREN: If, for example,
4 the planned expenditures in '11/'12 had an expected
5 amortization impact in '12/'13 of \$6 million, failure to
6 spend it in '11/'12 -- spend all of it in '11/'12 might
7 mean the \$6 million was five and a half (5 1/2). So, no,
8 1 percent on rate, absolutely not, far less.

9 MR. BYRON WILLIAMS: Thank you for that.
10 The -- turning to CAC Exhibit 11, the -- and, in
11 particular, Ms. McLar -- or this would probably go to Mr.
12 Palmer --

13 MS. MARILYN MCLAREN: Sorry, is that --
14 is that your package of --

15 MR. BYRON WILLIAMS: Yeah, that's our --

16 MS. MARILYN MCLAREN: Okay.

17 MR. BYRON WILLIAMS: -- our package of
18 supporting material.

19

20 (BRIEF PAUSE)

21

22 MR. BYRON WILLIAMS: It's the document
23 2012 MPI GRA supporting material for October 20th, 2011.

24 THE CHAIRPERSON: We have it.

25

1 CONTINUED BY MR. BYRON WILLIAMS:

2 MR. BYRON WILLIAMS: And we have a couple
3 short snappers related to this, Mr. Palmer. If -- if you
4 could turn to in the top right-hand corner page 23. And
5 there should be a table, "Basic operating costs per
6 vehicle versus inflation."

7 Do you have that, Mr. Palmer?

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

9 MR. BYRON WILLIAMS: And that's page 23
10 for the Board. Mr. Palmer, have you had a chance to
11 review the calculations in terms of -- that appear on the
12 right-hand side of this -- this table?

13 MR. DONALD PALMER: I haven't checked,
14 but subject to check, I will accept them. They look
15 reasonable.

16 MR. BYRON WILLIAMS: And I have one (1)
17 word of caution for you on that, Mr. Palmer. And just
18 for the Board, the bottom figure for inflation changed
19 2010 to 2011 is zero point eight (0.8).

20 And, Mr. Palmer, I've heard it reported --
21 or we -- our clients have seen it reported on this record
22 as either zero point eight (0.8) in -- in some cases and
23 1 percent in -- in others. So that would be the caution.
24 And if you have any other figure -- so I -- I'm going to
25 suggest, Mr. Palmer, for the purposes of our discussion

1 we -- we write it as 0.8 to 1 percent.

2 Is that acceptable for you?

3 MR. DONALD PALMER: I just made the
4 calculation, and -- and 0.8 percent is fine.

5 MR. BYRON WILLIAMS: Thank you for that.
6 Mr. Palmer, I'll suggest to you that what this -- this
7 presentation does is track the operating costs per
8 vehicle as compared to inflation using as a baseline the
9 1993 year.

10 Is that your understanding, sir?

11 MR. DONALD PALMER: Yes.

12 MR. BYRON WILLIAMS: And by baseline
13 under -- I'll suggest to you what it does is for
14 operating cost per vehicle set it at one hundred (100)
15 for 1993, correct?

16 MR. DONALD PALMER: Yes.

17 MR. BYRON WILLIAMS: And likewise, looks
18 at inflation, sets the baseline at one hundred (100) for
19 1993 as well, correct?

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

21 MR. BYRON WILLIAMS: And between 1993 and
22 2009 what this information suggests is, working from that
23 1993 baseline, the operating cost per ve -- per vehicle
24 grew about 27 percentage points.

25 Would that be correct, sir?

1 MR. DONALD PALMER: That would be a very
2 small part of the story, and -- and I think it's probably
3 useful to look at the whole range in -- that's included
4 in TI-5. There was significant higher expenses through
5 the -- the 1990s. And again, I -- I would refer to the
6 graph on TI-5.

7 MR. BYRON WILLIAMS: I think I've got it
8 memorized, Mr. Palmer, but certainly if the Board wishes
9 to turn there I'd invite them to.

10 MR. DONALD PALMER: And with that, I
11 mean, there was major initiatives that some of us
12 remember occurring in -- in the mid to late 1990s that
13 the -- the spend was greater. And then, as the savings
14 that were achieved from -- from that spend were achieved,
15 then those costs came down.

16 So even though you're to -- looking at an
17 index in 2009 of -- of one twenty-seven (127), that was
18 up in the one-fifties (150s) at the end of the 1990s. So
19 that was that sort of cost bubble to incorporate the
20 improvement initiatives. You have the spend -- you get
21 the savings later on and those operating costs come back
22 down.

23 We're seeing that same sort of thing now
24 with a lot of the projects, the business transformation
25 projects that are occurring now, the -- the re-

1 platforming of a lot of the IT, so the expectation would
2 be that you'd get that bubble and then it would come back

MR. BYRON WILLIAMS: And, Mr. Palmer, will -- and I think you that for
4 that explanation. Looking -- and looking for the period
5 from 2009 through 2010, would it be fair to suggest that
6 the operating cost per vehicle has grown significantly
7 higher than inflation?

8 MR. DONALD PALMER: For those two (2) --
9 two (2) years. Within that context, yes.

10 MR. BYRON WILLIAMS: And looking at the
11 year -- the change from 2010 -- excuse me. The change
12 from the 2009/'10 year to the 2 -- 2010/'11 year, would
13 it be fair to say that the operating cost per vehicle has
14 grown significantly higher than inflation?

15 MR. DONALD PALMER: Again, looking at
16 those two (2) years in isolation, yes, I would agree with
17 that.

18 MR. BYRON WILLIAMS: And, Mr. Palmer, it
19 would also be correct to suggest that even -- even if we
20 -- let -- let's move away from operating cost per vehicle
21 for just one (1) second, that even if we took -- took out
22 expenditures relating to BTOs and IT optimization. Even
23 if we took out expenditures related to mer -- or I --
24 IFRS changes in classification re -- related to merchant
25 fees, that if I looked at the period from 2006 through to

1 2013 the compounded annual growth for operating expenses
2 would be 5.4 percent, sir?

3 MR. DONALD PALMER: Do you have that
4 reference?

5 MR. BYRON WILLIAMS: Undertaking 26.

6

7 (BRIEF PAUSE)

8

9 MR. BYRON WILLIAMS: So my suggestion to
10 you, sir, is moving away from operating cost per vehicle
11 and focussing exclusively on -- on componer -- compounded
12 annual growth and operating expenses, that if we take out
13 expenditures related to business transformation, if we
14 take out IFRS cha -- transitions, that the componer --
15 compounded annual growths for operating expenses would be
16 5.4 percent.

17 MR. DONALD PALMER: On a gross basis,
18 that's correct. Knowing that the number of vehicles
19 insured has also grow -- grown by about 2 1/2 percent.
20 Total cost five point four (5.4). If you've got growth
21 in your customer base growing at 2 1/2 percent there is
22 an incremental there, for sure.

23 THE CHAIRPERSON: Mr. Williams, what
24 sheet are you looking at?

25 MR. BYRON WILLIAMS: Oh, and I apologize

1 for that, Madam Chair. It wasn't before the Board, I --
2 I thought it wasn't --

3 THE CHAIRPERSON: Oh.

4 MR. BYRON WILLIAMS: -- contentious. But
5 it would be -- it was the Corporation's response to
6 Undertaking 26.

7 THE CHAIRPERSON: Okay.

8 MR. BYRON WILLIAMS: And I -- I don't
9 know the exhibit number and...

10 MR. DONALD PALMER: It's Exhibit 33.

11 MR. BYRON WILLIAMS: And -- and I hate to
12 have the Board turn there when we're going to be leaving
13 it.

14 THE CHAIRPERSON: We don't need to
15 because we were listening.

16

17 CONTINUED BY MR. BYRON WILLIAMS:

18 MR. BYRON WILLIAMS: Mr. Palmer, just in
19 terms of the CAC Exhibit 11, if you could turn one (1)
20 page over to the Corporation's response to CAC/MPI-2-75,
21 please.

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

23 MR. BYRON WILLIAMS: And, Mr. Palmer,
24 what this response presents is changes in cert -- or, let
25 me try this again.

1 What this response presents is the various
2 indicators for the Corporation, whether they are
3 operating expense for policy or operating expense ratios
4 for the fiscal years '06/'07 through 2010/'11, correct?

5 MR. DONALD PALMER: Yes.

6 MR. BYRON WILLIAMS: And the calculations
7 were done by CAC, but they were confirmed by Manitoba
8 Public Insurance in -- in this response, correct, sir?

9 MR. DONALD PALMER: Yes, they were.

10 MR. BYRON WILLIAMS: And I just want to
11 draw your attention to operating expense per policy,
12 which is about number 7 on this table.

13 Do you see that, sir?

14 MR. DONALD PALMER: Yes, I do.

15 MR. BYRON WILLIAMS: And if one looks at
16 the '06/'07 year I'll ask you to confirm that it was
17 about forty-eight dollars (\$48) per policy, correct?

18 MR. DONALD PALMER: Yes.

19 MR. BYRON WILLIAMS: And that if we look
20 to the 2010/'11 year the confirmed calculation was that
21 it was fifty-nine dollars (\$59), correct?

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

23 MR. BYRON WILLIAMS: And so over that
24 period of time that would be a -- an eleven dollar (\$11)
25 per policy increase for this particular period, sir?

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

2 MR. BYRON WILLIAMS: And if I suggested
3 to you that that would be about a 23 percent increase
4 derived by dividing eleven dollars (\$11) by forty-eight
5 dollars (\$48).

6 Would you accept that, subject to check?

7 MR. DONALD PALMER: That would be
8 correct, yes.

9 MR. BYRON WILLIAMS: Mr. Palmer, this
10 isn't in the material before the Board. My reference for
11 it, sir, if you're -- if you're looking -- I -- I hope
12 you'll accept it subject to check, but you may choose not
13 to. And again, I don't think the Board needs to turn
14 here, this is a really quick one, but it's up to the
15 Board. It would be PUB/MPI-2-5, Attachment A, and then
16 the 10-199 is the minute.

17 And Mr. -- Mr. Palmer, in terms of the
18 annual sponsorships that Manitoba Public Insurance
19 provides to the public it would be fair to -- to suggest
20 to you that if we look from the 2006 year through to the
21 2010 year they have increased from, roughly, eight
22 hundred and twenty-four thousand (824,000) to about 1.6
23 million.

24 Would that be fair?

25 MR. DONALD PALMER: Subject to check,

1 sure.

2 MR. BYRON WILLIAMS: And did the
3 Corporation -- my understanding is that the Corporation
4 has done a sponsorship analysis.

5 Would that be your understanding as well?

6

7 (BRIEF PAUSE)

8

9 MS. MARILYN MCLAREN: I'm sorry. Can you
10 repeat the question.

11 MR. BYRON WILLIAMS: My understanding is
12 that the Corporation has done a sponsorship analysis.

13 Is -- is that your understanding as well?

14 MS. MARILYN MCLAREN: Not offhand. I'm
15 not quite sure what you mean by that. Do you have a
16 reference?

17 MR. BYRON WILLIAMS: I'm -- that same
18 reference, Ms. McLaren. It's -- it's Ms. Kempe producing
19 a sponsorship analysis.

20 That doesn't ring a bell?

21 MS. MARILYN MCLAREN: Okay. That's --
22 yeah, okay. We did that, yes.

23 MR. BYRON WILLIAMS: Is there a -- is
24 there a document, Ms. McLaren, is what I'm asking, or is
25 it a verbal type of presentation?

1 MS. MARILYN MCLAREN: I'm not sure.

2 MR. BYRON WILLIAMS: I'll leave that and
3 I'll reflect upon it, Ms. McLaren. We don't need to
4 spend a lot of -- a lot of time on it.

5 Madam -- Madam Chair, just in terms of
6 timing I have a number of questions. They're going to be
7 maybe four (4) or five (5) minutes on -- on each subject.
8 So we -- we'll be doing a fair bit of jumping around over
9 the next little bit.

10 In terms of the Board's desire for a
11 break, we can -- I -- I'm guessing that I'll be
12 approximately forty-five (45) minutes, so if the Board
13 wants one now, or if the Board would like one a bit
14 later, I can do either.

15 THE CHAIRPERSON: I think we should take
16 a break then, if you want to enter a new area, or a
17 different area than what you were just in, which was
18 sponsorship.

19 And are we going to get some more
20 information on sponsorship? It sounded like a -- a fair
21 hike there between the period you cited -- the periods
22 you cited.

23 MR. BYRON WILLIAMS: I'm going to reflect
24 upon that over the -- over the break, and I -- I may
25 confer with my -- My Friends.

1 THE CHAIRPERSON: And maybe they will
2 have something more after a fifteen (15) minute break.
3 Okay. Let's take that fifteen (15) minute break, and
4 maybe come back at ten (10) to.

5

6 --- Upon recessing at 10:33 a.m.

7 --- Upon resuming at 10:57 a.m.

8

9 THE CHAIRPERSON: I think we're all back
10 now, and ready to go back to work. Mr. Williams...?

11 MR. BYRON WILLIAMS: I believe My Friend
12 has --

13 MS. CANDACE GRAMMOND: Madam Chair --

14 MR. BYRON WILLIAMS: -- some
15 undertakings.

16 THE CHAIRPERSON: Oh, okay.

17 MS. KATHY KALINOWSKY: Thank you. I've
18 got a number of undertakings that Mr. Singh is
19 distributing right now on behalf of the Corporation.

20 Undertaking 19 which is a response
21 prepared...

22

23 (BRIEF PAUSE)

24

25 MS. KATHY KALINOWSKY: We're just getting

1 that one right now. Undertaking 19, which is an
2 undertaking from Mr. Christie to review his reports with
3 regard to Basic should be marked as MPI Exhibit number
4 40.

5

6 --- EXHIBIT NO. MPI-40: Response to Undertaking 19

7

8 MS. KATHY KALINOWSKY: Undertaking number
9 27, which is the \$2.5 million for the call centre re-
10 engineering should be marked as MPI Exhibit number 41.

11

12 --- EXHIBIT NO. MPI-41: Response to Undertaking 27

13

14 MS. KATHY KALINOWSKY: Undertaking number
15 36, which deals with compensation expense should be
16 marked as MPI Exhibit number 42.

17

18 --- EXHIBIT NO. MPI-42: Response to Undertaking 36

19

20 MS. KATHY KALINOWSKY: Undertaking number
21 38, which is the schedule of agreements should be marked
22 as under -- as MPI Exhibit number 43.

23

24 --- EXHIBIT NO. MPI-43: Response to Undertaking 38

25

1 MS. KATHY KALINOWSKY: Undertaking number
2 34, which is the PIPP costs split between Manitoba, the
3 rest of Canada, and the US, with respect to non-
4 registrants, or non-drivers, is -- should be marked as
5 MPI Exhibit number 44.

6

7 --- EXHIBIT NO. MPI-44: Response to Undertaking 34

8

9 MS. KATHY KALINOWSKY: And finally the
10 expenditure breakdown for the regulatory appeal, which
11 was Undertaking number 35, should be marked as MPI
12 Exhibit number 45.

13

14 --- EXHIBIT NO. MPI-45: Response to Undertaking 35

15

16 MS. KATHY KALINOWSKY: Thank you very
17 much. There are a few undertakings still outstanding,
18 but we're working to get those into the record quickly.
19 Thank you.

20 THE CHAIRPERSON: Thank you very much,
21 Ms. Kalinowsky.

22

23 (BRIEF PAUSE)

24

25 MR. BYRON WILLIAMS: Madam Chair, there

1 is also -- we won't be coming to it right away, but I
2 think Mr. Singh has also distributed a exhibit from CAC.
3 And the front page should say, "Notice of question."

4 And this was shared with MPI a couple of
5 weeks ago. And I would suggest it be marked as CAC
6 Exhibit 12. It should be a thicker document.

7 THE CHAIRPERSON: We have it.

8

9 --- EXHIBIT NO. CAC-12: Notice of question

10

11 THE CHAIRPERSON: Go ahead.

12 MR. BYRON WILLIAMS: Madam Chair, I'm
13 going -- the -- we just received these undertakings. I -
14 - I do have a few questions flowing from them that I will
15 -- I will pose to MPI. And I hope I've got the exhibit
16 numbers correctly marked.

17 The first one (1) would be -- just one (1)
18 second until Mr. Palmer gets the materials. The first
19 one would be the response to Undertaking 38, which I
20 believe is marked as MPI Exhibit 43.

21 THE CHAIRPERSON: Go ahead.

22

23 CONTINUED BY MR. BYRON WILLIAMS:

24 MR. BYRON WILLIAMS: Mr. Palmer, do you
25 have that document?

1 MR. DONALD PALMER: Yes, I do.

2 MR. BYRON WILLIAMS: And what this
3 document, I'll ask you to agree, asked the Corporation to
4 do was set out some of the existing major agreements that
5 it has with stakeholders, their expiry date, and their
6 cost to Basic for the fiscal 2010/'11 year.

7 Is that your understanding of this, sir?

8 MR. DONALD PALMER: Yes.

9 MR. BYRON WILLIAMS: And if we -- if we
10 look to agreement, the first one on there, the agreement
11 with the MMDA-ATA.

12 Would I be correct in suggesting to you
13 that agreement expires on December 31st, 2013, sir?

14 MR. DONALD PALMER: Yes.

15 MR. BYRON WILLIAMS: And its annual
16 expense is around \$200 million or -- or it was for the
17 two (2) -- 2010/'11 year, correct?

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

19 MR. BYRON WILLIAMS: For the insurance
20 brokers there was -- I'll ask you to con -- confirm that
21 there is no specified date in terms of when that
22 agreement will expire?

23 MR. DONALD PALMER: Yes, that commission
24 rate is set by regulation with no expiry date stipulated
25 in regulation.

1 MR. BYRON WILLIAMS: And is there any
2 provision -- let me back up, Mr. Palmer. I appreciate
3 your -- you noting that it's -- the commission rate is
4 set in regulation. Would it be accurate to say that that
5 agreement that was ultimately enshrined in regulation was
6 the product of considerable discussion between MPI and
7 the Insurance Brokers Association?

8 MS. MARILYN MCLAREN: Sure, there --
9 there's a lot of discussion and consultation between MPI
10 and brokers. Ideally, the government would -- I think is
11 on record as saying would -- would be pleased to see
12 joint recommendations come forward in matters like this.
13 Sometimes that happens, sometimes it doesn't, but
14 certainly we certainly talk about these issues with
15 brokers.

16 MR. BYRON WILLIAMS: And what I'm asking,
17 Ms. McLaren, is there a enshrined process for reviewing
18 the agreement?

19 MS. MARILYN MCLAREN: No, there's an
20 agreement between the parties, being MPI and brokers that
21 we will deal with any ongoing issues that surface and
22 that we will certainly, both organizations together, take
23 a step back and have an overall look at things. But
24 certainly nothing that would be -- I don't believe
25 there's anything that -- that's truly structured and --

1 and obligatar -- obligatory on either of our parts at
2 this point.

3 MR. BYRON WILLIAMS: On the Corporation's
4 immediate horizon, which I'm going to frame as 2012/2013
5 and 2013/'14, is it -- is it expected that there will be
6 a discussion or re -- renegotiation in terms of the
7 agreements with the -- the brokers?

8 MS. MARILYN MCLAREN: I'm -- I'm not
9 sure. What I can tell you right now is that the brokers
10 have clearly gone on record and -- and MPI management
11 would concur with the view that when -- when the
12 commission rates were established -- I think that
13 regulation was passed back in 2008, something like that,
14 there was no real expectation of, you know, just over --
15 if this application was to be approved, over the last two
16 (2) years we've got more than double-digit rate decrease
17 which has a direct effect on brokers.

18 So that -- that was never the expectation
19 in 2008. So there -- there's conversations between MPI
20 and brokers going on about that right now.

21 MR. BYRON WILLIAMS: Ms. McLaren, and --
22 and what I think I'm hearing you tell me is that given
23 the -- the proposed rate decrease, that will have a
24 direct impact on the commissions received by brokers?

25 MS. MARILYN MCLAREN: In terms of the

1 overall value, absolutely, because it's a percentage-
2 based commission.

3 MR. BYRON WILLIAMS: And the reason --
4 and -- and without trying to put words in your -- your
5 mouth, too -- too many anyways. Given that reduction in
6 the overall value of commissions there is the possibility
7 that those discussions might be re-opened in the --
8 within the Corporation's -- the -- the time frame of the
9 2012/'13 to '13/'14 year.

10 MS. MARILYN MCLAREN: There's -- there's
11 absolutely discussion between MPI and brokers. I -- I
12 can't tell this Board whether that will translate to the
13 government changing the regulation.

14 MR. BYRON WILLIAMS: Thank you for that.
15 In terms of the MGEU contract --

16 THE CHAIRPERSON: Could I just -- before
17 you leave the brokers I'd be interested, Ms. McLaren, in
18 how much discussion takes place with the brokers. Let's
19 say, in terms of this new IT plan -- I'm back on it
20 because we just finished with it before the break -- or
21 we stopped dealing with it before the break.

22 But I know you said that -- when we were
23 looking at it in the weeks proceeding, that this could
24 result in a new way that consumers might deal with the
25 Corporation, maybe they would be online filing things

1 from their home, perhaps an -- an accident claim or maybe
2 a renewal. We -- we weren't sure exactly what they would
3 be doing.

4 But would this effect the brokers in any
5 way? Like, do you ever discuss the IT plans and what
6 this could mean five (5) years down the road for their
7 particular job description, what they might be expected
8 to do or not do and is that part of your discussions with
9 the brokers?

10 MS. MARILYN MCLAREN: Ab -- absolutely.
11 And we really -- we kind of split that in two (2) -- two
12 (2) ways, right. I mean, we -- we talk to them about --
13 they were very involved and understood exactly what was
14 happening with streamlined renewals, that's why the
15 commission schedule changed. And -- so we absolutely
16 involve them and -- and have as many in-depth
17 conversations with them as we would expect to have with
18 the body shops if we change how they do their work,
19 absolutely.

20 We -- corporately we have a -- a real
21 commitment to independent brokers as the key distributor
22 of our products. And we would not expect, without a
23 significant policy change at the highest level, we would
24 not expect to -- to change that and all -- and allow
25 Manitobans to do things online that up until now have

1 been required to be done at a broker.

2 So we're -- we're careful about how we do
3 things like that. And I'll -- I can talk to you a little
4 bit about the streamlined renewal. Because the renewal
5 itself, now which only happens once every five (5) years,
6 requires a photo to be taken. We will -- in -- in my
7 view from a policy perspective, we will never allow
8 people to file an address change online like you can with
9 many, many organizations. But we understand that the
10 Manitoba driver licence or the Manitoba identity card is
11 a key identification document for Manitobans.

12 And we also know that -- that -- I can't
13 say for sure this has happened in Manitoba, but there
14 have been cases of attempted identity theft, fraud, by,
15 you know, people looking fairly similar to someone else
16 would change their address and send all that person's
17 documents somewhere else. So address changes have to be
18 done in person. We take a new photo everytime somebody
19 reports a move, and we compare that photo to the photo we
20 have on file through our software that does that.

21 So, it's really one (1) of the mechanisms
22 to reduce opportunities for identity theft. And brokers
23 also have to issue registration documents, they have to
24 issue plates and stickers and things like that we call
25 stock, right. So we really want people to keep using

1 brokers primarily for those kinds of transactions.

2 The four (4) years out of five (5), the
3 renewal is now just a reassessment, which is like a
4 payment which you can pay online banking. So you don't
5 need to go see your broker, you don't -- you can do that
6 any -- any way, shape, or form. So we're careful about
7 how we do that. From a business pers -- those are
8 business plans and business direction, we absolutely
9 consult with them.

10 But separate from that we also talk to
11 them about IT, the -- you know, the bones of IT. Because
12 we know right now, very soon we're going to have to
13 upgrade -- they're going to have to upgrade the equipment
14 in their offices. They need new operating systems, the
15 cameras, we can't get the cameras anymore, they need new
16 cameras. All -- all that -- the actual boxes and
17 equipment that they have in their offices has to be
18 changed. We talked to them about that as well.

19 We try to do that in a way that has as
20 little disruptive impact or negative impact on them as we
21 can, but there's ongoing regular conversations at the
22 executive level and the working level all the time.

23 THE CHAIRPERSON: Thank you for that.

24

25 CONTINUED BY MR. BYRON WILLIAMS:

1 MR. BYRON WILLIAMS: And in terms of
2 going back to CAC Exhibit 43 and Undertaking 38, Mr.
3 Palmer, in terms of the agreement with the MGEU, we're
4 agreed that expires in September of 2012, correct?

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

6 MR. BYRON WILLIAMS: And if we wanted to
7 fill in the blanks for the ex -- related expenditures for
8 the 2010/'11 costs for Basic-only related to that we
9 would put in the figure of 81.6 million, which is set out
10 in the Corporation's response to Undertaking number 36,
11 correct?

12 MR. DONALD PALMER: Yes, that's salary
13 and benefits. Yes.

14

15 (BRIEF PAUSE)

16

17 MR. BYRON WILLIAMS: Would it be accurate
18 to say that within the time frame of the 2012/'13 year
19 and the 2013/'14 year there are two (2) major agreements
20 with stakeholders of Manitoba Public Insurance coming up
21 for renegotiation with a value somewhere between 270
22 million and 300 million?

23 Would that be a fair statement?

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

25 MR. BYRON WILLIAMS: Thank you. In terms

1 of Undertaking number 35, which is the res -- MPI Exhibit
2 45. Mr. Palmer, that was seeking a breakdown -- this is
3 MPI-45. It would have just been distributed, probably the
4 last document.

5

6

(BRIEF PAUSE)

7

8

MR. DONALD PALMER: Yes, I have it.

9

10 MR. BYRON WILLIAMS: Mr. Palmer,
11 essentially what this information or this undertaking
12 sought was a breakdown of the expenditures related to
13 regulatory and appeal, further divided between the AICAC,
14 the Public Utilities Board, the claimant advisor's office
15 and -- and any other significant lines.

16

Would that be your understanding, sir?

17

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

18

19 MR. BYRON WILLIAMS: And if we turn to
20 the second page of that response, we see that for the --
21 the 2010/'11 fiscal year, of that \$4 million roughly in
22 this line item, about 1.3 million was related to costs of
23 the Public Utilities Board, including rate regulation.

24

Would that be fair, sir?

25

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

26

27 MR. BYRON WILLIAMS: And we have
28 litigation between the PUB and Manitoba Public Insurance

1 amounting to half a million dollars roughly of that
2 figure, sir?

3 MR. DONALD PALMER: Yes.

4 MR. BYRON WILLIAMS: And in terms of the
5 AICAC, about 1.1 million, sir, correct?

6 MR. DONALD PALMER: Yes.

7 MR. BYRON WILLIAMS: And the claimant
8 advisor's office, a bit less than 1. -- million, being
9 nine hundred and eighty thousand (980,000), roughly,
10 correct?

11 MR. DONALD PALMER: Yes.

12 MR. BYRON WILLIAMS: Now, Mr. Palmer, I'm
13 -- I'm going to come to the court case in one (1) second,
14 but in terms of the -- the PUB figure being about \$1.3
15 million annually, in your experience, would that be
16 reflective of generally the Corporation's expenditures
17 related to rate regulation, sir? On an annual basis,
18 sir.

19 MR. DONALD PALMER: Yeah, it's been up
20 and down a little bit. There have been a couple of years
21 where we've had extra hearings, but it's probably pretty
22 reflective.

23 MR. BYRON WILLIAMS: Would --

24 MS. MARILYN MCLAREN: But I -- I think
25 it's also fair to say that the days in hearings have

1 extended significantly, the numbers of Information
2 Requests particularly from Intervenors have expanded
3 significantly.

4 Several years ago we were generally in and
5 out in sometimes five (5) or six (6) days. Those -- the
6 costs used to be well under \$1 million.

7 MR. BYRON WILLIAMS: Would it -- would it
8 be fair to say, if we're looking at an upper range, that
9 in the Corporation's experience the rate regulation would
10 -- would be less than -- than \$2 million on an annual
11 basis?

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

14 MR. BYRON WILLIAMS: Would -- and would
15 it be fair to say on an annual basis rate regulation, as
16 an upper limit, would be less than 1.5 million?

17 MR. DONALD PALMER: I'm more comfortable
18 with two (2), just because there have been years when
19 we've had two (2) hearings, and a much longer extended
20 period of time.

21 MR. BYRON WILLIAMS: Would it be fair to
22 state as a general point, sir, that expenses associated
23 with the AICAC and the claimant advisor's office tend to
24 be higher than those costs associated with rate
25 regulation?

1 Would that be fair?

2 MR. DONALD PALMER: Together that would
3 be fair, yes.

4 MR. BYRON WILLIAMS: And in terms of the
5 court case -- or let me back this up. In terms of the
6 five hundred thousand dollar (\$500,000) expenditure, PUB
7 v. MPI, am I correct to suggest, sir, that these are
8 costs associated with the stated -- stated case between
9 Manitoba Public Insurance and the Public Utilities Board?

10 MR. DONALD PALMER: Yes.

11 MR. BYRON WILLIAMS: And in terms of that
12 five hundred thousand dollar (\$500,000)...

13

14 (BRIEF PAUSE)

15

16 MR. BYRON WILLIAMS: In terms of that
17 five hundred thousand dollar (\$500,000) figure, sir, does
18 that reflect both in-house and external costs of the
19 Corporation, or does it -- is it related directly to
20 external costs of the Corporation?

21 MR. DONALD PALMER: It would be external
22 costs.

23 MR. BYRON WILLIAMS: Do we call those
24 external costs, "legal fees," sir, and disbursements?

25 MR. DONALD PALMER: By and large, yes.

1 (BRIEF PAUSE)

2

3 MR. BYRON WILLIAMS: The -- the Board may
4 wish to chastize me. I had thought I had left MPI
5 Exhibit 39, but I do have a couple other questions
6 regarding it. That's under -- Undertaking 30. It's a
7 one (1) page -- a one (1) page document. Ms. McLaren,
8 they probably go to you.

9

10 (BRIEF PAUSE)

11

12 MR. BYRON WILLIAMS: Yes. And, Ms.
13 McLaren, in the Corporation's response it -- it
14 identifies certain initiatives, such as human resource
15 management systems, call centre initiatives, IT
16 optimization, and disaster recovery, correct?

17 MS. MARILYN MCLAREN: Yes.

18 MR. BYRON WILLIAMS: And you and I have
19 previously had a discussion about project charters.

20 You'll recall that discussion?

21 MS. MARILYN MCLAREN: Yes.

22 MR. BYRON WILLIAMS: In terms of the
23 initiatives set out in the response, which, if any, would
24 require project charters?

25 MS. MARILYN MCLAREN: I'm not sure.

1 Clearly the projects within IT optimization, we've gone
2 on record as saying those will require charters, we'll
3 have them. Disaster recovery certainly will. And -- and
4 disaster recovery business continuity will as well.

5 Human resource management system, I don't
6 believe because I think it will have a detailed project
7 plan that will talk about the actual deliverables,
8 assumptions constraints, budget, timeframes. But it was
9 because we are purchasing another module of an existing
10 package it was not quite the same approach. I think
11 there was an IR or something to that effect.

12 Call centre, I -- I believe there was.
13 I'm not a hundred percent sure of that, but I believe
14 there would have been a charter for that initiative.

15 MR. BYRON WILLIAMS: So in terms of IT
16 optimization, would I be correct in suggesting to you
17 that -- that no project charters are as yet completed?

18 MS. MARILYN MCLAREN: I believe we've
19 gone over that. I think that clearly was the
20 conversation I think you had with Mr. Geffen as well.
21 You need to know what you're -- specifically what you're
22 hoping to achieve and how you hope to achieve it before
23 you can strike a charter.

24 MR. BYRON WILLIAMS: And you made a
25 reference to certain matters going to tender in our

1 conversation earlier this morning, some of -- and a
2 figure of three point (3.) -- a figure of in excess of 3
3 million I believe was -- was referenced.

4 Do you recall that reference, Ms. McLaren?

5 MS. MARILYN MCLAREN: Yes, I do.

6 MR. BYRON WILLIAMS: Was that related to
7 IT optimization?

8 MS. MARILYN MCLAREN: All of it was, yes.

9 MR. BYRON WILLIAMS: And, Ms. McLaren,
10 let me back up a second, then I'll come back to that.
11 When -- when are we -- when are we anticipating the
12 project charters related to the IT optimization projects
13 to be completed?

14 MS. MARILYN MCLAREN: I believe by the
15 end of the fiscal year. I think most of them -- some may
16 be -- I'm just trying to think, December to -- some
17 perhaps by the end of the third quarter, but I believe by
18 the end of the fourth quarter.

19 Some of it will depend on the work that we
20 have issued through RFP. You know, I mean, like there
21 are large decisions to be made in terms of what kind of
22 data centre, where would a data centre be, how does that
23 tie into disaster recovery.

24 There are questions to be asked through
25 the consulting exercise for which we have let the work to

1 determine an approach so that you can strike a charter.

2 MR. BYRON WILLIAMS: So -- so in -- so
3 one -- so we will be -- let -- let me back up. The
4 Corporation will be looking to complete the project
5 charters related to IT optimization by the end of the
6 fiscal year. And then any expenditures flowing from
7 those project charters would -- would take place
8 subsequent to the approval of the project charters.

9 Is that my understanding?

10 MS. MARILYN MCLAREN: That's right. And
11 some of the timing may be quite close. You know, there
12 may not be significant gaps between when you actually
13 formalize the charter and when you start the initiative
14 to achieve the objective of the charter.

15 And if we can go back to that Undertaking
16 13, Exhibit 19, just for a sec. That's the one (1) that
17 did add up to three point eight (3.8); \$2 1/2 million of
18 that is for network devices. You know, it's so that our
19 -- our service centres can communicate with each other.
20 The ones that we had were out-of-date, no longer
21 maintained.

22 So, I mean, that's -- that's -- you -- we
23 are not letting work, in any significant extent, without
24 the charters.

25 MR. BYRON WILLIAMS: And of that budgeted

1 amount of 37 million for the 2011/'12 year, how much of
2 that would relate to projects which require a project
3 charter, Ms. McLaren?

4 MS. MARILYN MCLAREN: Well, my
5 expectation is that there will be a charter for each of
6 the key projects identified under the umbrella of IT
7 Optimization, so that would mean all. I -- I believe
8 thirty-seven (37) is the total IT spend outside of IT
9 Optimisation. So the IT Optimization initiatives all
10 need charters.

11 What I'm trying to say is, the HRMS
12 replacement will not have a charter, but it is part of
13 the 37 million.

14 MR. BYRON WILLIAMS: And of the -- I was
15 going to say 37 million, but let's subtract the -- the 5
16 million that we -- we've al -- or, the 7 million we've
17 already dealt with.

18 Of that 30 million, what is the amount of
19 that 30 million that will be subject to an RFP process?

20 MS. MARILYN MCLAREN: I would expect all
21 of it, unless there are a couple of minor exceptions as
22 there were in Exhibit 19.

23 MR. BYRON WILLIAMS: Okay. Thank you for
24 that.

25 Madam Chair, I -- I'm -- I'm back to what

1 I expect will be a bit of jumping around. I'm going to,
2 in the next couple of questions, reference a couple of
3 Information
4 Requests. I -- I really think the Board does not need o
5 -- to go them; they're always welcome to MPI may -- may
6 wish to -- to go to them.

7 And this probably goes to you, Mr. Palmer,
8 it's -- if you want to have at hand the response of MPI
9 to CAC 1-194 and 2-68.

10

11 (BRIEF PAUSE)

12

13 MR. BYRON WILLIAMS: So for those who are
14 following along, it's Information Request CAC 1-194,
15 specifically (e), and 2-68, again from CAC to the
16 Corporation.

17

18 (BRIEF PAUSE)

19

20 MR. BYRON WILLIAMS: We'll just wait one
21 (1) second, Mr. Palmer.

22

23 (BRIEF PAUSE)

24

25 MR. BYRON WILLIAMS: Mr. Palmer,

1 specifically directing your attention to 1-94(e), you'll
2 recall that in that Information Request the Corporation
3 was asked to provide a copy of the mandate -- mandate,
4 excuse me, and the productivity indicators for each
5 organizational unit set out, and they're -- they're
6 listed in the response, but some would include finance,
7 service operations, strategy and innovation.

8 And you -- you see that that was a
9 question, sir?

10 MR. DONALD PALMER: Yes.

11 MR. BYRON WILLIAMS: And the
12 Corporation's response was that the -- the requested
13 documents do not exist. And then it provided a further
14 response in -- in 2-68, correct?

15 MR. DONALD PALMER: That's correct.

16 MR. BYRON WILLIAMS: In 2-68 our clients
17 followed this question up with the Corporation and asked
18 in the -- without a mandate and productivity document,
19 how do senior managers communicate to their
20 organizational unit managers and staff and assure
21 themselves that the various organizational units are
22 meeting corporate goals and adding value to the
23 Corporation?

24 That's a fair presentation of the
25 question, sir?

1 MR. DONALD PALMER: Yes.

2 MR. BYRON WILLIAMS: And the Corporation
3 responded that it uses a, in quotation marks:

4 "Top down strategic planning process
5 which is reflected through detailed
6 approved operating budgets and
7 performance requirements for each
8 division, which are then cascaded down
9 through the organization in order to
10 ensure that the Corporation's seven key
11 corporate goals are attained."

12 Correct?

13 MR. DONALD PALMER: Yes.

14 MR. BYRON WILLIAMS: Mr. Palmer, what my
15 clients are looking for in terms of the -- the divisions
16 is a copy of the performance requirements that are set
17 out.

18 MS. MARILYN MCLAREN: What we were trying
19 to communicate in the answer is that it's not that
20 straightforward; we don't have that by division. Most of
21 the divisions within the Corporation are quite diverse
22 within themselves and the -- the context of, you know,
23 adding value and meeting goals is embedded in -- in
24 everything that we do as an organization. Managers are
25 held accountable for their budgets. They are held

1 accountable for their staff's effective participation in
2 strategic initiative projects. They're held accountable
3 to achieve customer service standards; that's not
4 something that we have talked at all about during these
5 proceedings but we certainly have at length other years.

6 The Corporation's extensive framework of
7 internal and external measures to the extent to which our
8 service is meeting the expectations of Manitobans.

9 In the contact centre we have standards
10 with respect to how quickly calls are to be answered; how
11 long is acceptable for someone to stay in the queue; what
12 are the quality standards with respect to answering the
13 calls.

14 So it is -- there are performance metrics
15 for each employee and each department as to its share of
16 the organization's mandate, but we don't have such things
17 at a divisional level.

18 MR. BYRON WILLIAMS: Focussing on
19 productivity indicators, and recognizing the diverse
20 nature of the Corporation, am I correct in suggesting
21 that notwithstanding the diverse nature of each division
22 that there are no specific productivity indicators for
23 those lines of business?

24 MS. MARILYN MCLAREN: There are in some
25 areas. One that is easier to talk about and provide

1 context is the call centre -- the contact centre. There
2 are absolutely productivity measures there.

3 There are some expectations of reasonable
4 levels of productivity for adjusters or case managers but
5 that is highly dependent on the nature of the work. You
6 know, a -- a senior adjuster will handle more complex
7 auto claims than will a junior adjuster; therefore, they
8 probably don't handle quite as many. So, I mean, there
9 are -- there are measures in different areas of the
10 Corporation, but again it's not something -- we -- we
11 don't have a productivity framework like we have a
12 customer service standard framework.

13 But I would suggest that within the
14 customer service standards, there are clearly
15 productivity measures embedded in that and not just in
16 the contact centre. There's an expectation of when you
17 would -- how long someone would wait to be served in a
18 service centre. The extent to which estimator and
19 adjuster appointments are to be conducted on time and --
20 and not a delayed start.

21 So they're -- they're inherent in other
22 things not -- not something known as a productivity
23 framework overall for the Corporation.

24 MR. BYRON WILLIAMS: Ms. McLaren, have
25 you -- have you consulted with any of your brother or

1 sister Crown corporations in terms of how they build
2 productivity expectations into the budgeting process?

3 MS. MARILYN MCLAREN: Only at a high
4 level. No, not -- not specific detailed conversations.

5 MR. BYRON WILLIAMS: And we won't pursue
6 that if -- if that's the case, but I just want to make
7 sure.

8 So you've had no detailed discussions with
9 Manitoba Hydro in terms of how, if at all, they build
10 productivity expectations into their budgeting process?

11 MS. MARILYN MCLAREN: I believe that's
12 true. Yes.

13

14 (BRIEF PAUSE)

15

16 MR. BYRON WILLIAMS: Ms. McLaren, just
17 one (1) last question on this. Given your many years of
18 experience in the insurance business, and your many
19 dialogues with -- with other insurance organizations, are
20 you aware of what other insurance organizations may do in
21 terms of an effort to build productivity indicators and
22 incentives into their budgeting process?

23 MS. MARILYN MCLAREN: Only at a very high
24 level, and I know enough about it to know that
25 particularly in the insurance business things like that

1 can cut both ways.

2 You can do things to improve productivity,
3 lower your expenses, but you can very well loose control
4 of your claims incurred.

5 So that is really -- you know, I -- I know
6 enough to be very cautious in terms of being very, very
7 careful about choosing the correct measures, and not
8 having measures that -- that all -- almost are guaranteed
9 to have completely unintended and undesirable
10 consequences.

11 So I know it's an area that is complex,
12 and difficult, and I think bares a very careful approach
13 in -- particularly something like this, with a government
14 established monopoly.

15 But I think auto insurance, and any
16 insurance in general, is -- is an area that makes this
17 quite difficult.

18 MR. BYRON WILLIAMS: Recognizing those
19 cautions, Ms. McLaren, the Corporation, I'll suggest to
20 you, no doubt will -- in the future will be looking to,
21 just as it builds customer service standards into its
22 operational framework, will look to expressly building
23 productivity measures and indicators into its budgeting
24 framework.

25 Would that be fair?

1 MS. MARILYN MCLAREN: I -- I think it's
2 fair to say that we have a responsibility to reflect our
3 keen interest in running this insurance program as
4 effectively as we possibly can.

5 My earliest background at Manitoba Public
6 Insurance is in an area where it was relatively simpler
7 to identify productivity objectives, and -- and we did so
8 rigorously.

9 I think there are other areas where we can
10 do more of that, and I think it is fair to say that we --
11 we understand the expectation that we'd be able to really
12 demonstrate effectiveness and cost control when it's
13 appropriate, and I think you can expect that in the
14 future.

15 MR. BYRON WILLIAMS: Madam Chair, I'd
16 like to draw the Corporation's attention, as well as the
17 Board's, to CAC Exhibit 12, which -- which is the -- on
18 the front page should be, "A Notice of Question."

19 THE CHAIRPERSON: We have that.

20

21 (BRIEF PAUSE)

22

23 MS. MARILYN MCLAREN: We have that.

24 MR. BYRON WILLIAMS: And, Madam Chair,
25 I'm -- I'm afraid that the skies may open and lightening

1 may -- may issue in that I'm bringing -- putting on the
2 record a -- one (1) study by the Fraser Institute, as
3 well as one (1) by -- an excerpt from one (1) from CAC
4 Canada.

5 But I'm not sure if these questions go to
6 Mr. Palmer or Mr. -- or Ms. McLaren, but in -- in terms
7 of the high level exploration of these documents, you'll
8 agree with me that attached at the front of the document
9 is a -- an excerpt from a study published by the Fraser
10 Institute from October 2011 purporting to look at the
11 personal cost and affordability of auto insurance in
12 Canada? MR. DONALD PALMER: Yes.

13 MR. BYRON WILLIAMS: And later on, and I
14 apologize for not numbering these pages, but after
15 actually the blue -- after the blue filler, you'll agree
16 there is an excerpt from a study by the Consumers
17 Association of Canada to be distinguished from my
18 clients, who are the Manitoba branch, dated, October
19 19th, 2005, purporting to compare Atlantic province
20 insurance rates versus the insurance rates in other
21 provinces, including BC, Manitoba, and Ontario.

22 Is that your understanding, sir?

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

24 MR. BYRON WILLIAMS: And, Mr. Palmer,
25 we're not going to get into a great deal of detail on

1 these studies.

2 But, in terms of what the Fraser Institute
3 claims that its study is doing, would it be your
4 understanding that what it's attempting to do is for the
5 ten (10) Canadian provinces develop an average premium
6 and compare that -- look at that as a percentage of GDP
7 per -- per sers -- per person as a percentage of personal
8 income per person and as a percentage of personal
9 disposable income per -- per person?

10 Is that your understanding, sir?

11 MR. DONALD PALMER: That's the
12 methodology that they purport to compare the -- the cost
13 of insurance, yes.

14 MR. BYRON WILLIAMS: And again, at -- at
15 -- I'll give you an opportunity to comment on the
16 approaches in -- in a second, sir. But in terms of the
17 thinking underlying their methodology, they suggest that
18 a nominal comparison of auto insurance premiums is an --
19 is an effective way to measure their relative costs.

20 That's their suggestion. I'm not
21 suggesting that it's yours.

22 MR. DONALD PALMER: That's what they say,
23 yes.

24 MR. BYRON WILLIAMS: And they go on to
25 argue that case-by-case comparisons are not valid

1 reflections of actual averages. Do you understand that,
2 sir?

3 MR. DONALD PALMER: Yes, I understand
4 that.

5 MR. BYRON WILLIAMS: In terms of the CAC
6 Canada study, what it claims it's doing is suggest --
7 developing three hundred (300) diverse rating profiles to
8 -- to establish a statistically valid representative
9 profile of the Canadian driving population.

10 Is that your understanding as well, sir?

11 MR. DONALD PALMER: Yes.

12 MR. BYRON WILLIAMS: And, Mr. Palmer,
13 this goes to the notice of question which is set out on -
14 - on the front page. At a conceptual level, I wonder if
15 you could discuss the relative strengths and weaknesses
16 of these proposed analytic and methodological approaches
17 as compared by the -- to the one (1) presented by MPI in
18 its response to PUB/MPI-1-4?

19

20 (BRIEF PAUSE)

21

22 MR. DONALD PALMER: First let me say that
23 the comparison of -- of rates between or among
24 jurisdictions is -- is always fairly difficult and there
25 have been various approaches. The -- the Fraser

1 it's important that you remember that insurance in itself
2 isn't really a commodity but it's a funding mechanism.
3 And if you're going to do a comparison by GDP, for
4 instance, as -- as Fraser Institute, then you have to
5 look at the whole -- everything that is, in fact, being
6 funded.

7 We know that in Manitoba about 90 percent
8 of autobody -- receipts from autobody shops are, in fact,
9 MPI claims. We know in other jurisdictions that's about
10 50 percent that are funded by insurance companies; 50
11 percent or less in some cases.

12 So again, if you're going to talk about
13 this as a percentage of GDP, you have to add in those
14 other costs as well because otherwise you just don't have
15 a -- a real valid comparison.

16 To say that you're doing a cost comparison
17 and then don't really compare what people actually pay, I
18 -- I think is a bit self-defeating, quite frankly.

19 In terms of the CAC study and -- and this
20 is back a few years so I'm -- I'm less familiar with
21 exactly the methodology but, again, there's always
22 coverage differences amongst provinces. I'm not sure
23 with all the profiles and the averaging that's done, I'm
24 not sure exactly what the weighting is. Thankfully, most
25 drivers are good drivers. I'm not sure if that is

1 Mr. Williams? That was one (1) of Mr. Palmer's points
2 for sure.

3 But I think the -- the heart of our point,
4 I guess, in the broader sense, and maybe we're leading a
5 little bit into your notice of Question B. We would
6 never purport to meet the founding principle for the
7 compulsory insurance program for Manitoba of, you know,
8 having rates that are comparable to other jurisdictions
9 simply by doing the -- the relatively abbreviated rate
10 comparison that we do with respect to Goal 1. There --
11 there really are three (3) things that we keep our eye
12 on. Two (2) have been put on the record, and I think
13 maybe I can take this opportunity to put the third one on
14 the record.

15 Ms. Kalinowsky, if we can put this as
16 another MPI exhibit.

17 We -- you know, it comes to -- I -- I do
18 remember a little bit about the 2005 Consumers'
19 Association of Canada rate comparison study. I re -- I
20 remember the effort it took within MPI, and if you
21 replicate across the nation to come up with those three
22 hundred (300) profiles -- was extremely challenging and
23 extremely labour intensive. And I -- I do not believe
24 that it's appropriate for the Corporation to spend that
25 kind of time and that kind of valuable staff time and --

1 and money doing something like that to make sure our
2 rates are comparable. I really don't.

3 First of all, we're here to meet the needs
4 of Manitobans. The -- the Board of Manitoba Public
5 Insurance has really established a four (4) component
6 value equation to make sure that we are providing value
7 to Manitobans; price comparison is one (1) of them. But
8 to do that we -- we focus on the limited rate comparison
9 that we have, as for goal number 1 in our annual report.
10 We look at how much of the premium dollar do we return in
11 benefits; you know, that's the -- at a minimum eighty-
12 five cents (85) on the dollar. And where does Manitoba
13 stand in relation to the rest of the country according to
14 statistics Canada data, in terms of the cost of auto
15 insurance? That's the third one that -- that we will be
16 able to circulate very soon, before the break, if people
17 want.

18 And that's what we keep our eye on, those
19 three (3) together. And they are relatively cost-
20 effective to keep our eye on those. They are absolutely
21 relevant to our business. And they speak to the issue
22 of: Are Manitobans getting a good price for the auto
23 insurance product? With the other three (3) components
24 of that value equation related to the coverage, which is
25 clearly the jurisdiction of the government, are they

1 satisfied with the coverage, is it meeting their needs?
2 And then access to service, the quality of service. Then
3 access as well; guaranteed access to the product, but
4 then access to the services supporting it.

5 So those four (4) features, price,
6 coverage, service, and access, all provide an indication
7 of the value that we provide to Manitobans for the Basic
8 insurance program. I don't think it makes any sense to
9 put any more effort into rate comparisons than we do
10 today, as long as we continue to do the other pieces of
11 that.

12 MR. BYRON WILLIAMS: And I -- I thank
13 both of you for tho -- that thoughtful answer. And it's
14 -- clearly my clients, like Board member Gosselin perhaps
15 are -- were thinking of certain representations made
16 during the last election campaign, and we're trying to
17 get our -- our client's heads around the challenges in --
18 in achieving that. So, I'm -- Mr. Palmer and Ms.
19 McLaren, I'm going to follow up your questions -- and we
20 won't have many more, Madam Chair, but in -- in -- or,
21 your responses in -- in two (2) different ways.

22 And your -- your points are well taken.
23 Is it -- it -- in terms of the current rate comparison
24 approach taken by Manitoba Public Insurance, the
25 Corporation would -- would agree that those are common

1 coverages; it doesn't represent that this is a
2 statistically valid sample -- or, statistically valid
3 rate comparison?

4 It wouldn't make that representation?

5 MR. DONALD PALMER: No.

6 MR. BYRON WILLIAMS: In terms of the --
7 the new information that we're going to receive with
8 interest at the -- at the earliest possible moment, in --
9 in terms of the Stats Canada comparison of the cost of
10 auto-insurance, is that cost normalized in terms of
11 provincial income, normalized in term of -- of -- and
12 comparisons like that?

13 MS. KATHY KALINOWSKY: Perhaps, this
14 might be an opportune time to distribute this. I would
15 suggest that it be marked as MPI exhibit number 46. And
16 I can pass copies around immediately.

17 THE CHAIRPERSON: Yes, we'll look
18 forward to getting that.

19

20 --- EXHIBIT NO. MPI-46: Consumer price index (1992 =
21 100) auto insurance premiums

22

23 DR. LENS EVANS: Excuse me. Thank you.
24 I -- I'm looking at the consumer price index data the --
25 table that's just been released. It's very interesting.

1 And I'm a little more friendly towards the -- the
2 Statistics Canada I think than I am to the Fraser's
3 sheet.

4 But, at any rate, am I correct when I say
5 -- when I look at this chart what it indicates is that
6 the rate of increase of insurance premiums in Manitoba
7 has been less than in Canada over the years, but it
8 doesn't compare the level, the average level of rates, if
9 there's such a thing, in Canada with the level in -- in
10 Manitoba?

11 Is that correct?

12 MR. DONALD PALMER: That's correct. This
13 -- this is just taking the index of 1992 in the various
14 jurisdictions, and comparing the change over time, so
15 they weren't the same in -- in '92.

16 So -- yeah, they -- it's just assuming the
17 index in 1992, this does not purport that the insurance
18 premiums were the same in 1992. It's just -- that is
19 kind of the starting point, and see how those levels have
20 changed in Manitoba over the years, and in Canada over
21 that same time -- time period. So, it's -- it's an
22 inflation index of insurance premiums.

23 In terms of normalizing, again it's --
24 it's a rate of change more than an absolute level, with
25 the -- I guess with the assumption that there is some

1 constant -- constancy in each of the jurisdiction, with
2 regard to the coverage that's -- so it's sort of
3 normalized, but not really.

4

5 CONTINUED BY MR. BYRON WILLIAMS:

6 MR. BYRON WILLIAMS: And just in terms of
7 the...

8

9 (BRIEF PAUSE)

10

11 DR. LENS EVANS: Okay, yeah. Okay. Just
12 to -- just to follow up on Mr. Palmer's recent -- last
13 comment.

14 Does Stats Canada publish any document, or
15 a set of tables, making these rate comparisons that the
16 Fraser Institute tried to do, as opposed to -- this is
17 very good -- good information, but the absolute
18 comparisons, province by province for selected -- you
19 know, selected rates, selected classifications?

20 MR. DONALD PALMER: Not to my knowledge.

21 DR. LENS EVANS: M-hm.

22 MR. DONALD PALMER: Again, this is a -- a
23 basket of -- of insurance policies, much like the basket
24 of goods in other --

25 DR. LENS EVANS: Yeah.

1 MR. DONALD PALMER: -- this is one (1) of
2 the -- one (1) of the measurements. In terms of the
3 absolute costs by jurisdiction, I'm not sure if they
4 published that or not.

5 DR. LENS EVANS: Yeah. Yes. I would
6 just comment that this is much easier to do than the
7 other proposal, the other study. Much easier to do.

8 MR. DONALD PALMER: Absolutely.

9 DR. LENS EVANS: But it's useful. Thank
10 you.

11 MR. REGIS GOSSELIN: To follow up on the
12 question, I have the same issue as Board member Evans.

13 I guess if -- was this data pulled out of
14 the Stats Canada database specific for Manitoba?

15 MR. DONALD PALMER: Yes, this is the
16 published Stats Canada data, yes.

17 MR. REGIS GOSSELIN: Surely, to be fair,
18 we should be taking a look at what the other province
19 record -- the other province's records are like. I mean,
20 it -- to be -- to be fair, if you're going to compare
21 apples to apples, you should be able to pull the same
22 data set from the database to -- to generate a graph that
23 would give us a perspective of how Manitoba performs
24 against other provinces. And that's really the point I
25 think that Dr. Evans was making.

1 MR. DONALD PALMER: I can confirm that,
2 yes.

3 MR. BYRON WILLIAMS: And would it be fair
4 to say that if -- if we look at the point of departure
5 between the Canada rates and the Manitoba rates, it would
6 be on or about -- or between the 1993 and '94 period,
7 sir?

8 MR. DONALD PALMER: Yes. And -- and
9 again, when we started in 1992 as being the same, that's
10 the -- the index point, then that departure would be very
11 close to -- to 1992. There's a bigger sort of departure
12 point in the 2001/2002 timeframe.

13 MR. BYRON WILLIAMS: Would it -- would
14 one (1) of the -- if we're looking...

15

16 (BRIEF PAUSE)

17

18 MR. BYRON WILLIAMS: Mr. Palmer, when we
19 -- would -- would a working hypothesis for part of the
20 change in the CPI be, I suggest to you, the -- the
21 introduction of the no-fault plan in -- in the early
22 1990s, and, secondly, the maturation of the Corporation's
23 estimates associated with the no-fault plan?

24 MR. DONALD PALMER: Yes, that's --
25 certainly would be incorporated into these results, yes.

1 And just for the benefit of -- of the Board, a lot of
2 this data in fact has been filed with the -- in Volume
3 II, Part 1, TI.5, and on page 8 has the complete CPI
4 passenger vehicle insurance premiums.

5 The index is different. It -- it has been
6 said, with the 1988 as being one hundred (100), there are
7 corresponding graphs, not with all the provinces, but
8 with Manitoba, Canada, Saskatchewan, and Alberta
9 included, and that's on page 12 of that exhibit.

10 MR. BYRON WILLIAMS: One (1) last
11 question, Madam Chair, before I'd suggest a break. Mr.
12 Palmer, in terms of the methodologies discussed today,
13 being the Corporation's current approach to raich -- rate
14 comparison, the -- the Fraser Institute approach to rate
15 comparison and the 2005 CAC national comparison, would it
16 be fair to say that whatever methodology chosen, it would
17 be extremely challenging to achieve a satisfactory
18 comparison of rates in a statistically valid form?

19 MR. DONALD PALMER: In terms of the
20 absolute level of -- of rates with the large variance of
21 -- of classification variables that other provinces use,
22 the vast differences in coverages, one (1) statistically
23 valid comparison, I think, is impossible.

24 MR. BYRON WILLIAMS: We thank you for
25 that. And, Madam Chair, I -- we -- we had a bit more of

1 a engaged discussion than I anticipated and certainly my
2 clients' appreciate the Board's interest. We -- we have
3 some small areas to cover. I don't think they'll take
4 long, but I -- I'm revising my estimate, to my horror, to
5 about an additional half hour. And I'd suggest we break
6 now.

7 THE CHAIRPERSON: Yeah, I think we need
8 to take a break. It's now noon. So we'll come back in
9 an hour and fifteen (15) minutes, which would be 1:20,
10 and then we'll reconvene.

11

12 --- Upon recessing at 12:06 p.m.

13 --- Upon resuming at 1:24 p.m.

14

15 THE CHAIRPERSON: Go ahead.

16

17 (BRIEF PAUSE)

18

19 CONTINUED BY MR. BYRON WILLIAMS:

20 MR. BYRON WILLIAMS: Ms. McLaren, quite
21 some time ago we had a brief discussion on -- or it might
22 have been with Mr. Palmer, my memory escapes me now -- on
23 the corporate -- the growth in corporate charitable don -
24 - donations.

25

Do you recall that discussion?

1 MS. MARILYN MCLAREN: Somewhat.

2 MR. BYRON WILLIAMS: And I don't think we
3 need to go there, but if -- you'll agree with me that if
4 one were looking for a relatively detailed explanation of
5 the Corporation's approach to donations, one could find
6 that in Information Response CAC-1-182, correct?

7 MS. MARILYN MCLAREN: Yes, that's right.
8 In addition to the narrative response, it also provides a
9 link to the Corporation's website where it publishes the
10 criteria for community groups that may want to ask for
11 support.

12 MR. BYRON WILLIAMS: And that link can be
13 found in the response to CAC-1-82(a)?

14 MS. MARILYN MCLAREN: Yes.

15 MR. BYRON WILLIAMS: And, Madam Chair --
16 or excuse me -- Ms. McLaren, just given the interest the
17 Board expressed in that -- be -- before the coffee break
18 in the morning, at a high level can you provide a bit of
19 explanation in terms of the Corporation's approach?

20 MS. MARILYN MCLAREN: Maybe briefly, at a
21 very high level. I don't -- I didn't pull that
22 Information Request up on my computer. I don't have it
23 in front of me. But generally there are -- are
24 categories, the -- categories related to our core
25 business, to road safety initiatives, general community

1 sponsorship.

2 So, within those categories the -- the
3 criteria are, you know, varied and fairly well
4 articulated. And maybe at this point I'll just leave it
5 at that.

6 MR. BYRON WILLIAMS: And, Ms. McLaren, I
7 -- I had notified you that I was going to ask the
8 question. I probably asked one (1) more than you
9 expected, so I appreciate your -- your courtesy on -- on
10 that.

11 I don't have a reference to -- to refer
12 you to but I do want to -- in terms of PIPP
13 infrastructure, and the -- the investments that were made
14 in that regard, in terms of the assumptions -- in terms
15 of the pro -- the productivity improvements that would
16 flow from it, I would be correct in suggesting to you
17 that the expectation was that first of all workflow and
18 document management solutions would improve productivity
19 by 15 percent?

20 You'll accept that --

21 MS. MARILYN MCLAREN: Yes.

22 MR. BYRON WILLIAMS: -- subject to check?
23 And a second expectation was that 20 percent of invoices
24 delivered by service providers would be eligible for auto
25 adjudication, correct?

1 MS. MARILYN MCLAREN: Yes.

2 MR. BYRON WILLIAMS: And in terms of PIPP
3 infrastructure, was there an additional -- well, let me
4 try -- try a different way.

5 In terms of the -- the project, what was
6 the Corporation's expectation in terms of leakages, and
7 how would that fit into productivity improvements?

8 MS. MARILYN MCLAREN: My recollection is
9 that they're two (2) different things. The productivity
10 improvements are staffing and business partner supplier
11 efficiencies. The leakage would refer more directly to
12 claims incurred.

13 And by improving the processes for moving
14 the paper and the documentation, and -- and medical
15 reports and so on, if someone -- concept in the most
16 general term is this: If a doctor decides on the first
17 of October that someone has recovered to the extent that
18 they need less personal care, and if it takes until the
19 1st of November for the case manager to act on that and
20 reduce the -- the compensation for personal care, we've
21 probably paid a month more than we need to.

22 If some of that is done electronically
23 with shorter timeframes, maybe we'll only pay one (1)
24 week or two (2) weeks at the higher rate.

25 MR. BYRON WILLIAMS: Now, it would be

1 fair to -- and I thank you for -- for that answer, Ms.
2 McLaren. In terms of the PIPP infrastructure, it would
3 be fair to say that the Corporation is still at
4 relatively early stages of implementation?

5 MS. MARILYN MCLAREN: That's right.
6 That's why the post-implementation review was a
7 preliminary one. And there's also information on the
8 record that -- that demonstrates that the cost
9 improvements, the -- the business case payback is
10 supposed to extend for several more years, yeah. So,
11 it's just, I guess, fourteen (14) months into
12 implementation. It's very early.

13 MR. BYRON WILLIAMS: And given that it's
14 very -- relatively early, and also that there's an
15 expectation that benefits will endure into the future, my
16 clients would presume that it's the cor -- that the
17 Corporation's expectation is that it would be annually
18 updating the Board, in terms of the success, or,
19 otherwise, of the project in -- in achieving objectives,
20 both in terms of productivity and in terms of claims
21 reductions via leakage?

22 MS. MARILYN MCLAREN: Tha -- that's
23 probably fair. I think the conversation I had earlier
24 with Ms. Grammond was related to the fact that, you know,
25 in a few more years there will be a final post-

1 implementation review, but periodic updates is certainly
2 reasonable.

3 MR. BYRON WILLIAMS: And so the
4 Corporation -- or Intervenors and -- and the Board might
5 expect in the next general rate application that such an
6 update would be available?

7 MS. MARILYN MCLAREN: Yes.

8 MR. BYRON WILLIAMS: Now, Ms. McLaren, I
9 don't have a page number for you, but I'm going to
10 suggest that it -- flowing from AI-12, which was the
11 preliminary post-implementation review, there was a
12 statement, something to the effect that the Corporation
13 is actively working on plans to measure the savings
14 achieved through containing claims leakage.

15 Does that sound familiar?

16 MS. MARILYN MCLAREN: Yes.

17 MR. BYRON WILLIAMS: To date, would it be
18 accurate to say that how the Corporation in -- intended
19 to measure savings achieved through claims leakage, that
20 had not been finalized yet?

21 MS. MARILYN MCLAREN: Well, it was
22 several months ago now that that report was written. I'm
23 not exactly sure where things are today. But I think the
24 concept is that we wanted to have the system implemented
25 as the baseline before we really made some final

1 decisions in that area.

2 MR. BYRON WILLIAMS: So are you able to
3 provide any update on the status of the plans to measure
4 leakage?

5 MS. MARILYN MCLAREN: No, not right now
6 today.

7 MR. BYRON WILLIAMS: That would be
8 something that the Corporation would be able to report on
9 for the purposes of the next general rate application?

10 MS. MARILYN MCLAREN: That seems fair to
11 me, for sure.

12 MR. BYRON WILLIAMS: It's no -- the --
13 the court -- the court reporter was inquiring of an
14 undertaking. Certain we'll be looking for it in the --
15 the next application. I'm sure we won't be disappointed.

16 Ms. McLaren, just on PIPP infra --
17 infrastructure, in terms of the CAC Exhibit number 11,
18 which is the supporting materials, if -- if you could
19 turn to page 17 for one (1) second. And numbered in the
20 top right-hand corner will be page 16, and also page 18.
21 And page 17 would be on the -- on the opposite side, Ms.
22 McLaren.

23 And -- and you had a bit of a discussion
24 about challenges in terms of culture change. But I'll
25 direct your attention to the reference at the bottom of

1 that page, being minute eleven dash zero five two (11-
2 052).

3 Do you see that, Ms. McLaren?

4 MS. MARILYN MCLAREN: Yes.

5 MR. BYRON WILLIAMS: And you'll see that
6 there is a discussion relating to the -- the PIPP post-
7 implementation update, with culture change and injury
8 claims management recognized as the largest challenge.

9 Do you see that, Ms. McLaren?

10 MS. MARILYN MCLAREN: Yes, I do.

11 MR. BYRON WILLIAMS: And you had a bit of
12 a discussion with My Learned Friend, but how big of a
13 challenge was it, is it?

14 MS. MARILYN MCLAREN: I -- there's not a
15 quantitative answer to that. But I can tell you that
16 we're very comfortable with the progress we're making.
17 And I guess, rather than use such a nebulous term as
18 "culture change," I would really say that what we have
19 made some really significant progress on is establishing
20 our expectations and supports for staff around what we're
21 calling "Active Case Management." And that is really the
22 -- the key approach of everything we've done in terms of
23 the bodily injury initiative, and we have done a good job
24 at articulating that, developing training sessions for
25 that, putting actual language around it.

1 So, I would say that it's not even as
2 insurmountable as it was when that minute was written.
3 We're moving in the right direction.

4 MR. BYRON WILLIAMS: And presumably there
5 will be performance measures put into place in terms of -
6 - of how staff are successful in achieving those ex --
7 meeting those expectations, in terms -- in -- in terms of
8 that, Ms. McLaren?

9 MS. MARILYN MCLAREN: Yes.

10 MR. BYRON WILLIAMS: And are those
11 measures in place currently?

12 MS. MARILYN MCLAREN: It's part of the
13 development of the active case management protocol, so
14 no, they are not in place right now today.

15

16 (BRIEF PAUSE)

17

18 MR. BYRON WILLIAMS: Ms. McLaren, in
19 terms of the PIPP infrastructure project, it would be a
20 fair statement that it is -- it's an important project in
21 terms of its impact on claimants and its potential impact
22 on the Corporation's bottom line, correct?

23 MS. MARILYN MCLAREN: Sure, within the
24 context of the expectations for some claims incurred and
25 -- and expense reductions it's material. I think the

1 bigger impact is on the service quality side.

2 MR. BYRON WILLIAMS: And the project
3 itself involved both a significant investment of time and
4 resources on behalf of the Corporation, correct?

5 MS. MARILYN MCLAREN: Yes.

6 MR. BYRON WILLIAMS: And, again, in terms
7 of its impact both on claimants and on the Corporation's
8 bottom line, it's fair to say that it's a project that ex
9 -- is expected to have some impact, not only in the
10 short-term, but over the longer-term, correct?

11 MS. MARILYN MCLAREN: That's right.

12 MR. BYRON WILLIAMS: Given the
13 significance of this project would it be prudent for the
14 Corporation to have it evaluated for its success
15 externally by -- by someone independent, and at -- and at
16 arms length from the Corporation?

17 MS. MARILYN MCLAREN: I think there's
18 certainly no compelling reason or situation to do that at
19 this point. I guess that's something that always could
20 be revisited in the future. It is still early in the
21 process.

22 You know, rem -- remembering the number of
23 years that we've been working on this, the significant
24 changes that have been made and implemented. So, you
25 know, I mean, I think that's something that could be

1 considered.

2 But, you know, I mean at the end of the
3 day what we're talking about is a \$25 million project
4 with about a five (5) year payback period, which is, you
5 know, maybe \$5 million a year in the roughest terms,
6 which is less than a percent on premium.

7 Things like that are always something that
8 can be considered and discussed, but at this point, given
9 the on -- the fact that the expenditures are clearly
10 audited and, you know, the accounting is certainly in
11 order, that we expect to come back with a clear
12 definition of how we measured the savings. We also will
13 be having, you know, revised service standards and -- and
14 employee performance benchmarks. All those things will
15 be there. I -- I'm not sure that it warrants external
16 review, but as we've discussed earlier, it's still early
17 in the process.

18 MR. BYRON WILLIAMS: Thank you for that,
19 Ms. McLaren. I -- I'll reflect upon it.

20 I'm going to turn, Madam Chair, to the
21 subject of road safety. And there's only one (1)
22 reference from the record that the Board may wish to --
23 to have available, and that would be the Corporation's
24 response to First Round Information Request of CAC-226.
25 226. And we won't get to it right away, Madam Chair, but

1 I -- but it might be useful for the Board to have it.

2 And just for Ms. McLaren and the Board's
3 benefit, it will be a very brief conversation, but also
4 the CAC Exhibit 11, the very last page which has the road
5 safety budget, some reference may be made -- made to that
6 as well.

7 Ms. McLaren, I don't want you to -- to
8 take our client's relatively short questions on road
9 safety as an expression -- as a lack of interest, but my
10 -- My Learned Friend's thorough cross-examination covered
11 a number of issues.

12 But you'll recall in your conversation
13 with -- with Ms. Grammond and -- and perhaps with one of
14 the Board members a discussion of the -- the approaches
15 taken by jurisdictions such as ICBC in terms of
16 investment in infrastructure.

17 Do you recall having some con --
18 conversation in that regard?

19 MS. MARILYN MCLAREN: Yes .

20 MR. BYRON WILLIAMS: And, Ms. McLaren,
21 our clients took your evidence on this point to be, that
22 while there may be opportunities there in terms of
23 savings, in terms of the social and economic cost of
24 accidents, it was an area that the Corporation also had
25 to explore carefully given the potential for a slippery

1 slope, or being asked to do what's really beyond its
2 mandate.

3 Would that be fair?

4 MS. MARILYN MCLAREN: That's fair.

5 MR. BYRON WILLIAMS: Would the
6 Corporation be aware of, or have access to the policy of
7 ICBC with regard to these type -- types of arrangements?

8 MS. MARILYN MCLAREN: Yes, I believe we
9 do have that.

10 MR. BYRON WILLIAMS: And it's probably
11 more for the next proceeding than this, Ms. McLaren, but
12 would the Corporation be prepared -- would -- would it
13 undertake to -- to file that in the course of this
14 proceeding? And, certainly, our clients wouldn't expect
15 it before closing argument.

16 MS. MARILYN MCLAREN: Only if we can
17 confirm that ICBC has already put in the -- on the public
18 record in some fashion.

19 MR. BYRON WILLIAMS: I -- I don't think
20 it's an undertaking, as of yet. Ms. McLaren has -- well,
21 I guess here's what I'm going to suggest she's
22 undertaken. She's -- she's undertaken to explore whether
23 ICBC has put this investment policy on the public record.
24 And in the event that it has, the Corporation would
25 undertake to -- to file it in the course of this

1 proceeding, recognizing that it may not be filed before
2 the filing of argument.

3 MS. MARILYN MCLAREN: Yes, with ICBC's
4 support in -- for us to do that.

5
6 --- UNDERTAKING NO. 40: MPI to explore whether ICBC
7 has put this investment
8 policy on the public record.
9 And in the event that it has,
10 the Corporation would
11 undertake to file it in the
12 course of this proceeding,
13 recognizing that it may not
14 be filed before the filing of
15 argument

16
17 CONTINUED BY MR. BYRON WILLIAMS:

18 MR. BYRON WILLIAMS: Ms. McLaren, you
19 don't need to -- to go here, nor does the Board, but in -
20 - you'll agree with me that in the Corporation's annual
21 report at page 23, it speaks of the -- the development of
22 an integrated calendar in terms of road safety and
23 suggests that this pro -- provides opportunities for
24 integrated awareness and enforcement.

25 Would that be your recollection, Ms.

1 McLaren?

2 MS. MARILYN MCLAREN: Yes.

3 MR. BYRON WILLIAMS: And, Ms. McLaren,
4 we'll -- we'll come to it in -- in just a second, but in
5 -- in terms of the -- the research, you'll agree with me
6 that research clearly shows that public awareness and
7 education programs are most effective when accompanied by
8 meaningful enforcement.

9 Would that be a fair statement?

10 MS. MARILYN MCLAREN: Yes.

11 MR. BYRON WILLIAMS: And likewise,
12 enforcement initiatives are most effective in deterring
13 unacceptable driving behaviour when highly publicized?

14 MS. MARILYN MCLAREN: Yes.

15 MR. BYRON WILLIAMS: And, Ms. McLaren, my
16 clients certainly wish to congratulate the Corporation
17 for its -- its efforts in terms of the integrated
18 calendar, and I just wonder if at a -- a higher level of
19 detail you could provide an indication of -- of what it
20 really involves.

21

22 (BRIEF PAUSE)

23

24 MR. BYRON WILLIAMS: When the Corporation
25 refers to this integrated calendar, what -- what is --

1 what does it mean?

2 MS. MARILYN MCLAREN: It lays out, on a
3 calendarized basis, the initiatives that are under way
4 seasonally, and -- and in particular times of the year.
5 Many of them are joint initiatives with different
6 policing agencies, but some will be somewhat more
7 standalone on the part of policing. Some may be other
8 organizations, as well. I know there's things involving
9 off-road vehicles and snowmobiles.

10 But, for the most part, it is a provincial
11 snapshot on an annual basis of road safety activities.

12 MR. BYRON WILLIAMS: And, Ms. McLaren, I
13 -- my clients may have miss -- misunderstood this, does
14 it also represent an effort on behalf of the Corporation
15 and its partners to -- to integrate their -- their
16 activities in terms of awareness and enforcement?

17 MS. MARILYN MCLAREN: Sorry. And
18 certainly that's fair. But I think the -- the calendar
19 was really one (1) of the outcomes of that commitment to
20 work with each other, and integrate activities on that
21 front.

22 MR. BYRON WILLIAMS: And would it also be
23 fair that as compared to three (3) or four (4) years ago,
24 for example, that there has been a greater effort on
25 behalf of the Corporation and its partners to integrate

1 the advertising and enforcement campaigns?

2 MS. MARILYN MCLAREN: There's more
3 effective integration. There is more active
4 collaboration. I'm -- I'm not sure how I would cast that
5 back to assess the effort previously, but the extent to
6 which these groups meet and talk and make joint plans has
7 significantly increased over a few years ago.

8 MR. BYRON WILLIAMS: And is there still
9 work to be done in that regard, Ms. McLaren?

10 MS. MARILYN MCLAREN: I -- I'm not sure.
11 You can always get more effective at what you're doing in
12 these areas. But I think there's little that happens
13 that the other parties are not aware of now. I think the
14 integration is pretty much -- pretty much in place.

15 I think the effectiveness with -- with
16 which we work together can always improve. But I don't
17 know that there is more to be done to share information,
18 and meet within the spirit of improved integration.

19 MR. BYRON WILLIAMS: Okay. Thank you for
20 that. Perhaps, if you could turn to page 30 of CAC
21 Exhibit 11. That's the very last page, Ms. McLaren.

22

23

(BRIEF PAUSE)

24

25

MR. BYRON WILLIAMS: And before we

1 actually refer to this page, Ms. McLaren, you'll recall
2 that in discussions with my Learned Friend Ms.
3 Grammond...

4

5 (BRIEF PAUSE)

6

7 THE CHAIRPERSON: We're just looking for
8 that page.

9 MR. BYRON WILLIAMS: It -- it should be
10 the very last --

11 THE CHAIRPERSON: Is it --

12 MR. BYRON WILLIAMS: -- page.

13 THE CHAIRPERSON: -- the long one?

14 MR. BYRON WILLIAMS: No.

15 THE CHAIRPERSON: The spreadsheet?

16 MR. BYRON WILLIAMS: No.

17 THE CHAIRPERSON: Oh, that one. We had
18 that one, yeah.

19

20 (BRIEF PAUSE)

21

22 MR. BYRON WILLIAMS: I apologize, Madam
23 Chair.

24 THE CHAIRPERSON: We're there.

25

1 CONTINUED BY MR. BYRON WILLIAMS:

2 MR. BYRON WILLIAMS: Ms. McLaren, before
3 we get to the specifics of this page, you'll recall in
4 your discussion with Ms. Grammond, the Corporation cited
5 Manito -- what -- cited research suggesting the cost in
6 Manitoba of impaired driving, speeding, and the non-use
7 of seat belts.

8 Do you recall having that conversation,
9 Ms. McLaren?

10 MS. MARILYN MCLAREN: Yes.

11 MR. BYRON WILLIAMS: And has there been,
12 by the Corporation, any empirical research, or estimates
13 of the cost of cell phone use or texting while driving?

14 MS. MARILYN MCLAREN: No. At this point
15 the costing frameworks have really been limited to the
16 three (3).

17 MR. BYRON WILLIAMS: And so whether the -
18 - the impact of those activities are comparable to, or --
19 or less than the -- the big three (3), the Corporation's
20 not in a position to comment at this point in time?

21 MS. MARILYN MCLAREN: That's right.

22 MR. BYRON WILLIAMS: Now, if we turn to
23 the - - the road safety budget, Basic's share, I'll
24 direct your attention to the 2012/'13 year, Ms. Cla --
25 McLaren, which is the last column on the right.

1 And in terms of impaired driving
2 prevention strategies, one (1) -- I'll ask to you agree
3 that the Corporation projects expenditures in the range
4 of a bit over six hundred thousand dollars (\$600,000).

5 MS. MARILYN MCLAREN: Yes.

6 MR. BYRON WILLIAMS: And in terms of
7 speed management, in the range of three hundred thousand
8 dollars (\$300,000)?

9 MS. MARILYN MCLAREN: Yes.

10 MR. BYRON WILLIAMS: And occupant safety
11 education strategies, about three hundred and seventy
12 thousand dollars (\$370,000)?

13 MS. MARILYN MCLAREN: Yes.

14 MR. BYRON WILLIAMS: Ms. McLaren, if I
15 was looking for -- and -- and I want to make sure I'm
16 understanding the Corporation's evidence. Buried in any
17 of the other lines, are there expenditures related to
18 impaired driving, speed -- speed management, or occupant
19 safety?

20 MS. MARILYN MCLAREN: Yes, quite likely.
21 And production and advertising. Departmental expenses.
22 We have resources dedicated to these initiatives. Their
23 salaries would be in the departmental expenses category.

24 I -- I don't know about -- well, sure,
25 there are direct costs in the driver education and

1 improvement, which is mostly the high school driver
2 education program. There is class time spent on those
3 three (3) that you've mentioned that would have costs
4 there as well. Those are probably the key areas.

5 MR. BYRON WILLIAMS: So, Ms. McLaren --

6 MS. MARILYN MCLAREN: Sor -- sorry, also
7 --

8 MR. BYRON WILLIAMS: Sorry.

9 MS. MARILYN MCLAREN: -- some of the
10 safety grants and sponsorships are -- are focussed
11 directly on one (1) of those three (3).

12 MR. BYRON WILLIAMS: So, Ms. McLaren,
13 what -- what do the individual lines represent, like for
14 ex -- impaired driving, for example? What's captured
15 there that -- that's not bumbled-up (phonetic) somewhere
16 else?

17 MS. MARILYN MCLAREN: The key one in that
18 area would be the RoadWatch Program. And you can see the
19 significant increase this year compared to previous
20 years, and we expect to continue that last year. The
21 Corporation made a decision to offer the various police
22 agencies en -- enhanced funding if they could put the
23 resources together, and -- and all of them responded very
24 favourably.

25 MR. BYRON WILLIAMS: So --

1 MS. MARILYN MCLAREN: The occupant safety
2 education would -- would be, again, specific initiatives
3 and -- for external costs associated with particular
4 initiatives for occupant restraints.

5 MR. BYRON WILLIAMS: Would there -- would
6 that be RoadWatch as well, Ms. McLaren?

7 MS. MARILYN MCLAREN: It -- I would be
8 another -- it would be another step type activity. Road
9 -- RoadWatch is really an old phrase of, you know, the
10 selective traffic enforcement. So we would have separate
11 budgets for joint speed campaigns, occupant restraint and
12 impaired driving campaigns that we would partner with the
13 police on, yes.

14 MR. BYRON WILLIAMS: And I see farther
15 down there's a reference in the 2012/'13 year in terms of
16 cell phone advertising of one hundred and eighty-six
17 thousand (186,000).

18 Is that correct, Ms. McLaren?

19 MS. MARILYN MCLAREN: Yes.

20 MR. BYRON WILLIAMS: And cell phone
21 advertising appears to be reported safe -- separately
22 from road safety production and advertising.

23 Is that right?

24 MS. MARILYN MCLAREN: Yes, it does appear
25 to be.

1 MR. BYRON WILLIAMS: And is there a
2 reason for that, Ms. McLaren?

3 MS. MARILYN MCLAREN: Not that I know of,
4 other than it was something new. We were involved in
5 raising awareness of the new legislation, and that may be
6 why it was established in its own line.

7 DR. LEN EVANS: I wonder if I could
8 interject with just a comment. And that is, I guess it
9 was the Huffington Post recently had an article about the
10 effect of the BlackBerry service being down for three (3)
11 days. And I think was Abu Dhabi and another Middle East
12 town, the police reported the drop in road accidents, I
13 think 20/25 percent in those three (3) days, because
14 BlackBerrys weren't -- weren't being used. So, if we
15 could figure out some kind of method to sabotage, I
16 guess, certain electronic devices we may be lowering the
17 rate of accidents.

18 MS. MARILYN MCLAREN: Data is always
19 valuable.

20 DR. LEN EVANS: Well, I -- I refer you --
21 it's a Huffington Post, a couple of days ago.

22 MR. REGIS GOSSELIN: I fear it was 40
23 percent.

24 DR. LEN EVANS: Is it 40 percent? He
25 sent me the article.

1 MR. BYRON WILLIAMS: Madam Chair, my
2 clients will have to reflect whether that will be one (1)
3 of their final recommendations, a sabotage of -- of RIM.
4 Ms. Desorcy, apparent -- unfortunately has left, so I'm
5 not able to take instructions.

6

7 CONTINUED BY MR. BYRON WILLIAMS:

8 MR. BYRON WILLIAMS: Ms. McLaren, in --
9 in terms of determining whether the impaired driving
10 prevention strategies line budgets should be six hundred
11 thousand (600,000), versus two hundred thousand
12 (200,000), versus a million, what evidence does the
13 Corporation rely upon in making that determination?

14 MS. MARILYN MCLAREN: We prepare, I guess
15 what could -- could be considered to be a business case
16 on an initiative by initiative basis. And our budgets
17 are really established based on our knowledge of
18 pragmatic practical programs available for us to invest
19 in when -- when the budgets are struck.

20 We are always open to new and better
21 ideas, but there is no overarching proven public
22 information, or -- or partnership initiatives that are
23 demonstrated to reduce the incidents of impaired driving
24 that we could sort of take from the shelf and decide, you
25 know, a million dollars would have an absolute six dollar

1 (\$6) for one dollar (\$1) payback, or anything like that.

2 So, I mean, they really are determined on
3 an initiative by initiative basis. We establish the
4 objectives that we are expecting to achieve, and after we
5 run the program we go back to see if we achieved those
6 objectives. But it is really much -- at this point, on a
7 discrete program basis because there is no overarching
8 strategy that we would adopt with a multi-million dollar,
9 multi-year implementation timeframe.

10 MR. BYRON WILLIAMS: So, with regard to
11 the additional two hundred and fifty thousand (250,000)
12 directed to -- in terms of contributions to -- to police
13 forces, which you referenced just previously, your
14 evidence would be that there would be a business case
15 made for that?

16 Is -- is that correct?

17 MS. MARILYN MCLAREN: I think it's
18 actually more like about a hundred and fifty thousand
19 (150,000). Four forty-five (445) to six-o-one (601) --
20 or six-o-two (602), and four forty-five (445), in
21 '10/'11, up to six-eleven (611) in '12/'13.

22 But basically it would be: What have we
23 done with the funds that we initially had budgeted? What
24 could we do with more funds? Do we believe the use of
25 the funds is appropriate.

1 It's a reasonably straightforward business
2 case, but yes, there would be some assessment, as to if
3 we spent more, why would we believe it was money well
4 spent, and we would have -- have a discussion, and a
5 documentation around that.

6 MR. BYRON WILLIAMS: Ms. McLaren, and we
7 -- I -- I don't intend to quibble with you on that. I'll
8 -- although I'm going to suggest to you that your
9 evidence in this hearing suggests that an extra two
10 hundred and fifty thousand (250,000) was set aside for
11 roadside checks outside the traditional Christmas
12 checkstop season.

13 Does that sound familiar?

14 MS. MARILYN MCLAREN: That -- that may be
15 true, but I'm looking at the line budget item here on the
16 page 30 that we're looking at; whatever page it is.

17 MR. BYRON WILLIAMS: So -- so, Ms.
18 McLaren, whether or not it's one fifty (150) or two fifty
19 (250), your evidence is that there was a business case
20 prepared for this?

21 MS. MARILYN MCLAREN: Yes, along -- you
22 know, I mean, it may -- it may have been something as
23 simple as good quality reports coming from the police as
24 to what they did with the first round of funding, and a
25 discussion that that was absolutely valuable and money

1 well spent. And if we had an expectation that that would
2 be achieved in -- in an expansion, then it may have been
3 that straightforward.

4 I mean, the -- when we talk about business
5 case, I'm always careful with this language, because
6 people read all kinds of meaning into it. It's really at
7 a fairly -- it's not -- you know, if -- if we spend two
8 hundred and fifty thousand dollars (\$250,000) we can save
9 three (3) lives, right. It's -- that's not what it's
10 about.

11 How many people were stopped? Were
12 drinking drivers taken off the road? Those kinds of
13 things, but, yes, the process involved establishes a
14 framework of what do we expect to get if we spend the
15 money.

16 MR. BYRON WILLIAMS: And there would also
17 be corresponding post-expenditure evaluation?

18 MS. MARILYN MCLAREN: Yes.

19

20 (BRIEF PAUSE)

21

22 MR. BYRON WILLIAMS: Now, Ms. McLaren, I
23 used the word "business case," because I believe that was
24 the word you used.

25 Did I mis -- misquote you?

1 MS. MARILYN MCLAREN: No, but -- all I'm
2 saying is I use phrases like that cautiously because
3 there situational. A business case looks very different
4 in one (1) situation than another, but I think it's fair
5 to call what we do in this area on a business case basis.

6 MR. BYRON WILLIAMS: And by contrast, you
7 would not describe it as cost benefit analysis with the
8 rigour --

9 MS. MARILYN MCLAREN: Exactly.

10 MR. BYRON WILLIAMS: -- that one would
11 associate?

12 MS. MARILYN MCLAREN: Exactly.

13 MR. BYRON WILLIAMS: And so, Ms. McLaren
14 -- and -- and I thank you for that. That's -- that's
15 helpful.

16 When the Corporation is considering
17 whether its expenditure should be six hundred thousand
18 (600,000) for RoadWatch vers -- and let's say two hundred
19 thousand (200,000) for cell phone advertising, versus
20 eight hundred thousand (800,000) for RoadWatch, how does
21 it make that type of determination?

22 MS. MARILYN MCLAREN: Again, they're not
23 often made by contrasting and comparing individual
24 programs. And in this area and -- and with conversations
25 that we've had in this forum over many, many years,

1 there's no predetermined maximum amount the Corporation
2 ought to spend in the area of road safety.

3 So, we have a responsibility to help
4 educate and raise awareness if something new happens,
5 like the cell phone legislation. So, we would not have
6 said, Oh, my goodness, we -- we can only spend eight
7 hundred thousand (800,000), so we better cut back on
8 impaired driving initiatives. We don't do that.

9 MR. BYRON WILLIAMS: Ms. McLaren, as part
10 of that visioning exercise that the Corporation is
11 embarked upon in terms of road safety, in terms of how it
12 does its business analysis, in terms of the business case
13 for line expenditures, can we expect any material
14 changes, in terms of how the Corporation will -- will
15 operate on this line of business -- or this line of
16 expenditure?

17 MS. MARILYN MCLAREN: I think so. I
18 can't articulate exactly what those changes will be at
19 this point in time. But, I think as you continue to
20 integrate your activities with other organizations and
21 think about things more holistically you would expect
22 some changes in a functional line department and its
23 budgeting exercise for sure.

24 MR. BYRON WILLIAMS: Just to take you
25 very quickly, and then we'll -- to the -- the attachment,

1 to CAC-1-226(b). Ms. McLaren, if you could go there for
2 just a -- do you have that?

3 MS. MARILYN MCLAREN: Yes, I do.

4 MR. BYRON WILLIAMS: And -- and the
5 document is titled, "Canada's Road Safety Strategy 2015,"
6 correct?

7 MS. MARILYN MCLAREN: Yes, it is.

8 MR. BYRON WILLIAMS: And it appears that
9 the author of this is the -- the Canadian Council of
10 Motor Transport Administra -- Administrators, going by
11 the acronym CCMTA.

12 Would that be fair?

13 MS. MARILYN MCLAREN: Yes.

14 MR. BYRON WILLIAMS: And Manitoba Public
15 Insurance participates in the CCMTA, particular -- in
16 particular, through the -- through the offices of the
17 registrar of driving and -- and motor vehicles?

18 MS. MARILYN MCLAREN: Yes, the registrar
19 is a member of CCMTA, and we have road safety
20 professionals on the road safety subcommittee of CCMTA.

21 MR. BYRON WILLIAMS: Now, Ms. McLaren,
22 again, we're just going to spend a couple -- a couple
23 moments on this -- this document. Going to about -- or
24 going to exactly page 6 of 17, Section 2.1, under,
25 "Vision", I wonder if you could do that for me.

1 MS. MARILYN MCLAREN: I have that.

2 MR. BYRON WILLIAMS: And under the
3 heading, "Vision", the second paragraph, there's a
4 suggestion that the best performing countries have
5 fatality rates of around five (5) to seven (7) killed per
6 one hundred thousand (100,000) of the population.

7 Do you see that reference?

8 MS. MARILYN MCLAREN: I do see that.

9 MR. BYRON WILLIAMS: And the suggestion -
10 - let me -- and the suggestion in -- in -- under this
11 paragraph, the -- the paragraph which follows, is that
12 there's a suggestion that in 2007 would have had to go a
13 bit of a way to -- to achieve a comparable fatality rate.

14 Would that be fair?

15 MS. MARILYN MCLAREN: Yes. In 2007 there
16 were eight point four (8.4) per one hundred thousand
17 (100,000) population killed in Canada.

18 MR. BYRON WILLIAMS: And are you aware
19 what the -- the figure is for Manitoba, Ms. McLaren? And
20 -- and if not --

21 MS. MARILYN MCLAREN: No, I'm not. And I
22 can tell you that on an annual basis they will really
23 swing around a lot. With such a small population, the
24 number of fatalities is really volatile. It changes a
25 lot from year to year.

1 again I'm probably risking giving -- well, let me back --
2 ask it this way: Is the Corporation aware whether or not
3 Statistics Canada still is continuing to publish these
4 inter-jurisdictional comparisons of fatalities?

5 MS. MARILYN MCLAREN: Yeah, I do not know
6 the answer to that.

7 MR. BYRON WILLIAMS: And I'm going to
8 risk giving evidence. My Learned Friend can interrupt.

9 Ms. McLaren, we -- we tried to look it up,
10 and were unable to -- to find it which is unusual for us.
11 I wonder -- again, this doesn't need to come before
12 closing argument, but if the Corporation would undertake
13 to -- to -- to explore whether this is a statistic that
14 will con -- it expects to continue to be reported by
15 Statistics Canada.

16 MS. MARILYN MCLAREN: I think just as I
17 was answering to say that I did not know, I did receive
18 some information. I'm looking at a Federal government
19 Transport Canada website that's the Canadian Motor
20 Vehicle Traffic Collision Statistics 2009.

21
22 So, was it 2010 you were looking for that
23 you couldn't find? But this -- this is at the Transport
24 Canada website, and we can provide the link.

25 MR. BYRON WILLIAMS: Perhaps, we'll --

1 we'll take that as on -- as we'll accept that offline
2 from the Corporation. No undertaking is required, and we
3 may revisit this issue for the -- the next hearing.

4 MS. MARILYN MCLAREN: Thank you.

5 MR. REGIS GOSSELIN: Since you -- since
6 you are looking at the website, any data from Manitoba?

7

8 (BRIEF PAUSE)

9

10 THE CHAIRPERSON: I wonder if we could
11 maybe, rather than put Ms. McLaren on the spot searching,
12 could we maybe have someone look and report to us after
13 the break?

14 MS. MARILYN MCLAREN: At -- at this
15 point, what I'm seeing is national data, but we'll keep
16 looking.

17 THE CHAIRPERSON: Thank you.

18

19 CONTINUED BY MR. BYRON WILLIAMS:

20 MR. BYRON WILLIAMS: Last area of
21 questions. I -- I think I have about four (4) in this
22 area for Mr. Palmer, in terms of investments. Four (4)
23 or five (5).

24 And the -- the Board may, in terms of the
25 CAC materials, may wish to have Exhibit 11, page 12,

1 before them. So, that -- page 12 will be marked in the
2 top right-hand corner.

3

4

(BRIEF PAUSE)

5

6 MR. BYRON WILLIAMS: And, Madam Chair,
7 I've also given Mr. Palmer another reference which the
8 Board does not need to turn to, but that's from AO-7
9 (sic), the corporate report -- annual report for Manitoba
10 Public Insurance, and specifically page 30. I'll just
11 let him turn there. That's page 30 of the corporate
12 annual report.

13 Mr. Palmer, this is a question of
14 language; but lawyers sometimes pay attention to
15 language. If I look at the last paragraph on the left-
16 hand side of page 30 of the annual report, under
17 "Investment Income," there's a statement that Manitoba
18 Public Insurance invests money it sets aside for future
19 claim payments and other liabilities.

20 Do you see that statement, sir?

21 MR. DONALD PALMER: Yes, I do.

22 MR. BYRON WILLIAMS: And given the
23 Corporation's evidence in this Hearing, would it be more
24 accurate to say that on behalf of Manitoba Public
25 Insurance the Province of Manitoba invests money it sets

1 -- it sets aside for future claims payments and other
2 liabilities?

3 MR. DONALD PALMER: That probably would
4 be more technically accurate.

5 MR. BYRON WILLIAMS: Just referring you,
6 Mr. Palmer, to the -- the right-hand side of that same --
7 same page, there's a statement that Manitoba Public
8 Insurance contracts for external investment managers to
9 administer its Canadian equity portfolio, et centra.

10 My client's understanding of the evi --
11 well, first of all, do you see that statement, sir?

12 MR. DONALD PALMER: Yes, I do. And maybe
13 jumping ahead a little bit; those investment contracts
14 are between the investment managers and the Department of
15 Finance.

16 MR. BYRON WILLIAMS: And just to follow
17 that -- so it's -- the -- the contracts are not between
18 Manitoba Public Insurance and -- and the investment
19 managers; they're between the Department of Finance and
20 the investment managers, correct?

21 MR. DONALD PALMER: That's correct.

22 MR. BYRON WILLIAMS: And in terms of the
23 payment of funds to the investment managers, does that
24 come from Manitoba Public Insurance revenues, sir, or
25 from the Department of Finance?

1 MR. DONALD PALMER: No, it comes from
2 Manitoba Public Insurance revenues.

3 MR. BYRON WILLIAMS: Moving to page 12 of
4 the CAC Exhibit 11, and specifically to the circled
5 minute, o-nine-o-two four (09024), Mr. Palmer, I'll
6 suggest to you that there -- what this re -- car --
7 captures is a motion ratifying the decision of the
8 investment committee, authorizing the Manitoba Department
9 of Finance Treasury Division to use up to 60 million of
10 MPI's available funds for in -- investment.

11 Do you see that reference, sir?

12 MR. DONALD PALMER: Yes, I do.

13 MR. BYRON WILLIAMS: And the question my
14 -- my clients have, sir, is: For that investment to go
15 forward, is this sort of ratification required?

16

17 (BRIEF PAUSE)

18

19 MS. MARILYN MCLAREN: No, it's not
20 required. And I think we've talked about this before in
21 these proceedings.

22 The -- the Minister of Finance's
23 expectation is that there is collaboration between the
24 Corporation and his senior officials. You know, I can
25 tell you the ADM, the Assistant Deputy Minister of

1 Finance, attends virtually every investment committee of
2 the Board of Manitoba Public Insurance. So, an
3 indication of collaboration is support from the
4 investment committee of the Board and the Board itself in
5 something along these lines.

6 So, that -- it -- that is -- it's an
7 indication of support and teamwork; it is not required by
8 statute.

9 MR. BYRON WILLIAMS: Ms. McLaren, in --
10 in terms of the current status quo, in terms of the
11 management of the Corporation's investment, would it be
12 fair to say that the ultimate decision-maker is the
13 Department of Finance, but that the -- many of the costs
14 and many of the risks are borne by the ratepayers of
15 Manitoba Public Insurance?

16 MS. MARILYN MCLAREN: By legislation the
17 Minister of Finance is responsible for the Corporation's
18 investments. The investment income, particularly in the
19 Basic compulsory program is significant given the
20 governance of that program. And if investment returns
21 are better than expected, that usually means that money
22 flows into the rate stabilization reserve.

23 So I guess the short answer is, in -- in a
24 fashion, yes, but the reality is that is the governing
25 legislation. And since day 1, for forty (40) years now,

1 it was deemed appropriate by the legislature that given
2 the circumstances as they saw it, that the responsibility
3 for investments would rest with the Minister of Finance.

4 MR. BYRON WILLIAMS: And I thank you for
5 that -- that thoughtful answer. Just to try and restate
6 it, the decisions reside in the -- the hand of the
7 minister whereas the -- on the Basic program, the
8 consequence is whether rewards or risks reside with the
9 ratepayers?

10 MS. MARILYN MCLAREN: Those are your
11 words. I'm not going to argue with them. But I think
12 the point is that as has been described in a number of
13 different forums lately, but particular this one (1), the
14 government has significant accountability for the
15 administration of the Basic compulsory automobile
16 insurance program.

17 Since 1971 that has extended to the
18 handling of investments. I think -- clearly I don't
19 think there's anybody in this room that would disagree
20 with a statement that the consequences of investment
21 decisions are felt by the government every bit as much as
22 they're felt by the ratepayers.

23 MR. BYRON WILLIAMS: Madam Chair, I thank
24 the MPI Board -- or the MPI panel for its assistance and
25 the Board for their patience, and also Mr. Oakes for his

1 patience today as well. I'm -- I'm going to close our --
2 our clients' cross-examination and apologize. I'm -- I'm
3 off to finalize closing arguments, so with apologies to
4 Mr. Oakes.

5 THE CHAIRPERSON: That's fine, Mr.
6 Williams. We can excuse you. And thank you very much
7 for your cross-examination. And I'm going to ask Mr.
8 Oakes if he'd like to begin now, or do you need a break
9 of some sort before you begin?

10 MR. RAYMOND OAKES: No, I've had a number
11 of days to rest up, Madam Chairman, so I --

12 THE CHAIRPERSON: Okay. Well, you go
13 ahead then.

14

15 CROSS-EXAMINATION BY MR. RAYMOND OAKES:

16 MR. RAYMOND OAKES: Thank you. Just by
17 way of some comfort that I could offer the Board, I
18 anticipate my cross-examination is an hour and a half,
19 and I don't share the tendency of most lawyers to
20 underestimate in that regard. And I assume that that'll
21 leave some time for Ms. Peters (sic) of CA to ask some
22 questions as well.

23 The first series of questions relates to
24 the Undertaking 35, the expenditures for regulatory and
25 appeal, just following up on questions just before lunch

1 if the panel and the Board would like to find that
2 undertaking. My questions will be based on the
3 examination by Mr. Williams in that regard.

4 But, Ms. McLaren, first I'd ask you to
5 state the obvious in that Manitoba Public Insurance
6 exists for the benefit of the Manitoba public.

7 Is that correct?

8 MS. MARILYN MCLAREN: Yes.

9 MR. RAYMOND OAKES: And similarly, the
10 Public Utility Board exists for the benefit of the
11 Manitoba public.

12 Would you agree?

13 MS. MARILYN MCLAREN: I -- I think with
14 respect to Manitoba Public Insurance the Board is here
15 looking out for the interests of ratepayers of the
16 compulsory program.

17 MR. RAYMOND OAKES: That's a fair
18 distinction. I appreciate that. The item that concerns
19 me and I believe concerns the Board and -- and the
20 insured of Manitoba is one (1) of the line items in
21 Undertaking 35, and that's the -- specifically, the five
22 hundred and thirty-four thousand (534,000) paid to
23 outside counsel with respect to something that's
24 highlighted as PUB versus MPI.

25 You're familiar with that, obviously?

1 MR. DONALD PALMER: Yes, I am.

2 MR. RAYMOND OAKES: And that's not a
3 final figure at all, is it? Is that just the costs
4 within 2010/2011?

5 MR. DONALD PALMER: Yes, and that was --
6 that case was heard in January of 2011, so they would be
7 almost file -- final.

8 MR. RAYMOND OAKES: I accept that. And
9 these are all funds paid out of province to a law firm in
10 Toronto, Ontario.

11 Is that correct?

12 MR. DONALD PALMER: No, they are not.
13 They're -- this would be both counsel for Manitoba Public
14 Insurance and also pay -- monies paid to counsel of the
15 PUB, which we also pay for.

16 MR. RAYMOND OAKES: I understand. So in
17 addition to that sum there would be a cost of having in-
18 house counsel attend on matters.

19 Is that correct?

20 MR. DONALD PALMER: Yes, there are
21 internal costs.

22 MR. RAYMOND OAKES: And how many lawyers
23 are employed by MPI at this time?

24 MR. DONALD PALMER: Seventeen.

25 MR. RAYMOND OAKES: And is that roughly

1 the same number that we had prior to the introduction of
2 PIPP in 1994?

3 MR. DONALD PALMER: No, there would be --
4 would have been -- it would be more. We don't know
5 exactly how many.

6 MR. RAYMOND OAKES: All right. And can
7 MPI point to any mandate of the public that would have
8 MPI spend this sum of money in it -- in this matter
9 against the Public Utility Board?

10 MS. MARILYN MCLAREN: Absolutely. The
11 Corporation works very, very hard to operate within its
12 legislated mandate and believes it has a responsibility
13 to participate in a process such as the stated case where
14 -- that the PUB brought forward, to clearly articulate
15 its understanding of the legislated mandate and get
16 direction from the Court of Appeal.

17 It would be highly improper for the
18 Corporation to not -- to do anything but take a very,
19 very hard look at what it understands its mandate to be,
20 how that might differ from any other body with which it
21 interacts in -- in this process or any other, and clearly
22 bring forward for -- in this case, adjudication, its --
23 its view of what the legislation means and how it is
24 required to operate.

25 MR. RAYMOND OAKES: I appreciate that

1 well-reasoned answer. The issue that I'm going to turn
2 to next is the issue of rebates that we saw and those
3 relate to the interrogatories. The first questions of
4 Rounds 1 and 2. And I'm going to start by indicating
5 that the testimony of Mr. Christie last week was that the
6 favourable runoff was some \$284 million and that's based
7 on case reserves of approximately \$650 million.

8 Can you, in simple terms, advise for the
9 purpose of the record what -- what the Corporation's
10 understanding is of the Board ordering \$350 million to be
11 rebated as opposed to the two eighty-four (284)
12 favourable runoff?

13 MR. DONALD PALMER: The favourable
14 runoff, and I don't have that number exactly, but that
15 would be on an undiscounted basis. So this is what the
16 ex -- expectation of the total ultimate claims were from
17 one (1) year compared to the other. So that doesn't
18 include any change in discount rates that, in fact, has
19 in -- discount rates have gone down which has increased
20 the value of the reserve. It doesn't include any change
21 in the provision for adverse deviation.

22 There are -- the -- the rebates are based
23 on total net income, although the -- the change in PIPP
24 reserving is -- was the largest part of that, there are
25 other contributing factors too. Difference in weather

1 patterns, for instance, could -- could make a change in
2 that amount of the \$320 million differences in investment
3 income. I know back in the 2006 time period when rebates
4 were ordered that was exclusively the -- pretty much
5 exclusively because of realized capital gains on equity
6 investments. So there are many factors that go into the
7 -- the rebates.

8 The difference between the three hundred
9 (300) and -- or we had originally applied last year for
10 \$90 million, give or take. That was rolled back to \$70
11 million.

12 And then the additional two fifty (250)
13 was based on the release of reserves from the unpaid
14 claims reserve liability report.

15 MR. RAYMOND OAKES: So when the final
16 number rolled out it was in the range of 320 to \$350
17 million. The Corporation accepted that?

18 MR. DONALD PALMER: I think the final --
19 final number was about three fifteen (315).

20 MR. RAYMOND OAKES: All right.

21 MR. DONALD PALMER: So -- sorry, three
22 thirty-five (335).

23 MR. RAYMOND OAKES: With -- in
24 Interrogatory CMMG-2-1, it indicated that there was a
25 rebate in the years 2001, 2006, 2007, 2008, and then two

1 (2) in 2011.

2 Would you agree with me that in those six
3 (6) years since the start of 2006 then, we've had five
4 (5) rebates, if you count the two (2) this year?

5 MR. DONALD PALMER: I think it's
6 splitting hairs to count this last one as two (2)
7 rebates, but whether its five (5) or six (6), they were
8 there for sure.

9 MR. RAYMOND OAKES: And CMMG
10 Interrogatory 1-1 talked about the administrative costs
11 related to the two (2) re -- rebates sent to ratepayers
12 in 2011. And they indicated that, combined, the
13 Corporation estimated the cost as approximately nine
14 hundred thousand (900,000).

15 Does the Corporation agree with that
16 calculation?

17 MR. DONALD PALMER: Yes, that's the
18 approximate cost of issuing the rebates in cheque form as
19 was ordered by the Board -- by the Public Utilities
20 Board.

21 MR. RAYMOND OAKES: And that response
22 also indicates that it's a dollar fourteen (\$1.14) per
23 cheque for the administrative costs.

24 Do you see that, sir?

25 MR. DONALD PALMER: Yes.

1 MR. RAYMOND OAKES: What is that one
2 dollar and fourteen cents (\$1.14) a cheque comprised of?
3 Is the Corporation saying that there's staff time, the
4 cost of the cheque itself, the printing, the postage, the
5 bank fees. All of that only adds to a dollar fourteen
6 (\$1.14) a cheque?

7 MR. DONALD PALMER: That's correct. That
8 wouldn't include internal staff time.

9 MR. RAYMOND OAKES: So instead of nine
10 hundred thousand (900,000), does the Corporation have a
11 feel for how much it would have been to process those two
12 (2) rebates including the cost of its staff?

13

14

15 (BRIEF PAUSE)

16

17 MR. DONALD PALMER: We don't track that
18 internal staff time separately. It -- it would include
19 any additional incremental -- like overtime, any term
20 staff, but generally most of the internal costs would --
21 would be -- would not be included in this.

22 MR. RAYMOND OAKES: Can you give us a
23 ballpark what that would be?

24 MR. DONALD PALMER: No, I can't.

25 MR. RAYMOND OAKES: I wonder if you could

1 do that by undertaking?

2

3

(BRIEF PAUSE)

4

5 MR. DONALD PALMER: It's not specifically
6 tracked, so it would be a very thumbnail bar -- ballpark
7 estimate.

8

9 looking for.

10

MR. DONALD PALMER: Okay.

11

12 --- UNDERTAKING NO. 41: MPI to indicate how much it
13 would have cost to process
14 the two (2) rebates in 2011,
15 including the cost of its
16 staff

17

18 CONTINUED BY MR. RAYMOND OAKES:

19

MR. RAYMOND OAKES: I wonder, Mr. Palmer,
20 if you could put before you CMMG-1-17, and this relates
21 to the effect on motorcycle premiums in relation to the
22 change in reserving and the relative contribution to
23 PIPP.

24

Do you recall this interrogatory, sir?

25

1 (BRIEF PAUSE)

2

3 MR. DONALD PALMER: Yes, I do.

4 MR. RAYMOND OAKES: And specifically at
5 page 2 of the Corporation's response, and it talks about
6 the result of the change, the reduction in the PIPP
7 forecast, and the percentage change 2012 versus 2011 for
8 motorcycles of some 23.4 percent decrease versus the
9 decrease in passenger vehicles of minus 5.4 percent.

10 Do you see that, sir?

11 MR. DONALD PALMER: I don't see that. My
12 copy only has one (1) page on this particular
13 undertaking, so I'll endeavour to get the second page.

14

15 (BRIEF PAUSE)

16

17 MR. DONALD PALMER: I have it.

18 MR. RAYMOND OAKES: And you'll recall,
19 Mr. Palmer, that at the time of the hearing of the second
20 rebate the CMMG argued that the rebate to motorcyclists
21 should be larger on a percentage basis than for private
22 passenger. And we argued that the contribution to PIPP
23 by motorcyclists was much greater given their own
24 contribution to PIPP reserves in their mate raking (sic)
25 process, the proof of which, I suggest to you, is

1 contained in that table.

2 Is that correct?

3 MR. DONALD PALMER: No, I would disagree
4 with that. That's the rate -- rate requirement, that's
5 not the actual rate that was charged. The motorcycle
6 rates have been deficient for as long as I have been
7 sitting at these hearings. So to -- I would agree that
8 there was a decrease in the required rate, but that
9 doesn't mean that there was a decrease in the actual rate
10 versus the new rate.

11 MR. RAYMOND OAKES: I appreciate the
12 distinction you're trying to make. You're not before us
13 this afternoon saying that motorcycle rates are deficient
14 today as you sit here, are you?

15 MR. DONALD PALMER: No.

16 MR. RAYMOND OAKES: And I would suggest
17 to you, sir, that motorcycle rates haven't been deficient
18 since 2005, provided the Corporation uses the right
19 reserving methodology.

20 MR. DONALD PALMER: There's a -- a couple
21 of parts of that question that I'll -- that I'll respond
22 to. First, using the "right reserving methodology," I
23 would say, using the methodology that now -- the
24 assumptions now point to. That's not to say that the
25 wrong methodology was ever used, it was using the best

1 information at the -- at the time. Given that the -- a
2 rate is always the expected value of future costs, that
3 was the estimate that we used -- used at the time, so to
4 somehow imply that that was the wrong rate is -- is not
5 correct.

6 I would also point you to -- I think,
7 CMMG-1-4 that shows what the loss ratio has been using
8 the new methodology. A loss ratio of about 79 percent,
9 you add probably 14 percent for claims admin costs, you
10 get to a loss ratio of 95 percent, that's probably not
11 quite break-even. So to say that they are deficient even
12 under the -- the new methodology it's probably pretty
13 close.

14 MR. RAYMOND OAKES: Mr. Palmer, are you
15 telling me that if the Corporation maintains an actual
16 loss ratio of 95 percent that they wouldn't call that
17 break-even?

18 MR. DONALD PALMER: Add -- add five (5)
19 points for premium tax and commission, add operating
20 expense, it's -- it's pretty close.

21 MR. RAYMOND OAKES: We'll be looking at
22 the loss ratios and the forecasting shortly. But just to
23 go back to the question relative to the contribution of
24 motorcyclists in terms of PIPP claims costs.
25 Interrogatory 1-17 talks about 86 percent of the claim

1 costs for motorcyclists are PIPP expenses versus only 32
2 percent of claims costs for private passenger are PIPP
3 expenses.

4 Do you recall that, sir?

5 MR. DONALD PALMER: Yes, I do.

6 MR. RAYMOND OAKES: Now, when the CMMG
7 came before the Board to argue for this greater rebate
8 for motorcyclists, you would have been aware of those
9 relative percentages at that time. The executive of the
10 MPI would have access to that type of data.

11 Wouldn't that be correct?

12 MR. DONALD PALMER: That's correct.

13 MR. RAYMOND OAKES: And when the
14 Corporation trotted out its defence that over the past
15 seventeen (17) years that motorcyclist has not been
16 paying adequate rates, you'll agree with me that that is
17 contrary to the explanations that the Corporation usually
18 makes as evidence in CMMG-1-2, that rate making is
19 prospective, not retrospective.

20 Would you like to comment on that
21 contradiction, sir?

22 MR. DONALD PALMER: Could you repeat the
23 question, please?

24 MR. RAYMOND OAKES: Certainly. I'll give
25 you the abridged version. When the Corporation answered

1 that motorcyclists were not paying adequate rates for the
2 past seventeen (17) years, that's contrary to the
3 Corporation's statement in CMMG-1-12 and their standard
4 statement that rate making is prospective, not
5 retrospective?

6 MR. DONALD PALMER: I don't see any
7 contradiction in that at all. Under -- under the rate
8 making methodology there have been rate indications in
9 excess of -- over the last twenty (20) years they've
10 probably been as high as a hundred percent required rate
11 increases for motorcycles.

12 So that was the prospective inadequate
13 rates that were charged for that -- that period of time.
14 As we look back on the actual results retrospectively,
15 they would also indicate that. But to indicate somehow
16 that the prospective or retrospective rates are
17 contradictory, I don't -- I don't agree with that at all.

18 MR. RAYMOND OAKES: And at the time,
19 responding to the CMMG's arguments about the greater
20 rebate for motorcyclists, the Corporation would have
21 known the relative percentage change in required rate, as
22 evidenced in the table CMMG-1-17, of minus 5.4 percent
23 for pri -- passenger vehicles and some 23.4 percent for
24 motorcycles.

25 Is that correct?

1 principle -- the four (4) basic principles of -- of rate
2 making as they were filed.

3 MS. KATHY KALINOWSKY: I actually have
4 copies of these. They need not be marked as an exhibit
5 but I could pass them out just for easy reference. They
6 are, as Mr. Palmer spoke of earlier, they are contained
7 in one (1) of the CAC Information Requests. But I do
8 have this here.

9

10 (BRIEF PAUSE)

11

12 MR. DONALD PALMER: So the -- the four
13 (4) principles of rate making, first is that the rate is
14 the expected value of future costs. And that's exactly
15 what I've just been talking to you, Mr. Oakes, about,
16 that it is prospective in nature.

17 The second is that the rate provides for
18 all costs associated with the transfer risk. So again,
19 this is -- we have been talking loss ratios but all the
20 transfer of risk is -- entails other costs as well. The
21 -- the premium tax, the commission rates, the operating
22 expenses are all part of that transfer of risk and really
23 have to be accounted for in -- in the calculation of any
24 rate.

25 The third principle is the rate provides

1 for a cost associated with an individual risk transfer.
2 This is where we get into the particular characteristics
3 of any classification. So that the -- the individual
4 risk transfer of a motorcyclist is very much different
5 than a private passenger vehicle. So again, the rate
6 takes into account the -- the higher propensity for
7 injury claims of a motorcyclist versus a private
8 passenger car or -- or an -- a truck. So -- so the 86
9 percent is certainly has to be accounted for in the cost
10 of that individual risk transfer.

11 And the last principle, a rate is
12 reasonable and not excessive, inadequate, or unfairly
13 discriminatory if it is an actuarially sound estimate of
14 the expected value of all future costs associated with
15 the individual risk transfer.

16 So again, on a classification by
17 classification basis, we calculate those future costs
18 using the best information that we have at the time that
19 the rate is -- is calculated and it's basically that cost
20 that is ultimately judged as being fair and appropriate
21 by this Board.

22

23 CONTINUED BY MR. RAYMOND OAKES:

24 MR. RAYMOND OAKES: The CMMG asked in
25 Interrogatory 1-3, and again in the Second Round, whether

1 the Corporation could go back and calculate since 2005
2 the re -- what the reduction in the rates would have been
3 for each of those years using the new methodology. And
4 the Corporation refused.

5 Is that correct?

6 MR. DONALD PALMER: That's correct. Just
7 given that -- and the -- this was also a question that
8 was very similar, asked by the Consumers' Association.
9 And to go backward in time and to recalculate the rate
10 from the whole forecasting process to the ultimate
11 calculation of a rate file takes about ten (10) weeks to
12 do.

13 We really -- first of all, we didn't have
14 the time to redo that for the last six (6) years to -- to
15 go through the whole effort to sort of ignore what we now
16 know retrospectively and -- and to put the blinders on
17 and say, Okay what would it have been on a prospective
18 basis if the only thing we knew differently was the
19 change in the loss development patterns.

20 We just really didn't think that was a
21 valuable exercise to -- to go through, and quite frankly
22 it would have made absolutely no difference to the rate
23 application. So that -- it was on that basis that we
24 declined to provide this information.

25 MR. RAYMOND OAKES: It's impossible then

1 for the motorcyclists in Manitoba to know how much
2 cheaper their rates would have been for the past five (5)
3 years if the Corporation had have increased the assigned
4 credibility to the new method of calculating the
5 reserves?

6 MR. DONALD PALMER: In terms of ballpark
7 estimate, I would direct you to the attachment to CMMG-1-
8 4.

9

10 (BRIEF PAUSE)

11

12 MR. DONALD PALMER: And if you take a
13 look at the upper part of -- the actual loss ratio of --
14 for the last seven (7) years being 78 percent, if you
15 subtract from the total premium the rebate which was,
16 round numbers, 45 percent of twelve million one hundred
17 and fifty-six thousand one hundred and fifty-five
18 (12,156,155), you then get a loss ratio of eighty-five
19 point five (85.5).

20 So that tells me that the -- with adding
21 in all these other expenses associated with the transfer
22 of risk, that it's pretty close to rate adequacy.

23 So there -- once that rebate was charged,
24 or sent out, a loss ratio of 85 percent is absolutely
25 close to rate -- to an adequate rate. However, we didn't

1 have rebate in just for the last year, but there was
2 rebate -- rebates, as you've pointed out, before.

3 So if you take out a 10 percent rebate for
4 2005/'06/'07, you get up to a loss ratio of about 90
5 percent, which I would say is an inadequate rate. So if
6 you account for the -- for the rebates over the last --
7 the last four (4) rebates, overall I would argue that
8 motorcycle rates were still inadequate over that seven
9 (7) year period.

10 MR. RAYMOND OAKES: Mr. Palmer, that
11 evidence seems at odds with a percentage change 2012
12 versus 2011 of some minus 23.4 percent as set out in
13 CMMG-1-17.

14 MR. DONALD PALMER: Not at all because
15 you're talking required rates, not the actual rate that
16 was charged.

17

18 (BRIEF PAUSE)

19

20 MR. RAYMOND OAKES: I'm going to move
21 onto the reinsurance issue. Mr. Palmer, the Corporation
22 used to charge motorcyclists reinsurance on the
23 catastrophe basis, but that disappeared as we argued that
24 motorcyclists weren't subject to hail and some of the
25 other catastrophe insurance coverage.

1 Would you agree with that, sir?

2 MR. DONALD PALMER: That was taken off
3 many years ago. I don't remember the exact year. But,
4 yes, I would agree.

5 MR. RAYMOND OAKES: But the Corporation
6 still charges motorcyclists for reinsurance on a casualty
7 head of coverage and TI-2, and we don't need to turn to
8 there but that indicates that there's a cost of three
9 decimal three one (3.31) for re-insurance casualty, much
10 like the other lines of business.

11 Would you agree with that?

12 MR. DONALD PALMER: Yes.

13 MR. RAYMOND OAKES: And there's a
14 reference in the transcript at page 455 where you talk
15 about clash coverage. And you say that because of the
16 levels of retention the reinsurance on the casualty side
17 is useful if there's more than one (1) claimant in one
18 (1) particular incident. And you gave the example of a
19 family injured.

20 Do you recall that, sir?

21 MR. DONALD PALMER: Yes, I do.

22 MR. RAYMOND OAKES: And I'd ask you to
23 confirm, sir, that that's not a very likely scenario in
24 the motorcycle scenario that we're going to have family
25 members present on a motorcycle being injured in one (1)

1 particular incident.

2 Would you agree?

3 MR. DONALD PALMER: I wouldn't agree at
4 all. In fact, the propensity for having two (2) injured,
5 given that quite often there are two (2), a rider and a
6 passenger, on -- on a vehicle that are both susceptible
7 to catastrophic injury, I would say that the risk is
8 greater on a motorcycle.

9 MR. RAYMOND OAKES: And would you agree
10 that the overall claims expense relative to an accident
11 like you indicated would still be well within the
12 retention for reinsurance?

13 MR. DONALD PALMER: No, not with two (2)
14 injured -- two (2) catastrophically injured people could
15 easily go over \$5 million.

16 MR. RAYMOND OAKES: And I'm struggling to
17 understand, Mr. Palmer, you charge the motorcyclists for
18 reinsurance insurance, but in the incident that you just
19 talked about would not the reinsurer pay for the cost of
20 that accident?

21 MR. DONALD PALMER: But someone has to
22 pay for the reinsurance coverage, there is a premium
23 charge for that. This is the cost of the transfer of
24 that risk. So it is the cost of that premium that's
25 included in the rate requirement.

1 MR. RAYMOND OAKES: The -- the exhibit
2 that talked about the motorcycle risk study talked about
3 the experience of motorcyclists and frequency declining.
4 And I'm going to ask some questions relative to that
5 Undertaking 3, was MPI Exhibit 17.

6 And the risk study gave evidence that
7 motorcycle frequency, it declined from a high of sixty-
8 nine point eight-nine (69.89) claims per thousand in
9 2002, to a low of forty-nine point seven one (49.71)
10 claims per thousand in 2009.

11 Do you recall evidence that the -- that
12 that's been a flat line that's been consistency --
13 consistently decreasing in frequency?

14 MR. DONALD PALMER: Up until last year
15 that was -- that was true. We had a -- an increase last
16 year.

17 MR. RAYMOND OAKES: Okay. I understand
18 there's been no serious losses since 2006? And I say
19 that looking at the -- the answer in CMMG-1-10(a).

20

21 (BRIEF PAUSE)

22

23 MR. DONALD PALMER: Could you provide me
24 with that reference, Mr. Oakes, please.

25 MR. RAYMOND OAKES: CMMG-1-10 in

1 subparagraph (a).

2

3

(BRIEF PAUSE)

4

5 MR. RAYMOND OAKES: I guess we'd be
6 looking at the accident benefit incurred numbers. Those
7 would be most reflective of that, I think.

8 MR. DONALD PALMER: And that's -- we have
9 had serious -- a serious injury as defined in the
10 Corporation is anything greater than five hundred
11 thousand dollars (\$500,000). And I see 1, 2, 3, 4, 5, 6,
12 7, 8, 9, 10, 11, 12 accidents, serious accidents, in
13 excess of five hundred thousand dollars (\$500,000) for
14 motorcycles over that time frame.

15 MR. RAYMOND OAKES: I see that you're
16 correct in that.

17 MR. DONALD PALMER: And just -- this is a
18 table that has first -- this is the first time it has pre
19 -- been presented in this Board. So maybe for the
20 benefit of -- of the new Board members I can explain what
21 this table does and -- and talks about.

22 I'm looking specifically at the attachment
23 accident benefits incurred figure, so accident benefits
24 in this context is PIPP losses. And it talks about the
25 injury claims and the size of injury claims for

1 motorcyclists over the last five (5) years.

2 So from -- so in -- for example, in the
3 year 2010 we had a hundred and fifty-seven (157) injury
4 losses for motorcyclists totalling \$6.8 million. Of
5 that, there was one (1) loss that had an incurred of \$1.2
6 million, one (1) loss that had a incurred to date of six
7 hundred and thirty thousand dollars (\$630,000), two (2)
8 losses in the four hundred and fifty (450) to four
9 hundred and seventy-five thousand dollar (\$475,000)
10 range, which totalled nine hundred and thirty-three
11 (933), which makes sense given nine thirty-three (933)
12 divided by two (2) is between four fifty (450) and four
13 seventy-five (475).

14 And all the way up. Notice that higher
15 frequency at lower levels. The -- the higher -- the
16 higher claim amount, of course, there -- those accidents
17 are relatively infrequent, thank goodness, and most of
18 the claims would be at lower levels, so in that up to
19 twenty-five thousand dollar (\$25,000) range.

20 THE CHAIRPERSON: Thank you for that.

21 MR. RAYMOND OAKES: I'm just wondering,
22 just given the time, Madam Chairman, did you want -- wish
23 to take a break?

24 THE CHAIRPERSON: Yes, I think we should
25 take a break. And we're about halfway through the

1 afternoon, so we'll take off until about fifteen (15)
2 after, 3:15.

3

4 --- Upon recessing at 2:57 p.m.

5 --- Upon resuming at 3:18 p.m.

6

7 THE CHAIRPERSON: Okay, we're all back,
8 ready, refreshed.

9 MR. RAYMOND OAKES: Thank you, Madam
10 Chairperson. And there's no disrespect intended by the
11 fact that I don't have my jacket on, but I was finding it
12 quite warm over here.

13

14 CONTINUED BY MR. RAYMOND OAKES:

15 MR. RAYMOND OAKES: I'd over the break
16 directed the Corporation's witnesses to the fact I wish
17 to ask questions relative to Undertaking number 3 filed
18 as Exhibit 17. The comparison of motorcycle rates across
19 the country was contained on the last page filed with the
20 motorcycle risk study.

21 And the first question for Mr. Palmer
22 would be which of the insurers listed in Undertaking 3,
23 Attachment number 2, this 2011 motorcycle rates
24 comparison, which of the insurers would parallel Manitoba
25 the most in terms of being public no fault, in terms of

1 their benefits, and in terms of the geography and
2 climate?

3 MR. DONALD PALMER: That would be
4 Saskatchewan and, specifically, the comparison with
5 Regina.

6 MR. RAYMOND OAKES: And looking at those
7 comparisons you would agree with me, sir, that every rate
8 that's listed for Saskatchewan is lower than that listed
9 for MPI and Manitoba?

10 MR. DONALD PALMER: Yes, I would agree
11 with that. I would also draw the Board's attention to
12 the fact that the regulatory environment is -- is
13 certainly different in Manitoba. We have -- or the Board
14 has all -- always directed Manitoba Public Insurance to
15 file rates that are actuarially sound and statistically
16 driven. That hasn't been the case in Saskatchewan to my
17 knowledge.

18 With recent rate applications in
19 Saskatchewan, they have alluded to the fact that they
20 aren't actuarially sound, especially in motorcycle rates,
21 and in fact their required rate increase for motorcycles
22 is about 140 percent. That was put publicly on the
23 record.

24 They -- in the last application they did
25 increase rates by I think approximately 15 percent and by

1 about 25 percent for sport bikes. So really, from that
2 standpoint, they're very close to where Manitoba Public
3 Insurance was about 15 years ago. So if they stay on
4 that same road of actuarially sound and statistically
5 driven as we have been on, they will likely see rate
6 increases that would be very, very close to -- to the
7 rates that we now have that are, as you pointed out,
8 sufficient for at least Winnipeg.

9 MR. RAYMOND OAKES: Perhaps another
10 explanation, Mr. Palmer, is that they believe in cross-
11 subsidization of that class for the -- perhaps similar
12 reasons that MPI does the same for heavy truckers
13 subsidized by all other types of vehicles.

14 MR. DONALD PALMER: I would not agree
15 with that that the heavy truckers is not a cross-
16 subsidization, it is a requirement of coverage by
17 residency. There is not a coverage for inter-provincial
18 trucks.

19 The funding of those losses for inter-
20 provincial trucks is as exactly as prescribed in the loss
21 transfer ruling of 97/05 by this Board. So I would not
22 draw any parallels with that at all.

23 MR. RAYMOND OAKES: Just strictly going
24 back to the exhibit before us then. When we look at the
25 -- in that first driver profile, the 2006 Ninja, would

1 you agree with me that the rate in Saskatchewan is
2 approximately half what it is in Winnipeg?

3 MR. DONALD PALMER: Current rate? Yes.

4 MR. RAYMOND OAKES: And similarly if we
5 look to that Ninja in BC, the same Ninja would be twenty-
6 one hundred dollars (\$2100) in Winnipeg but some nine
7 hundred and sixteen dollars (\$916) in Vancouver?

8 MR. DONALD PALMER: Now, once you get
9 into a jurisdiction like British Columbia then you
10 certainly have to highlight coverage. They do have a --
11 an accident benefit program, but not nearly as extensive
12 as that that's afforded under Manitoba's personal injury
13 protection plan. The bulk of the injury protection would
14 be based on a tort system, which is essentially the
15 damage that a vehicle would do. So what that
16 motorcyclist is playing -- paying for is limited benefits
17 for his own injuries but then also third-party liability
18 coverage for the damage that he would do to someone else.

19 So really that comparison in terms of
20 drawing a comparison, this is really one of those dangers
21 of -- of comparing rates across jurisdictions because
22 they're not the same at all.

23 MR. RAYMOND OAKES: For that nine hundred
24 and sixteen dollars (\$916) that insured in BC would be
25 able to probably operate that Ninja twelve (12) months in

1 a year.

2 Isn't that correct?

3 MR. DONALD PALMER: Likely, yes.

4 MR. RAYMOND OAKES: And just looking at
5 the top 2009 Honda Ruckus for driver profile 1, in
6 Calgary it's about half again the price to ensure that
7 motorcycle, isn't that correct?

8 MR. DONALD PALMER: And -- and again, I
9 would highlight the coverage afforded in -- in Alberta.
10 There they would have even less accident benefits than in
11 British Columbia.

12 So again, there would be very, very
13 limited first-party accident coverage, and -- and most of
14 that premium would be third-party liability which is
15 damage that the motorcyclist would do to someone else.

16 MR. RAYMOND OAKES: Looking at the chart
17 as a whole for the west, MPI is the most inspect --
18 expensive insurer in Western Canada given these examples.

19 MR. DONALD PALMER: Given these examples,
20 but given the -- the fact that the coverage is far
21 superior for injury coverage for Regina and Winnipeg
22 compared to the others. And the fact that Regina and SGI
23 has admitted that they have a requirement of 140 percent
24 rate increase, then I think these rates sort of speak for
25 themselves.

1 MR. RAYMOND OAKES: I thank you for that
2 answer. And moving onto the issue of wildlife, which has
3 been a very visible issue with respect to the CMMG
4 intervention for the last several years, would the
5 Corporation's witness agree with me that that's a thirty
6 dollar (\$30) -- \$30 million a year problem?

7 MR. DONALD PALMER: Yes.

8 MR. RAYMOND OAKES: And I'll be speaking
9 about -- referring to CMMG-1-8, the interrogatory, and
10 also 2-34, the wildlife collision reduction study.

11 And my first question is for the
12 Corporation to confirm that this new pilot project is a
13 small-scale wildlife collision reduction study.

14 Is that correct?

15 MR. DONALD PALMER: It's a pilot, yes.

16 MR. RAYMOND OAKES: I believe that the
17 study actually calls itself a small-scale wildlife
18 collision reduction study.

19 Would you agree, sir?

20 MR. DONALD PALMER: Yes.

21 MR. RAYMOND OAKES: And this is an
22 initiative that only deals with the urban experience, is
23 that correct?

24 MR. DONALD PALMER: Under the current
25 pilot study, yes.

1 MR. RAYMOND OAKES: And you would agree
2 with me, sir, that most wildlife claims are rural in
3 nature?

4

5 (BRIEF PAUSE)

6

7 MR. DONALD PALMER: There's about four
8 hundred and eighty (480) accidents per year in -- in
9 Winnipeg, so rural I don't have the number but it's more
10 than that.

11 MR. RAYMOND OAKES: Yes. In fact, page 3
12 of the study says there's annual claims costs in excess
13 of two hundred and sixty-five thousand dollars (\$265,000)
14 on average, with an average of ninety-two (92) collisions
15 per year in the stretch that the initiative deals with.

16 MS. MARILYN MCLAREN: In the pilot area,
17 that's right.

18 MR. RAYMOND OAKES: And the Corporation
19 at present has no initiatives for rural wildlife loss
20 reduction.

21 Is that correct?

22 MR. DONALD PALMER: Sorry, Mr. Oakes,
23 would you repeat the question?

24 MR. RAYMOND OAKES: Certainly. The
25 Corporation at present has no initiatives for rural

1 wildlife loss reduction?

2

3

(BRIEF PAUSE)

4

5 MR. DONALD PALMER: Not to the same st --
6 scale as the pilot, no.

7 MR. RAYMOND OAKES: To any scale?

8 MS. MARILYN MCLAREN: Yeah, enhanced
9 collaboration with the police, raising public awareness,
10 news releases, action in local communities.

11 Nothing as specific as the targeted
12 enforcement that comprises the pilot, but certainly we've
13 been engaged with police and are working together with
14 them to raise awareness of the need to slow down and be
15 cautious at this time of year province-wide.

16 I believe there is a release -- news
17 release actually going out today talking about Eastman as
18 the most likely part of Manitoba to have crashes with
19 deer. So certainly there is a lot of action, lots of
20 activity going on outside of the pilot outside Winnipeg.

21 MR. RAYMOND OAKES: The Corporation isn't
22 spending any money putting up barriers to wildlife
23 crossing anywhere.

24 MS. MARILYN MCLAREN: No, we're not
25 funding any deer fences, no barriers, that's right.

1 MR. RAYMOND OAKES: And its only
2 investment is to influence humans, and nothing to
3 restrict the actual wildlife movement?

4 MS. MARILYN MCLAREN: That's right.

5 MR. RAYMOND OAKES: And the Corporation
6 in CMMG-1-8 talked about the cost of fencing through the
7 whole width of the Whiteshell. And I'd suggest to the
8 Corporation that that could have been put up for less
9 than the costs that the Corporation expended on doing its
10 2011 rebates.

11 MS. MARILYN MCLAREN: Okay. Subject to
12 check.

13 MR. RAYMOND OAKES: I think the
14 Corporation testified that about nine hundred thousand
15 dollars (\$900,000) was spent over and above its own
16 internal time on doing the rebates and the Corporation
17 has given estimates for fencing through the wild --
18 through the Whiteshell of less than that.

19 MR. DONALD PALMER: Could you provide
20 that reference again, Mr. Oakes?

21 MR. RAYMOND OAKES: I'd indicated it was
22 1-8, but I think actually it was in the Second Round
23 before the Corporation answered the question relative to
24 the cost of the barrier. So I'll give it to you in a
25 second.

1 (BRIEF PAUSE)

2

3 MR. RAYMOND OAKES: I think it's 2-5,
4 approximately seven hundred thousand (700,000).

5 MR. DONALD PALMER: That's not the entire
6 Whiteshell, that's a ten (10) kilometre stretch on Birds
7 Hill Park.

8

9 (BRIEF PAUSE)

10

11 MR. RAYMOND OAKES: I'm going to move to
12 the issue of road safety. Would the Corporation agree
13 that as set out in Interrogatory 1-7 that there are no
14 new initiatives for motorcycle-specific programs in the
15 road safety budget for the next year?

16 MR. DONALD PALMER: I'll confirm that,
17 yes.

18 MR. RAYMOND OAKES: And I understand the
19 Corporation spends approximately sixteen dollars sixty-
20 one cents (\$16.61) for private passen -- or per vehicle
21 on road safety, with respect to motorcycle-specific road
22 safety initiatives the sum is eighteen dollars and
23 eighty-five cents (\$18.85).

24 Is that correct, sir?

25 MR. DONALD PALMER: Yes.

1 MR. RAYMOND OAKES: Can you -- just
2 generally tell us from your memory what was spent on the
3 immobilizer program during the currency of that program?

4 MR. DONALD PALMER: It was probably
5 between 50 and \$60 million.

6 MR. RAYMOND OAKES: And that program
7 didn't benefit motorcyclists at all? It wasn't aim --

8 MR. DONALD PALMER: Well --

9 MR. RAYMOND OAKES: -- it wasn't aimed in
10 putting immobilizers on motorcycles?

11 MR. DONALD PALMER: No. Only to the --
12 to the benefit of all Manitobans with not having stolen
13 vehicles being recklessly driven through the streets
14 endangering other motorists, including motorcyclists. I
15 would agree that that would be the benefit and not a
16 direct benefit for theft claims.

17 MR. RAYMOND OAKES: And if a -- someone
18 is looking at the MPI road safety expenditures and sees
19 that motor -- motorcycle-specific road safety is not
20 being a lot different than what the Corporation spends
21 per vehicle on average, the sixteen dollar and sixty-one
22 cent (\$16.61) number.

23 Would you agree with me that it sends a
24 message that MPI has no special interest in doing
25 anything relative to motorcycle safety and that there's a

1 understanding that the Corporation is complacent in that
2 regard?

3 MR. DONALD PALMER: No, I would not agree
4 with that. The road safety spending for on a per
5 vehicle, which would be for speeding awareness for
6 impaired driving, for instance, benefits all motorists
7 including motorcyclists. So the amount of eighteen
8 eighty-five (1,885) for motorcycles is an incremental
9 cost.

10 So I think it could be argued that we pe -
11 - spend sixteen dollars and sixty-one (\$16.61) cents per
12 all vehicles except for motorcycles, where we spend
13 thirty-five forty six (3,546).

14 MR. RAYMOND OAKES: And the Corporation
15 intends to keep that level of investment in motorcycle
16 road safety flat as it more or less has been the past few
17 years?

18 MR. DONALD PALMER: No, I think with our
19 road safety visioning exercises being undertaken right
20 now and investigating all kinds of road safety
21 possibilities with consulting with Manitobans and -- and
22 Manitoba groups, including the CMMG, we will be in a
23 position in the future once we complete those road safety
24 visioning exercises to determine what -- what the future
25 programs may be.

1 MR. RAYMOND OAKES: Well, in that, the
2 CMMG looks forward to working with the Corporation on
3 those. And, Madam Chairperson, those would be my
4 questions this afternoon. Thank you.

5 THE CHAIRPERSON: Thank you very much,
6 Mr. Oakes. Now, I think we could turn to CAA and --

7 MS. LIZ PETERS: We actually -- we don't
8 need to ask any questions. We're just -- we've been
9 listening with interest, and we'll be prepared tomorrow
10 for our closing statements.

11 THE CHAIRPERSON: Thank you, Ms. Peters.

12 MS. CANDACE GRAMMOND: The next question,
13 Madam Chair, would be whether Ms. Kalinowsky has any re-
14 direct.

15 THE CHAIRPERSON: That's right. She's
16 going through her papers, so she might. So we'll give
17 you a few minutes. Would you like a few minutes to
18 prepare, Ms. Kalinowsky?

19 MS. KATHY KALINOWSKY: Yeah. Yes, I
20 will. But what I would like to do first is to file two
21 (2) undertakings.

22 THE CHAIRPERSON: Okay.

23 MS. KATHY KALINOWSKY: Actually, they're
24 not undertakings. They were just links to different
25 websites that were -- Ms. McLaren indicated that she

1 would provide. One (1) of them will be marked Exhibit
2 number 47, which is the ICBC Road Improvement Program.
3 Mr. Singh is just going to pass those out right now, and
4 that should be marked as MPI Exhibit 47.

5

6 --- EXHIBIT NO. MPI-47: ICBC Road Improvement Program

7

8 MS. KATHY KALINOWSKY: The next one (1)
9 should be marked as MPI Exhibit Number 48, and that's the
10 Inter-jurisdictional Report on Fatalities.

11

12 --- EXHIBIT NO. MPI-48: Inter-jurisdictional Report
13 on Fatalities

14

15 MS. KATHY KALINOWSKY: And I know that
16 Mr. Palmer has a reference to a Statistics Canada
17 catalogue number that he would also like to put on the
18 record at this point.

19

20 MR. DONALD PALMER: Mr. Williams had
21 asked me about the catalogue number for the Stats Canada,
22 and specifically the vehicle insurance index. It comes
23 from the CANSIM table 326-0020, which is the consumer
24 price index of 2009 with the 2002 being the index, or
25 2002 being equal one hundred (100).

25

Specifically, the sub-tables from that

1 CANSIM table for Canada is passenger vehicle insurance
2 premiums. The reference is V41691141, and for Manitoba
3 the table reference is V41692133.

4 THE CHAIRPERSON: Thank you.

5

6 (BRIEF PAUSE)

7

8 THE CHAIRPERSON: I just wondered, Mr.
9 Gosselin, do you have any questions? You're...

10 No? Okay. Well, I think, Ms. Kalinowsky,
11 we are ready for you if you are ready.

12

13 RE-DIRECT EXAMINATION BY MS. KATHY KALINOWSKY:

14 MS. KATHY KALINOWSKY: Yes, I am ready.
15 I thought there would be one (1) question that we could
16 put on the record and get a response as a summary from
17 Ms. McLaren. But the question is, is that there's --
18 there have been a number of questions directed to both
19 you, Ms. McLaren, and to Mr. Palmer, that have pointed
20 out that there is still some uncertainty in the forecasts
21 underlying this application.

22 Did you want to comment on that for the
23 Board and assist them in their deliberations?

24 MS. MARILYN MCLAREN: Yes, thank you.
25 First, I would just like to say we've had significant

1 conversation here. First that there is some uncertainty
2 with respect to our forecast expenses for the next -- for
3 this year and for next year, given that we are in a bit
4 of a position of transition. We are likely to establish
5 a number of new initiatives to enhance service, improve
6 physical damage processing, all of which will be done
7 within the mindset of enhanced cost control and cost
8 certainty. But there is some uncertainty right now. We
9 have that potential for new initiatives. We also have
10 some upcoming contract negotiations; that is the reality
11 for sure.

12 We all know though that the vast majority
13 of the Corporation's expenditures with respect to Basic
14 Autopac insurance is -- is tied to claims costs.
15 Operating claims expenses are a -- a small fraction of
16 the overall actual claims costs that we pay. And there
17 will continue to be a fair bit of uncertainty with
18 respect to the ultimate cost of long-term claims probably
19 for the next forty-five (45) years.

20 We've -- it -- it's been widely agreed in
21 these proceedings that it'll take about sixty (60) years
22 of operating the PIPP program to really be in a steady
23 state and understand what the normal lifespan of a long-
24 term injury claim will be for Manitoba in the automobile
25 insurance plan.

1 Add to that some amount of uncertainty
2 related to the fact that in a few weeks there will be a
3 new external appointed actuary at Manitoba Public
4 Insurance. Mr. Christie was the external appointed
5 actuary for fifteen (15) years. That always introduces
6 another little bit of uncertainty.

7 But as well, we have another year of data
8 and the Board has the assurance that at least as at July
9 31st there was no indication that anything substantive
10 needed to change.

11 But it's really important to me, to the
12 Corporation, that the Board understands and is
13 comfortable with a certain level of uncertainty because
14 whatever changes between now and the next application
15 will be dealt with at the next application. Autopac,
16 Basic compulsory rates, the role of the Public Utilities
17 Board are here for the long term. No one year will be
18 perfect. We will never be in a position to give this
19 Board complete, final, unchangeable information with
20 respect to approve rates for the upcoming year. This is
21 a prospective process. We only find out later how we did
22 in relation to our initial forecast. That is the nature
23 of the beast. There's nothing any of us can do to change
24 that.

25 But having said that we have really

1 rigorous forecasting and rate-making processes, processes
2 that get better every year, in no small part because of
3 this Public Utilities rate review and approval process.

4 I -- I would defend the integrity and the
5 quality of our forecasting on our rate-making against any
6 other auto insurer in the country. They are very
7 rigorous processes, and as we've talked about at length
8 this year, they're better now than they were last year
9 and last year they were probably better than they were
10 two (2) years ago.

11 There is uncertainty. There will always
12 be uncertainty. It is a forward-looking prospective
13 process. But it's uncertainty within a very robust,
14 within high quality processes, and we would ask that you
15 understand and be comfortable with that, the -- the
16 nature of this particular process. We have established
17 these forecasting and -- and adjustment on a going
18 forward basis for many years. We have structures in
19 place to adjust rates as need be next year out.

20 And just thank you for the opportunity to
21 sort of just make that brief closing comment.

22 THE CHAIRPERSON: Thank you. Any other
23 re-direct?

24 MS. KATHY KALINOWSKY: No, that ends the
25 re-direct. Thank you very much.

1 THE CHAIRPERSON: Okay.

2

3 (PANEL STANDS DOWN)

4

5 MS. KATHY KALINOWSKY: Perhaps Ms.
6 Grammond could spend a moment and just outline the
7 upcoming chronology of closing; that would be of
8 assistance --

9 THE CHAIRPERSON: Yes.

10 MS. KATHY KALINOWSKY: -- to us.

11 THE CHAIRPERSON: Yeah, she --

12 MS. CANDACE GRAMMOND: Sure, I'd --

13 THE CHAIRPERSON: -- has a schedule now,
14 I think.

15 MS. CANDACE GRAMMOND: I -- I'd be happy
16 to do that.

17 THE CHAIRPERSON: Okay.

18 MS. CANDACE GRAMMOND: So I think before
19 we leave today, Madam Chair will have some pre-closing
20 comments to deliver to the parties so we'll hear those.
21 And probably I think tomorrow then we'll reconvene at
22 1:00 p.m. I'll do closing on behalf of the Board which
23 won't be particularly long.

24 Then I think we're going to hear from Mr.
25 Oakes next, and then either Ms. Peters or Mr. Williams, I

1 don't know the exact order, but we'll -- we'll be here
2 tomorrow long enough that we make sure all of those
3 closings are presented. So it may take a little bit
4 longer than 4:30, but we'll -- we'll deal with that as it
5 comes up.

6 And then we'll reconvene on Tuesday,
7 November 1st, for the closing of MPI, and we'll start at
8 the usual time, 9:30, for that purpose. So I -- I think
9 that's what -- what counsel had discussed, and -- and
10 agreed to.

11 And I know unfortunately Ms. McLaren is
12 not going to be able to be here on November 1st, which is
13 very unfortunate, but we -- we can't sit on the 31st
14 because we won't have a complete Board, so it has to be
15 on the 1st, unfortunately.

16 MS. MARILYN MCLAREN: If I could. I have
17 every confidence in Ms. Kalinowsky. I've made a
18 commitment to our staff in Thompson to -- to be with them
19 that day, and I -- I really don't feel I can change it.

20 THE CHAIRPERSON: All right. I think we
21 are now ready. The evidenti -- evidentiary portion of
22 this hearing is now completed.

23 So we will next hear closing comments from
24 Board counsel, followed by the Intervenors and MPI, as
25 we've just discussed, after which the panel will

1 deliberate and decide the issues before it.

2 MPI seeks the Board's order in early
3 December, and the Board will make every effort to provide
4 it within that time frame, although a decision on one (1)
5 or both of the matters before the Manitoba Court of
6 Appeal may well result in a delay and perhaps a reopening
7 of this GRA.

8 And given the two (2) matters before the
9 court have been decided on, and -- and before those two
10 (2) matters can be decided on, the Board would like to
11 have submissions regarding the potential for an interim
12 order with finalization to follow the decisions and a
13 further process.

14 The Board asks that each party to this
15 hearing provide in its closing comments its views on
16 whether MPI has met its onus at this GRA hearing, given
17 that MPI has not complied with many important requests
18 for information sought by the Board.

19 The mandate of this Board, as I'll remind
20 you, is to set just and reasonable rates, rates based on
21 prudent expenditures.

22 This Board looks forward to the parties'
23 views as to what decision should be made by this Board in
24 the public interest.

25 The Application is significant,

1 particularly given the large rate decrease being sought
2 by MPI as compared with the past applications, and the
3 outstanding matters before the court, and a decision, no
4 doubt, will be challenging.

5 The Board is being challenged by being
6 asked to decide the issues before it, it would seem
7 without the benefit of any decision from the Manitoba
8 Court of Appeal in either the stated case argued in
9 January, or the leave to appeal motion argued in
10 September.

11 And this means, certainly in the context
12 of the stated case, that the Board is being asked to
13 determine rates for another year in the absence of
14 evidence that the Board has long sought be provided to
15 it, and which it considers most relevant and necessary
16 for the stating -- or the setting of rates, particularly
17 in the interests of making its decisions in an open and
18 transparent environment.

19 The evidence that has been presented to
20 the panel at this hearing reflects the ongoing
21 interdependency and commingling of MPI's lines of
22 business expenditures and assets in many ways. And yet
23 MPI has maintained its refusal to provide certain
24 evidence to the Board with respect to the non-Basic lines
25 of business.

1 This Board has long held that it requires
2 an understanding of the overall operation and the
3 prospects of MPI in setting just and reasonable rates for
4 Basic.

5 Returning to the matter of the outstanding
6 court decisions, if either or both decisions of the Court
7 of Appeal are received before the Board issues the rate
8 order, additional evidence may well be required to be
9 provided and tested before a final decision can be
10 reached.

11 The Board asks that the parties in their
12 closing comments provide their positions with respect to
13 what steps the Board should take if either or both of the
14 court decisions are received before the rate order has
15 been issued.

16 A significant focus of this hearing has
17 been the forecasts relied upon by MPI in the past,
18 particularly with respect to claims liabilities.

19 It has been the large differences between
20 these forecasts and the actual claimed liabilities that
21 have given rise to considerable excesses of unpaid claims
22 liabilities within Basic in a long succession of past
23 years resulting in a number of rebates ordered by this
24 Board, culminating in the largest one being earlier in
25 2011 in the approximate total amount of \$320 million.

1 The magnitude of this actual adjustment
2 that resulted in the latest material excess was unknown
3 to this Board until March of this year, though MPI was
4 aware in November of 2010 before the Board issued its GRA
5 order for 2011/'12, and before MPI provided information
6 not reflective of the situation it knew in November of
7 2010.

8 What are the views of the parties with
9 respect to the timing with which MPI released this
10 information to the Board? And what are the views of the
11 parties as to the degree of credibility this Board should
12 ascribe to MPI's evidence given past experience.

13 In saying this, I note not only the
14 withholding of information related to an excess unpaid
15 claims liability last year, to the withholding of
16 information at the preceding DSR hearing, wherein --
17 wherein MPI did not disclose the retroactive benefit
18 enhancement with respect to those catastrophically
19 injured in the motor vehicle accidents.

20 Certainly the weight placed by this Board
21 upon MPI's forecasts is significant. And the Board would
22 like to hear from the parties with respect to their views
23 of the forecasts as presented by MPI, tested over the
24 course of this Hearing including with respect to whether
25 they believe that the forecasts continue to reflect

1 unnecessary conservatism; and whether the parties are
2 concerned about a risk that possible future inadequacy of
3 the forecasts may manifest in a negative rather than
4 positive result for motorists.

5 In essence, do the parties consider the
6 forecasts as presented by MPI to be credible? What are
7 the views of the parties on the changes in reserving
8 practices implemented by MPI?

9 The Board heard evidence at this Rate
10 Hearing, not only from MPI, but also from its external
11 actuary and external auditors. What are the views of
12 the parties on the respective roles and the evidence of
13 these external advisors to MPI?

14 The Board notes that at last year's GRA,
15 MPI's external auditor testified that MPI's unpaid
16 liability, claims liability, was reasonable, ahead of the
17 discovery of an excess in excess of 250 million.

18 MPI has advised the Board that it has
19 changed one (1) of the weightings assigned to the clear
20 data within its rating scheme. What are the views of the
21 parties to this change? Do the parties have views as to
22 whether MPI's implementation of clear data gives rise to
23 older vehicles being charged more than they should be?

24 MPI has stated through it -- its witnesses
25 that, in its view, if the proposed rate reduction is

1 granted no rate increase will be requested within the
2 foreseeable future. The Board asks that all parties
3 comment on this prospect in their closing comments as the
4 potential for future rate increases or rate swings is one
5 of great importance to the Panel.

6 The Board would appreciate the party's
7 views as to the risks that may reside in MPI's investment
8 portfolio, mostly valued at market, given the unusually
9 low interest yields, present yields being below the
10 current rate of inflation.

11 Similarly, the Board would like to hear
12 from the parties with respect to their views, assuming
13 some reduction of rate revenue is deemed advisable,
14 whether any rate decrease should be applied across the
15 board as proposed by MPI, or whether good driving
16 behaviour should be further rewarded by changes to the
17 DSR scale, or whether the Board should consider some
18 other implementation of the rate decrease.

19 Are the parties content with the evidence
20 which does not contain a review of potential amendments
21 to benefits and coverages when changes to benefits have
22 occurred in the past on a retroactive basis? MPI has not
23 sought that a rebate be paid in its application, but do
24 any of the parties believe that the Board should consider
25 directing another rebate? Please provide your positions

1 on the possibility of a rebate in your comments.

2 Similarly, what are the views of the
3 parties with respect to the 65 million IT optimization
4 fund that has been established by MPI from the Basic
5 retained earnings to fund the IT optimization project
6 discussed at this proceeding?

7 If that fund was not accepted as being an
8 allocation of RSR, would not the RSR be in excess of the
9 Board's range? What are the views of the parties with
10 respect to the IT optimization project itself in addition
11 to the manner in which MPI proposes to fund the project?

12 Are their views, or your views, suggesting
13 that -- or are MPI's views suggesting that the allocation
14 of RSR be ignored as expenditures expected to bring about
15 efficiency and/or productivity improvements could in a
16 rate regulated environment be considered as a deferred
17 asset? Please advise our Panel.

18 MPI has filed an updated risk analysis and
19 DCAT with the Board, but the timing of the filings didn't
20 permit an extensive testing of these documents. Are the
21 parties satisfied that a rate decrease could be
22 implemented even in the absence of a thorough review of
23 such important analysis?

24 MPI has advised that it does not take
25 issue with the RSR range previously set by the Board for

1 the year of the application. Do the parties believe that
2 the issue of the RSR target range should be revisited
3 next year?

4 MPI will be filing updated documents again
5 next year pursuant to an earlier Board order. Is it the
6 view of the parties that the Board should direct MPI in
7 this year's order to file any additional or more specific
8 information next year, for example, its use or its
9 position on the use of the MCT ratio to define the target
10 in addition to its position on what level of MCT is
11 appropriate for setting the RSR target range?

12 We have heard evidence at this proceeding
13 with respect to road safety matters as well as MPI's
14 investments. And the Board would appreciate hearing from
15 the parties their position with respect to these issues,
16 as well.

17 Similarly, we've heard evidence from MPI
18 with respect to the numerous recommendations that this
19 Board has made in the past on which MPI has not acted, a
20 variety of reasons being put forward by MPI, of course,
21 for its non-activity. What are the views of the parties
22 with respect to these recommendations?

23 The recommendations, I'll remind you,
24 range from improving the fairness of the rate structure
25 through addressing the family transfer matter, to

1 researching the links between the red light and photo
2 radar infractions and accident frequency, to considering
3 the employing of a rate structure to further
4 environmental and accident reduction goals. In the
5 latter point, I'm referring to the prospect of a pay-as-
6 you-drive pilot.

7 The Board has heard evidence with respect
8 to MPI's operating expenses, proposed capital
9 expenditures, and the implementation of now completed
10 business process review projects. What are the views of
11 the parties with respect to the expenses and efficiencies
12 within MPI, as well as the seeming lack of its
13 benchmarking practices?

14 Just and reasonable rates imply prudent
15 expenditures. Do the parties consider MPI to be
16 operating efficiently? What are the views of the parties
17 with respect to MPI's decision to implement the Deloitte
18 cost allocation methodology other than for rate setting
19 purposes, particularly in light of the Board's previous
20 orders on these -- on that particular issue?

21 Do the parties have views to express to
22 the Board with respect to the implementation of IFRS at
23 MPI for this current fiscal year or with respect to IFRS
24 4 that is expected to be implemented at a future date yet
25 unknown.

1 MPI is seeking Board approval for changes
2 to fleet rebate discounts, as well, to the demerit side
3 of the DSR scale. What are the views of the parties with
4 respect to these requests? Do the parties accept that
5 the proposed changes are just and reasonable, taking into
6 account that fleets may be owned by some firms of which
7 may operate long-haul trucks that are exempt from Basic,
8 although PIPP claims related to those trucks are charged
9 across other classes.

10 In essence, the Board is asking that all
11 parties consider carefully all the evidence presented at
12 this hearing and advance their respective positions
13 flowing from that evidence, including the pros and cons
14 of possible outcomes with respect to all issues before
15 the Board.

16 The panel will consider all the
17 submissions very thoroughly and carefully before coming
18 to its conclusions and embodying its decisions in an
19 order.

20 The Board would like to thank all the
21 parties for their hard work and valuable contributions to
22 this process, and looks forward to hearing the closing
23 comments from all parties.

24 Thank you. I think we're adjourned.

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

(PANEL STANDS DOWN)

--- Upon adjourning at 4:00 p.m.

Certified Correct,

Cheryl Lavigne, Ms.