MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE

SPECIAL HEARING RE: REBATE

Before Board Panel:

Graham Lane - Board Chairman

Len Evans - Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

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APPEARANCES

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EXHIBITS

--- Upon commencing at 10:32 a.m.

THE CHAIRPERSON: Okay. Good morning, everyone. Ladies and gentlemen, I am Graham Lane, Chairman of the Public Utilities Board, and together with Board member Dr. Len Evans, I called this special hearing to hear submissions on what the quantum of the rebate to be paid to Basic policy holders by May 31st of this year should be.

Very recently, MPI filed new information that may have a bearing on the Board's upcoming final decision as to the quantum of the rebate. Directive 7 of Board 122 of 2010 provides as follows:

> "MPI shall issue a 10 percent rebate of 2009/'10 vehicle premiums in 2011, and by no later than May 31st, upon production to the Board of further financial information as detailed herein and receipt of the Board's further approval."

On March 24th of this year, just six (6) days ago, the Board received the following finals -- filings from MPI: a letter dated March the 24th, a Basic AutoPac-appointed actuary's report as at Oct -- 31st of October, 2010, a press release dated March the 18th in which the minister responsible for MPI announced amendments to provide further benefit improvements for those seriously injured in auto crashes to be applied retroactively, and in which Man -- Manitoba Public Insurance's president advised of a reduction in MPI's unpaid claims in excess of $250 million as of February 28th, 2011, to, in a sense, pay for the retroactivity. Also, MPI's comments on its external actuary's latest report, and finally, MPI's draft on audited fourth-quarter financial statements. This received in confidence on the request -- in confidence on the request of MPI pending the tabling of MPI's year -- year-end statements in the legislature.

Following the Board's opening comments, I will call on Board counsel, Ms. Grammond, to put material not considered confidential on the record. That material will include one (1) newspaper article that may prove informative.

I will attempt to speak clearly in making these opening remarks, because speaking clearly is what is required for the public interest with a matter of this significance, one (1) that could be categorized as unprecedent -- unprecedented in the history of this public corporation.

To begin with, it is important to note

that: 1) The Board's rebate direction of Order 122/'10 was conditional on MPI filing, and the Board concluding, on additional information to the evidence of last fall's rate proceeding, and 2) The Board can vary any of its previous decisions, and is now contemplating the potential for doing so with respect to the quantum of the rebate to be made to policyholders.

The Board's conditional decision as to the quantum of the rebate was based on the evidence before it when it issued Order 122/'10, that arising from the fall of 2010 MPI general rate application proceeding. In that proceeding, among the considerable volumes of evidence filed, were MPI's forecast of basic net income for its fiscal year 2010/'11 and its anticipated rate stabilization reserve balance as of February 28th, 2011, which was 203.1 million, based on the December 13th, 2010 update reflecting order 122/'10.

Already at that -- at that point, the Board was aware that MPI's RSR would be, if the forecast was actualized, and if, unfortunately, MPI did not act on the Board's recommendation included in Order 122/'10 and reit -- reiterated in Order 145/'10, to set aside approximately 20 million to undertake new road safety initiatives, then, in that case, the RSR could be expected to be approximately 49 million over the Board's maximum for the RSR range, unless, that is, the Board was to vary its rebate direction.

As to the Board's recommendation with respect to new road safety initiatives, direct from Order 122/'10, I quote:

> "The Board strongly recommends that MPI utilize the remaining 2.9 percent of the requested rebate of 12.9 percent MPI sought, to establish a road safety fund out of the rate stabilization reserve, similar to the approach taken with the immobilizer incentive fund established by the Corporation previously and now fully depleted, with the funds to be used to fund enhanced and new road safety research and initiatives."

This matter, of course, was to be a consideration when MPI provided its up -- final update and sought the Board's final direction on the rebate, information then expected on or before April the 15th and to include MPI's fourth-quarter results.

Those earlier forecasts were based in part on forecasts of claims incurred and assumptions related to year-end 2010/'11 unpaid claims, the quantum of net income to be reported for twe -- 2010/'11 and the forecast closing balance as of February 28th, 2011 of the rate stabilization reserve.

The Board was very aware that MPI's external actuary was conducting a review of claims development and related matters as of October the 31st of 2010, and that the outcome of that review could affect the balance of unpaid claims, fiscal '10/'11's reported net income, and the actual balance in the rate stabilization reserve. Order 122/'10 required the filing of that ex -- expected report before the Board would provide definitive direction as to the rebate. I need not remind any party to this hearing of the importance of the balance of the rate stabilization reserve, actuarial reviews, and the action taken with respect to same, and as well, MPI's forecasts on which the Board relies.

The RSR is to address the risk of the unexpected, not the expected, and many past general rate applications have dealt with RSR matters: how it is to be calculated, what range is reasonable, and what is to occur when the range is exceeded. Unfortunately, MPI has a lengthy record of providing forecasts for incurred claims, net income, unpaid claims liability, and rate stabilization reserve balances that later prove materially inaccurate. And Intervenors have categorized the string of materially inaccurate forecasts as representing -- representing an ongoing and regular overcharging of Basic policyholders.

When, subject to MPI filings and the annual hearings, MPI's audit reports are tabled and filed, the reported RS balance has fairly regularly indicated that MPI has, was, or is holding RSR funds in excess of Board requirements, that currently being an RSR balance that falls within a range of 77 million to 154 million.

The -- the excesses over the years have been a major contributor to the rebates directed to be paid by this Board. And while rebates are generally warmly received by policyholders, the rebates are usually largely related to previously inaccurate forecasts of incur -- incurred claims.

And the changes in forecast ultimate incurred claims do not usually deal with just one (1) past year, but usually several past years, raising not inconsiderable difficulty related to intergenerational equity and the concept of fair and reasonable rates.

This difficulty takes four (4) forms. The first, often the revisions are material. Secondly, rebates are expensive to pay, administrative cost, postage, and potentially an impact on investment revenue.

Thirdly, rebates can affect the rate stabilization reserve balance and RSR trends. Lastly and even more importantly, as a reevaluation of prior years incurred claims involves more than one (1) fiscal insurance year, the rebates that end up being paid out do not always go to, particularly with respect to the amounts paid, the policyholders who paid what is later being judged to have been too much.

Sometimes policyholders that in a sense have overpaid no longer have a policy on which a rebate can be paid. In other cases, the policyholder has a different vehicle or vehicles and perhaps either more or less vehicles than they had when the initial overestimates were made, later being addressed by rebates made in subsequent years.

Considering that forecasting is not a precise science and that there is no perfection to be expected in making estimates, the one (1) thing everyone agrees with is that all estimates can be expected to end up being out to one degree or another. Nonetheless, it would be probably best if there was no need for rebates, but that could only happen if MPI's projections were more accurate, avoiding the risk of intergenerational inequity.

So why are we here today? Board Order

122/'10 was issued in early December 2010 following the annual rate proceeding which had concluded in October. Following the issuance of Order 122/'10 and on December 13, 2010 MPI provided a revised forecast taking into account Order 122 of 2010. The revised forecast projected net income -- basic net income of 29 million and a balance in the rate stabilization reserve as of February 29th, 2011 of 203 million.

That balance assuming MPI did not reflect the Board's recommendation that MPI set aside funds for the establishment of road-safety initiatives. Even if MPI did follow the Board's recommendation, the then projected RSR balance for February 28th, 2011 would still fall outside of the Board's range when the Board issued Order 122/'10.

That December 13th, 2010 correspondence, or after that when MPI provided the Board with the detailed re -- rate schedules which were approved by the Board by Order 126/'10, or even following that when the Board issued Order 145/'10, which provided additional recommendations and comments and more in-depth rationale, no indication came from MPI as to the imminent prospect of a major revaluation of unpaid claims, or, as well, of another very material and also imminent retroactive benefit change.

As previously noted, MPI's external actuary reviews MPI's unpaid claims and incurred claims development as of October 31st of each year and prepares a report that comments on claims development matters, and in that report, indicates when changes are deemed to be required and adjustments made to factors contributing to the makeup of the unpaid claims liability, which, when made, affect net income and the RSR.

Following the hearing of last fall, MPI's external actuary, Mr. Christie of Ernst & Young, produced a report for MPI entitled, "Manitoba Public Insurance Automobile Insurance Division universal compulsory automobile insurance appointing -- appointed actuary's report as at 31st, October, 2010."

His report is dated February 3, 2011, this being the actual -- actuarial report I mentioned earlier as having been provided to this Board on March 24th, 2011, this almost two (2) months after it appears MPI received it.

The report provides comments and indications and has been shared with Intervenors, the sharing occurring at the Board's direction and coming only one (1) day after the Board received a copy. Again, that actuarial report, the media release of the government, a media report based on that media release, and an -- and MPI's later March 24th filings with the Board by MPI has led to this Hearing.

This Board does not know when MPI became aware of what their external actuary's work was indicating. Though, in all honesty, I recognize some might hold that presumably MPI would have had some indication of what the actuary was finding before the report was issued to MPI on February 3rd of 2011. Perhaps there were earlier drafts shared with MPI before the report was issued in its final form.

We don't know if MPI had any inkling of these, of there be -- either being or there not being a chance of another major re-evaluation of claim's development factors with a major reduction to common unpaid claims at the time they wrote the Board on December 13th of 2010, in correspondence which came before the Board provided final, but still conditional, direction to MPI with respect to the rebate direction of Order 122 of 2010

Some might find it reasonable to suspect MPI became earlier aware than -- became aware earlier than February 3rd of 2011, that Mr. Christie was finding that MPI was holding a major excess of claims reserves and that the excess was, to put it mildly, very material. If not, some amazingly quick work must have occurred to allow for the decision to again increase retroactively basic benefits for those catastrophically injured a motor vehicle incident.

Given it was not that long ago that benefits were improved on a retroactive basis for a similarly defined group of individuals. Some may have thought that the first round of benefit improvements for the group would have been comprehensive, not requiring further amendments a short time later.

In any case the actuarial opinion provide to MPI by Ernst & Young's Mr. Christie once again reported that there were excess, unpaid -- unpaid claims carried in MPI's books. And this time the quantum of excess reported was even higher, much higher, than previously reported excesses.

The excess appear to be well in excess of $200 million, a number that some, including this Board, may well consider at first blush, at least, astounding. Why astounding? Given the lengthy past record of reported excesses, including the last one of adjustments to MPI's reserving approach, this to avoid such large variations occurring in the future, and MPI's lack of commentary as to the potential for a major new adjustment in its correspondence of December 13th, of 2010.

Let us for a moment review -- examine the record. And if I make any misstatement -- misstatement, I rely on MPI to correct it when the Corporation provides its submission.

MPI's 2005 fiscal year was affected by incurred but not reported adjustments arising out of Ernst & Young's actuarial work of, on a net basis, 22.4 million. For 2006 that actuary's work led to a reduction of 38.2 million. In fiscal of 2007 a reduction of 69.5 million. In fiscal 2008, a reduction of 58.3 million. In fiscal 2009, a reduction of 137.6 million. In 2009/'10 a reduction of 87.9 million. And now it would seem for fiscal 2010/'11, as estimated as at the 31st of dec -- of October 2010, a reduction of 263.6 million.

In total, for the years commented on in the development, MPI has reported over 677.5 million in net favourable claims development. These successive IBNR adjustments have had a significant impact on the accuracy of net claims incurred forecasts provided at a succession of annual fall rate hearings.

With respect to annual claims incurred, a major element in MPI's cost is reported in its annual reports, and a major contributor to the financial picture of MPI that the Board relies on when setting rates and deciding on rebates. There has also been a long series of annual adjustments, all reducing claims incurred with respect to prior year's claims incurred.

When rates were set for 2005, MPI forecast claims incurred at 505.2 million. The actual number was 457.2 million, a reduction of 47.9 million, or 9.5 percent.

For 2006, MPI forecast claims incurred of 539.5 million, while the actual number was 521 million, a relatively smaller difference this year -- this time, representing excess of 3.4 percent.

In 2007, the forecast was 556 million, while the actual ended up as 500 -- 534.9 million, a difference of 21.1 million, or 3.8 percent. This representing, might say -- one might say, a conservative estimate, but not a large difference in the end.

In 2008, forecast of 582.4 million, an actual of 525.3 million, and a much larger difference of 57.1 million, or 9.8 percent.

In 2009, a forecast of 615.9 million, an actual of 519.5 million, the result, a large difference of 96.3 million, or 15.6 percent.

In 2010, a forecast of 624.9 million, and an actual of 508 -- 515.8 million. The result, another large difference, this time of 100 -- 109.1 million, or 17.5 percent.

From 2005 through to and including 2010, excess of forecast over actual of 350.2 million, or 10.2 percent, and now for fiscal 2010/'11, it would appear the difference between forecast and actual will be the highest yet, in excess of 200 million.

Quite a streak of one-way adjustments to claims incurred, all materially affecting net income, all affecting the Board's perspective of MPI, and the solidity of RSR, the setting of rates, and the payment of rebates, and in total all affecting ratepayers, past, present, and continuing.

So, how has the Board coped with these developments. For one (1), successive Board panels have remained quite conservative, taking the view that a string of excesses could presumably be followed by a report indicating a major deficiency. Presumably, the forecasting of incurred claims is not like coin tossing, and at some point in the near or foreseeable future, it would be reasonable to take the view that a deficiency in unpaid claims should be expected, particularly following so many reports of excesses.

No evidence was placed before the Board indicating serious and remaining systemic issues in claim reserving. The evidence provided by MPI and MPI's external auditor suggested that the actuary was working within actuarial standards, a view confirmed by MPI's external auditor, who -- who test -- testified before this Board.

So the assumption was that eventually the pendulum would swing the other way, and a negative difference would develop, and claims incurred would end up being reported at a higher number than originally forecast.

With respect to MPI's reported results for the Basic program, changes in forecasted claims, investment income, and other factors have resulted in significant annual variability in the net income approved by this Board upon which rates are set versus actual basic net income.

In 2004/'05, MPI's application showed a net loss of 1.7 million for rate-setting purposes. The forecast was revised to a net loss of 9.3 million, and ultimately came in at a net income of 59.9 million, 61.6 million higher than the approved forecast.

For 2005/'06, the application indicated a 5.7 million net loss for rate-setting purposes. The forecast was revised to 53.8 million net income, and, ultimately, came in at 88.6 million of net income, 94.3 million higher than originally forecast.

For 2006/'07, MPI's application showed four (4) -- four hundred thousand (400,000) of net income. The application revised with the forecast updated to a net income of 34.7 million, which actual results came in at 61.7 million, 61.3 million higher than the original forecast.

For 2007/'08, the approved forecast was 4.6 million net income. It was revised to 31.4 million net income and, ultimately, settled at 84.3 million, 79.7 million higher than the approved forecast.

For 2008/'09, the forecast -- the Corporation's forecast was six hundred thousand (600,000) of net income. The revised forecast was a 2.5 million net loss, which ultimately came in at 7.7 million of net income, an increase of 7.1 million from the approved forecast.

For 2009/'10, the approved forecast was for a 4.2 million net loss, later revised to 11.5 million net income, which, ultimately, settled at a net income of 89.8 million, 94 million higher than the approved forecast.

Each of the successive six (6) years, being 2005 through 2009/'10, showed positive variances in net income which has, on an accumulative basis -- cumulative basis, totalled 398 million higher than was approved for those years by this Board, and over 270 million -- 72 million higher than the revised forecasts.

Based on filings involving MPI's fiscal years starting with 2004/'05 and concluding with 2009/'10, the aggregate -- that is, accumulated total approved net income forecast, was a modest negative 6 million, this for a six (6) year period. However, for that same period, MPI revised its forecast in every one of those years, taking the aggregate of the initial forecast for the six (6) years from a modest negative 6 million to a positive of 190 -- 119.6 million, as per the amended forecast.

So much for forecasts. The bigger question is: What was the aggregate for those six (6) years as reported in MPI's audited accounts? It was not the negative 6 million that was approved which -- which was the approved forecast that was employed in rate setting, nor was it the revised accumulated forecast of 119.6 million provided at the following years' hearings, but a positive 392 million.

With that knowledge in hand, let us move to 2010/'11. MPI initially projected 8.5 million of net income, later revising that forecast, which reflected the changes directed by way of Order 122/'10 to an expected net income of 29.2 million. As to the now-expected actual results, given the new information provided to the Board, and with the adjustments to -- to claims incurred, all we can say at this point is that, left as is, the actual result will most likely again represent another significant, very significant, variance from the approved forecast.

Each year, the Board asked -- asked MPI to provide an updated summary of initially projected, revised, forecasted, and final actual amounts of claims incurred for about the latest ten (10) years. The projected amount corresponded -- corresponds to that provided with the GRA proposing rates for the year in question. The actual amount is available two (2) years later, after the close of the accounting period in question.

MPI has previously argued that IBNR adjustments, like the 263.3 million net favourable runoff it appears we are now noting so far for fiscal '10/'11, should be considered as variances, not a so -- not a source of forecasting error even though MPI has acknowledged that these adjustments are a source of differences between forecast and actual incurred loss amounts.

The Board understands that the foundation for MPI's perspective is the position that such IBNR adjustments are not reasonably foreseeable because they are not expected to arise at the time of a given actuarial evaluation and are not quantified until a later valuation.

The claims incurred forecasting MPI does is predicated in part on a reasonable assumption that the latest valuation provides a solid estimate of the expected ultimate cost of prior years' claims as a basis for forecasting future years' claims.

When a subsequent valuation gives rise to a change in estimates for the cost of those prior years the change flows through claims incurred for the current accounting period. While the Board appreciates the nuance of MPI's argument, it is, to put it mildly, hard to get away from the fact that any difference between forecast and actual is just that, whatever one calls it.

The Board fu -- further understands that the standards of practice of the Canadian Institute of Actuaries binds an actuary doing professional work by the institute's rules of professional conduct as well as the standards of practice.

The Board understands that while there may be circumstances calling for prudent conservatism in the face of unusual uncertainty, those standards stipulate, and I quote:

"The appropriate model or data assumption for a matter is the best

estimate assumption of that matter
modified, if appropriate, to make
provision for adverse deviations."

Best estimate is defined as, and again I quote:

"Without bias, neither conservative nor
un-conservative."

And, presumably, this is the context in which the valuation for MPI was done. The Ernst & Young valuation report as of October the 31st, 2009 has, as I understand it, about one half of the commentary present in the corresponding report as of October 31st, 2010 with respect to the details of the analysis for accident benefits, weekly indemnity, and accident benefits other indexed.

The extra commentary in the latter report discusses the shift in the new valuation to more direct reliance on the latest experience in the assumption setting process, the reasons for the shift, and the impact of changes in reliance on different methodologies.

The level of disclosure in the October 31st, 2010 report is, from the Board's perspective, improved and reveals information that wasn't provided in the 2009 report. And in -- in the interrogatories and during the hearing of last fall there was much reference to the use of best es -- estimates and prudent best estimates in the valuation process, but no hint of the potential for favourable runoff of the order of magnitude indicated by the latest October 31st, 2010 report.

The Board is still unaware as to what drove the actuary's decision to accelerate recogna -- recognition of the latest experience in the valuation as of October 31st, 2010. Although, while there is no reference to the PIPP infrastructure project in the discussion of the changes in assumptions and choice of methodology for the two (2) key lines of business that give rise to most of the favourable runoff, there is a reference to a September 2010 launch of a new claims management system: FINEOS, F-I-N-E-I-O-S (sic)/B13.

However, in this most recent valuation the income of the claim management system appears to be limited to having to adjust for changes in the recording of claims handling expenses.

For those here that may not be aware, FINEOS, F-I-N-E-O-S, is a software purchased by MPI for it's PIPP, P-I-P-P, infrastructure project which the Board hopes will finally provide benchmarks and other analysis to assist MPI in managing PIPP claims and more fully understanding claims development.

Last year's hearing MPI forecast that the project would be completed in fiscal '10/'11 with an estimated 2.5 million to be spent in the year, and with a total projected cost of 16.1 million. In short, the project longs -- long sought by the Board is far from mod -- mod -- modest tinkering.

While the Board does wonder whether the project has anything to do with the actuary's decision and the development of -- of the October 31st, 2010 valuation, an avenue of discussion to be continued during the next GRA proceeding, it is the results of the evaluation itself that lies behind today's hearing.

I now provide some of our current specific understandings arising out of the latest actuarial report filing and again exp -- expect MPI will correct any misunderstanding we may have.

One, the overall net favourable runoff reported by Mr. Christie of Ernst & Young, the external actuary, of about 263 million, that based on the eight (8) month period ending October 31st, 2010, is attributed to the actuary to arise primarily from excess provisions for accident benefit -- benefits weekly indemnity of 74 million, and excess provisions for accident benefits other indexed of 182 million.

Two, for both of these two lines of major business the actuary made important claim -- important changes in both the selection of lost development factor assumptions and the choice of methodologies from which the final report -- results are selected, and not all pulling in the same direction. The choice of assumptions is primarily responsible for the downward movement and is partially offset by the choice of methodologies. This is discussed in details -- in detail for these two (2) critical lines of P-I-P-P, PIPP business in Section 6.1.6, and Section 6.1.8 of the Ernst & Young report.

Three, as discussed in the actuary's report narrative the change in lost development factor assumptions came from placing heavier reliance on this latest valuation on the experience of the last five (5) calendar years, during which time MPI has been using tabular reserve system -- a tabular reserve system for setting individual case reserves on claims more than three (3) years old. One can think of a tabular reserve factor as being like an annuity factor, a sign to capture the time value of money, morbidity, mortality, and where appropriate, inflation indexation.

Four, the growing reliance by the actuary on recent experience appears to have been occurring gradually as seen in recent prior valuations, but it appears the shift in selection of assumption in Erts -- & Young -- Ernst & Young's latest valuation is a more significant shift than previously. In the apparent -- apparent belief that after five (5) years of reasonably stable experience, that being the view of the actuary, the recent data has demonstrated reliability. This year's Ernst & Young report has significantly increased the disclosure and discussion surrounding the selections and considerations for these two (2) key lines of PIPP business.

Although the report is an Ernst & Young report we understand that the underlying analysis originates with MPI and is reviewed and perhaps altered and event -- although eventually approved by MPI's external appointed actuary, Mr. Christie of Ernst & Young.

Six, this Board is very much interested in learning from MPI if these major changes in assumptions and methodologies originated with MPI or Ernst & Young, which we cannot tell from the report.

And seven, the favourable runoff is wide-spread by accident year, but, not surprisingly, is more concentrated in the more recent, and one could well say, less mature years. For one to get a sense of this for all lines combined on a net of reinsurance basis we suggest one looks at Exhibit 3, sheet 17 in the Ernst & Young report, comparing the estimated ultimate cost of claims development between the February, 2010 valuation, column C, and the focus of this report, the October 2010 valuation, column B.

Given the Board's experience with MPI, and following our review to date of the Ernst & Young report just provided to us, well after when MPI received it, it is our understanding that it is still possible there is still some conservatism left in the estimates for these two (2) key lines of PIPP business in this latest valuation, apart from any explicit provision for adverse deviations.

This is our current perspective, and this is based on three (3) factors:

A) The selection of incurred cost -- incurred lost development factors over interverals -- intervals up to ten (10) years still tend to be a little above the level indicated by the experience of the five (5) latest calendar years, but much less so than previously in several cases.

B) The selection of paid and incurred tail loss development factors are driven by a detailed 2005 analysis of tabular reserving experience, which called for a 6 percent loading for incurred development beyond ten (10) years, which seems at least somewhat inconsistent with the experience now in -- now accumulated over the past five (5) calendar years.

The Board feels obliged to ask, Is it not time for that study to be updated? This, particularly given the volatility that's being experienced in MPI's net income results, and the income it has had -- in the -- and the impact it is having on rate setting, and fair and reasonable rates for policy holders.

C) And for the three (3) most recent accident years, which are not subject to tabular reserving, Ernst & Young and MPI are placing some reliance on a paid Bornhuetter-Ferguson methodology, which in fact -- in effect determines an estimated ultimate amount based on an expected loss ratio, paid loss development assumptions, and reported paid losses.

This downplays the information contained in the case reserves for these years. Unless the paid loss experience is exceptionally stable, using paid development models for immature accident years on long tailed lines of business is, we suspect, very challenging. This, in large part, because the resulting development factors are so large, and therefore the results are highly leveraged.

One can get a sense of the results from the different methodologies applied, and I refer you to columns 2 to 6, and the selected analysis, column 7, for these two (2) key PIPP lines, from Exhibit 4, Sheets 5 and 6 in the Ernst & Young report of October 31, 2010, submitted to MPI early February 2011.

With all this going on, and with actuarial reports and assumptions seemingly the largest and most volatile driver of MPI's annual Basic results, it should come as no surprise that this Board has long sought openness and transparency. In fact, more openness and transparency from MPI.

MPI's Basic AutoPac program is a mandatory program provided in a man -- in a monopoly environment. Basic policy holders may appreciate MPI's products and service, but in any case they have no choice. They cannot select a different insurer for Basic coverage, and the premiums they pay -- they pay are set down in law.

MPI has many advantages compared to insurers in the private market. The advantages including the backing of the province, a mandatory product, and a monopoly. And the rate-setting approach provides for the likelihood of ever-increasing annual premium revenue, even when no overall rate increase is approved. This because announced annual prem -- premium rate changes are with respect to vehicles of the then-current insurance year, with new modical -- new models, and new vehicles, and with increases in the overall fleet, all contributing to overall premium growth.

The annual upgrade in volume account -- factors account for MPI -- for how MPI can announce year after year either no change in overall rates, or a small percentage reduction, yet have premium growth.

Since PIPP was introduced in 1994, MPI's rates, as announced annually, have remained quite stable, in marked contrast to the announcements of private insurers in competitive markets, yet MPI does not claim to have the lowest rates. How can that be? I suggest that it's the annual upgrade and volume factors that provide for premium growth that compensates for cost growth at or above -- at or above the general rate of inflation.

All that said and aside, stated only to provide additional contextual background to the Board's perspective on basic operations, the generally employed approach when dealing with a monopoly is to evolve -- is to involve a regulator. In this case, the overall approach towards attempting to ensure fair and reasonable rates involves the Public Utilities Board and annual public hearings at which Intervenors representing various constituencies and interests attend, and at which evidence is provided, witnesses testify, cross-examinations occur, and final arguments are made.

Through all of this, MPI's projections are key to the outcome. The common goal should be, and hopefully is, to serve the public interest, a goal this Board has been finding most difficult to successfully achieve under the current approach preferred by MPI, which appears to include sitting on extremely important information and not bringing the Board into play until the last possible minute, with that last minute driven by the MPI's requirements to gain the Board's final approval of rates and/or rebates. That is how the situation looks right now to this observer, at least -- at least this time around, and without all the facts known.

Begin -- beginning with Order 151 of 2000, the Board has directed MPI to pay rebates totalling $261 million. Another rebate is on the table, one initially forecast to be approximately 72 million, but that forecast is now very much in play, and once again, possibly based on the discovery of major excess in MPI's unpaid claims liability, the government, supported by MPI, has announced retroactively improved benefits, Basic benefits, this following the same experience a year earlier.

At last fall's hearing, the Board asked MPI if it was aware of any new benefit changes, and MPI answered to the negative. And when MPI provided its last communication ahead of this March to the Board, which updated forecast -- with updated forecast attached, this coming in mid-December of 2010, no mention was made of another benefit enhancement, another retroactive application. In fact, no mention of this was made until the Board became aware with the press release. So here we are again: the enhancement of benefits in a retroactive manner announced outside of a rate hearing.

It seems a logical presumption that, in the absence of the latest actuarial surprise, the new retroactive benefit announcement would not have occurred. And once again, neither the major actuarially-driven reduction in unpaid claims nor the retroactive adjustment to benefits were made known to the Board which just issued its -- its rate rebate and rate order last December.

The Board has made its perspective and recommendation with respect to benefit changes known to MPI and the government on several occasions, to no avail. Retroactive benefits are not generally a practice found in regular insurance circles. The Board is aware that occasionally, in other jurisdictions, as a result of legislative changes or court decisions, retroactively can occur. For example, the Ontario Auto Product Reforms, effective September 1st, 2010, affect claims reported prior to that date and still outstanding as at that date.

So why does this concern the Board? Because a) premiums were not paid to provide for the benefits to be provided on a retroactive basis, and b) no review at all of the possible changes to basic policy parameters have been filed at a body -- at a Board hearing or fully and openly discussed.

Premiums were paid, evidently in ex -- evidently in excess of that required, but not for the purpose some of the excess is now to be employed. It is important to realize that retroactive benefits represent the distribution of funds that would likely, if benefits stayed as is, be distributed to policyholders who, in essence, overpaid for their insurance in past years.

I want to turn for a moment to another element of the big picture. Nothing said so far or to be said by this Board today ignores the value of further benefit improvements to be provided to those catastrophically injured in a motor vehicle accident or incident. The Board is certain that the improvements of last year and, although surprisingly, this year will come as a great relief for the individuals and families to be benefited.

The Board remains of the view that an annual review of benefits conducted in an arena of stakeholders would be best, where deficiencies could be identified, the practices of other jurisdictions and systems explored, and options fully discussed.

Also, the Board is aware that in the big picture this latest news of yet another overstatement of unp -- MPI's unpaid claim liability is good news to MPI's policyholders as it may lead to higher rebate that was on the table with Order 122/'10. Putting more money in policyholder pockets would presumably help the policyholders, their families, and the overall economy. It is unfortunate that any rebate will not always go to those who paid what turned out to be excess policy premiums, or at least in the quantum that is deserved, or in the time period deserved.

Now, having returned to the subject matter of the hearing, what is this Board to do? Firstly, let me make it clear how the Board sees this recent development. The newly discovered excess comes from earlier overestimates, overestimation of the ultimate cost of claims for those earlier years.

This, in turn, leads to higher than necessary premiums of past years, and excess premiums also earn investment dollars compounding the problem. Do the parties before us suggest we affirm the 10 percent rebate we directed be paid based on what has turned out to be erroneous forecasts, or should this Board, which it has the authority to do, vary its original direction and direct a change to the rebate to be paid, to be booked as of February 28th, 2011 with payment to occur no later than May 31st, 2011?

The Board notes the public statements attributed to MPI and the minister responsible for MPI is quoted in a Winnipeg Free Press article of March 19th, 2011 when it is reported that, firstly, and I quote -- this is the quote:

"The public insurer said it has an extra 250 million in its coffers that should be returned to ratepayers."

And the minister stated:

"It's Manitobans' money and we want it returned to Manitobans."

This Board is very interested in gaining the perspectives and positions of MPI and the Intervenors. Again, that is the reason for this special hearing. It is important for everyone here to know that this Board has also received, in confidence, the draft unaudited fourth-quarter results of MPI. Again, we received this information as well only last week.

While we cannot share this information with you, having accepted it in confidence ahead of the

MPI's audited accounts being filed in the legislature, we can tell you that we will take the draft statements into consideration in whatever decision we make with respect to the quantum of the rebate.

Being aware of the disadvantage this puts Intervenors at, we also intend to require to make the information available to Intervenors before actually allowing any cutting of any rebate cheques that may be directed to be issued.

We should and we tell you that if the amount of the rebate is not changed, our expectation is that the Basic RSR as of February 28th of 2011 will be dramatically higher than the last public forecast and it will be well over the Board's RSR range.

I should and will also tell you that if this new actuarial information was available to the Board prior to its given -- giving conditional final direction to MPI in mid-December of 2010, it is quite possible the direction of 122/'10 as to the quantum of the rebate would have been starkly different.

So, if the rebate is not increased and the actual audited results confirmed the now expect -- now expected revised forecast revealed in the material provided in confidence there appears to be a reasonable potential for a further and very large rebate to arise following this coming fall's proceeding, that is unless there is another -- another benefit enhancement surprise to come to be funded out of excess previously paid premiums.

Again, the problem with rebates coming in years following the years in which the premiums were in excess of eventual requirements is that to one extent or another the rebates either go to the wrong people or go to the right people but in the wrong amount. For many, such circumstances may not fit the definition of fair and reasonable rates.

Another problem is that the rebates contribute to the ongoing volatility of MPI's annual results, and those results are included in the summary accounts of the province provide -- providing volatility there as well.

In future years and it's future-year dealings with this Board we gan -- we again urge MPI to communicate openly, transparently, and as early as possible when material financial events that will/or could affect Board decisions and policy holders pocketbooks and benefits are underway or have occurred. Holding back is not in the public interest, it leads to ineffective rate setting, unnecessarily wide volatility in annual net income, and a loss of MPI's credibility in the eyes of at least some observers including unfortunately, possibly this Board.

I will be calling on MPI first to provide their submission and following MPI's submission I will call on each of the Intervenor's represented here today. After which we will hear any final comments from MPI.

Following receipts of the submissions we will adjourn the hearing. We will al -- then deliberate on and come to our decision, which given the time deadline sought by MPI for knowledge of what the rebate is to be, may be expected to come fairly quickly.

Before we hear from Mr. Triggs on behalf of MPI I now ask Board counsel to enter the relevant exhibits onto the record. After Ms. Grammond has put the documents on the record we will adjourn until 1:00 for the lunch break providing MPI and the Intervenors an opportunity in reflect -- an opportunity to review and reflect on the opening remarks.

So, Ms. Grammond, please put on the record the material to be for the parties to this special Hearing.

MS. CANDACE GRAMMOND: Thank you, Mr. Chairman, I will do so.

Firstly, which would be MPI Exhibit 1, would be the letter from Ms. Kalinowsky dated March 24th, 2011 regarding the premium rebate.

--- EXHIBIT NO. MPI-1: Letter dated March 24, 2011 from Ms. Kalinowsky

MS. CANDACE GRAMMOND: Exhibit 2 of MPI would be the actuary's report. So properly entitled, The Basic AutoPac-Appointed Actuary's Report as at October 31st, 2010, which is dated February 3rd, 2011.

--- EXHIBIT NO. MPI-2: The Basic AutoPac-Appointed Actuary's Report as at October 31st, 2010

MS. CANDACE GRAMMOND: MPI Exhibit 3 would be the news release issued by the Manitoba Government on March 18th, 2011 relating to the enhanced injury benefits.

--- EXHIBIT NO. MPI-3: Manitoba Government news release of March 18, 2011 regarding enhanced injury benefits

MS. CANDACE GRAMMOND: MPI Exhibit 4

would be its comments in writing to the Board regarding the appointed actuary's report as at October 31st, 2010.

--- EXHIBIT NO. MPI-4: MPI's written comments to the Board regarding the actuary's report as at October 31st, 2010

MS. CANDACE GRAMMOND: In addition to that, Mr. Chairman, there are two (2) exhibits that I'd seek to file on behalf of the Board.

The first would be the notice of this hearing which was dated March 25th, 2011.

--- EXHIBIT NO. PUB-1: Notice of Hearing dated March 25, 2011

MS. CANDACE GRAMMOND: And the second would be a recent article from the Winnipeg Free Press which was dated March 19th, 2011 by Bruce Owen, and I have copies available if anyone doesn't have or isn't aware of that article.

--- EXHIBIT NO. PUB-2: Article from Winnipeg Free Press dated March 19, 2011 written by Bruce Owen

MS. CANDACE GRAMMOND: Other than that, Mr. Chairman, I have no exhibits to enter at this time. But, before everyone leaves the room we will distribute written copies of Mr. Chairman's opening remarks just because of the fact that we won't have a transcript immediately so he read verbatim what is written here and that will be distributed. Thank you.

THE CHAIRPERSON: Thank you, Ms. Grammond. Please make those distributions. We stand adjourned until one o'clock.

--- Upon recessing at 11:30 a.m.

--- Upon resuming at 1:06 p.m.

THE CHAIRPERSON: Okay, everyone, if we could get underway. I think the -- the order would be, if we follow our normal tradition, would be MPI first, followed by CAC/MSOS. I don't see Mr. Oakes, but CMMG, CAA and then MUCDA.

Mr. Triggs...?

MR. MICHAEL TRIGGS: Thank you, Mr. Chair. Before I commence my submissions, I'd like to introduce the panel with -- we have with us. To my left is Dan Guimond, who is the vice-president of strategy and innovation and chief information officer. He is the acting president while Ms. McLaren is out of the country. To my right, Mr. Palmer, you -- Don Palmer, you are quite familiar with him. He is the vice-president of finance and the chief financial officer for MPI, and to my far left -- far right, I should say, is Ottmar Kramer, the director of finance and corporate controller. In the back row is Luke Johnston who is the manager of actuarial services.

THE CHAIRPERSON: Thank you.

MR. MICHAEL TRIGGS: Thank you.

SUBMISSIONS BY MPI:

MR. MICHAEL TRIGGS: The Corporation would like to thank the Board for the opportunity to provide submissions on whether information provided -- in -- information received by the Board subsequent to the issuance of Board Order 122/'10 should affect the quantum of the rebate directed -- that the Board directed to pay.

The Corporation's submission is that Order 122/'10 should remain as-is. When the Board determines the rates to be charged to motorists for insurance, it does so on a prospective basis. It uses historical information to determine the upcoming revenue requirements the Corporation requires to cover all forecast costs resulting from predicted accidents that will happen sometime in the future of that fiscal year.

The Board considers many factors, including expected future income from investments and the anticipated financial costs resulting from future motor vehicle accidents. After considering all this information, the Board then determines what is the appropriate rates to be charged to ensure that these costs are covered.

Because rates are based on forecasts of what will occur in the future, the one (1) certainty of the rate-setting process is that the projected income generated from investments and the rates will not be -- not exactly match the costs of all future costs of accidents that occur in the year of the rate application.

When predictions results in the Corporation having more money than what is needed to meet its obligations for the costs of the prior year's accidents, the Board has to decide what should be -- happen to these excess retained earnings. Should the money be paid back as a rebate? Should the Corporation retain the money for other purposes? Should the Corporation retain the money because of other uncertainty?

In the 2011 GRA, the Corporation considered its financial situation as it existed at the fiscal year end of February 28, 2010, and was of the opinion that a rebate should be paid to Manitobans. For the purposes of the rebate, the Corporation was not looking prospectively, as it does for setting rates, the Corporation was looking retrospectively.

The Corporation applied to the Board to give the Manitoba ratepayer a 12.9 percent rebate. This would amount to paying $92 million to Man -- to the Manitoba ratepayer.

The Corporation was of the view that its retained earnings as of February 28th, 2010, which were $224.7 million, plus an additional $21.1 million for an IF -- IFRS adjustment, were such to justify the proposed rebate, considering the Board's rate stabilization reserve target of $154 million.

The Board, after giving full consideration to the fully-tested financial and actuarial information determined a 10 percent, or $71.5 million rebate was appropriate. This would be one (1) of the largest rebates ever given to Manitobans.

In Order 122/'10, the Board states:

"The rebate is subject to the Board's final approval, but currently expected to fall, subsequent to the Board's review of further information MPI will be directed to file. The review is to provide the Board with further assurance that MPI's financial position remains such as it justified the rebate being paid."

Although the Corporation had the $92 million in the bank to pay out its rebate, the Board expressed concerns that the Corporation's strong financial situation that existed at the end of the 2009/2010 fiscal year, might turn around negatively prior to the issuance of the rebates on May 31st, 2011.

The Board requested updated financial and actuarial information for the 2010/2011 fiscal year to be assured that the Corporation's financial position remains such to justify the rebate being paid. The Corporation provided this information to the Board on March 24th, 2011.

Although the financial information for the 2010/2011 fiscal year has not been fully tested, it does tend to indicate the Corporation remains in a strong financial position and there has not been a deterioration of results.

The new information confirms, quote:

"The MPI's financial position remains such as to justify the rebate being paid."

End quote, which is the test the Board set out in Order 122/'10. It is the Corporation's submission that the Board should confirm Order 122/'10 and grant the rebate of 10 percent.

Based upon this preliminary information for the 2010/2011 fiscal year, it may be tempting to consider increasing the rebates. The Corporation recommends against this.

Decisions on rebates cannot be based upon partial information. The process that the Board has developed over decades is effective in ensuring that when setting rates or rebates, that information it bases its decision on is the final, and fully audited, financial and actuarial information for the previous year. This allows for a full and robust consideration of all the issues surrounding the financial and actuarial status of -- of the Basic program. This is the process that was followed when rebates were granted in 2001, 2006, 2007, and 2008.

We have entered a period of transition. Five (5) years ago, the Corporation fully disclosed the conservative attributes of its then-new reserve methodology. This was discussed again at the close of the October hearings.

The Corporation has heard the Board's comments about the actuarial forecast. The Corporation recognized that this matter should be addressed sooner rather than later. Immediately following the close of the hearings in October, the Corporation discussed the Board's concerns with the actuary. The preliminary results of the impact of this new approach are currently being finalized.

Although the general magnitude is known, it is important to remember this new information is for the 2010/2011 fiscal year and is still preliminary. The Corporation has not yet completed its own auditing process of it. The Corporation's external auditor has not fulfilled its own year-end processes. And it has not been subject to their actuarial specialist under aud -- Auditing Guideline 43.

These financial statements are still subject to revision, and are unaudited. They have not been approved by the Corporation's Board of Directors. When these financial statements have been fully tested and signed off, they will form part of the 2012 GRA App for the 2012/2013 rates. At this point in time, it will -- at this -- at that point in time, the GR -- the 2012

GRA Application, it will be appropriate for this information to be fully explored by the Board, the Intervenors, and all Manitobans wishing to do so.

Finally, we should remember the words of the Board -- of this Board in Order 151/'00. Just as an RSR was built up over a period of years in accordance with an approved plan, so too should any significant excess be dealt with in a reasoned fashion, likely over a period of time that exceeds one (1) year.

So to reiterate, it is the Corporation's position that the issue regarding these re -- reserve lease should be dealt with in the upcoming GRA Application and not be dealt with in this present matter.

Now, the Chairperson had asked the -- MPI to comment on various numbers mentioned in the Chair's opening remarks this morning. We have not had the opportunity to review them in detail, but the information appears to be accurate and subject to check.

When the Corporation and the Board make decisions it does so at a point in time based upon the best information available. The information is challenged by the Intervenors and is challenged by the Board. The Board uses the same information that MPI has and it makes the decisions it did based upon that information. We are working from the same information.

The Chair's comments leave the impression that the Board was unaware of the issue of the overestimating unpaid claim reserves. The Chair says no evidence was placed before the Board. The Corporation rejects this characterization. Each and every year since 2006 the issue has been addressed at the general rate application hearings.

Please see -- just as quick examples we could find, please see example -- the transcripts for October 2006 at page 1,065 and October 2007 at page 557. It's just a couple examples of where it was dealt with.

In the upcoming GRA the Corporation will provide detailed examples of how the issue has been previously brought to the Board's attention. As the issue of overestimating unpaid claims reserves has been before the Board for years, it's not surprising that a change would be forthcoming. It is now time for that issue to be resolved at the upcoming GRA application.

The new actual estimates will now reset the bar for future claim forecasts. We believe that there are important issues to be dealt with. A lot of important issues have been discussed today and have been brought, and they need to be fully discussed and considered by the Intervenors, the Board, and all Manitobans to make sure that the proper decisions are made on those matters, but that can only happen in the full hearing -- the full context of a rate application hearing, not in a short time frame that is before the Board today.

The issue before the Board today is the rebate, not the claims reserve releases. The Corporation submits that the Board maintain Order number 122/'10 and that it issue a 10 percent rebate.

As a final point of information for the Board, a decision in this ma -- in order to meet the May 31st deadline for payment the Corporation requires a decision by no later than April 20th. Thank you, sir.

THE CHAIRPERSON: Thank you, sir. Following our normal order, we'll go to Mr. Williams for CAC/MSOS.

Mr. Williams...?

SUBMISSIONS BY CAC/MSOS:

MR. BYRON WILLIAMS: Yes, good afternoon, Mr. Chairman. And, Mr. Evans, welcome back. We missed you at the Hydro hearings, and on -- on behalf of our clients, we're glad to see you again. Ms. DeSorcy is here -- is here today. And -- and we've certainly been in regular contact with Ms. Wheiss as well, from MSOS.

Mr. Chairman and Mr. Evans, today we see the end product of ongoing and regular overcharging of Basic ratepayers by Manitoba Public Insurance. Today it is our client's hope that we reap, R-E-A-P, the regulatory whirlwind that MPI has sewn by building excessive conservatism into its estimates for accident benefits, weekly benefits, and accident benefits other indexed.

The realization of material overpayments by Basic ratepayers, in our client's respectful submission, is not a good news story. Assuming the Ernst & Young report is found to be credible, it suggests that Basic ratepayers have overpaid to the tune of one quarter of a billion dollars.

Even if we are able to rebate that amount to Basic ratepayers, there are profound questions of intergenerational equity, or in this case inequity, raised. For we can be certain that no matter the quantum of the rebate that many consumers who have overpaid in the past will never be fully compensated. Either they will not be -- they will not get a rebate at all because they've moved on in one form or another, or they'll get the wrong amount, whether too much or too little.

So the overpayment is not good news for consumers, but what is good news is that we have a robust, regulatory process in place in Manitoba. Excuse me, just one second. Mr. Singh, did you hand out the outlines? Yes, thank you. We have a robust regulatory process in Manitoba, a regulatory process that identified the excessive conservatism in MPI's reserves in October of 2010 during the last GRA through their cross-examination of the external auditors, and a regulatory process that provides consumers with a tool, however imperfect, to requaver -- recover the quarter billion dollar overpayment through a rate rebate.

And I'm still on the introduction, Mr. Chair, and Mr. Evans. I -- I'm still on page 1. But I -- I want to give you a bit of foreshadowing of my client's final position. And their -- their ultimate position is that prior to May 31st, 2011 MPI should be directed to rebate to consumers any amount over and above the 154 million upper limit of the RSR target range, any amount which is lying within the basic RSR as at the end of 2010/11 that fiscal year.

So still on page 1 of -- of the outline, Mr. Chairman, and Mr. Evans, in reaching that position our clients have asked themselves two (2) key questions. And that's at page 1 of the outline.

First of all --

THE CHAIRPERSON: Excuse me, just for a second.

Ms. Grammond, should we put this in as an exhibit?

MS. CANDACE GRAMMOND: I think not, Mr. Chairman. Typically the written submissions wouldn't be entered as an exhibit, or Mr. Williams, do I have that wrong?

MR. BYRON WILLIAMS: I think the practice varies from time to time. I always just leave myself at the -- to the discretion of -- of the Board. I know that in the past Hydro interim argument it was put in. It depends on the hearing.

MS. CANDACE GRAMMOND: I think, Mr. Chairman, it's certainly on the record and it's filed, but it's not evidence in the sense that --

THE CHAIRPERSON: No, I wasn't suggesting it was evidence.

MS. CANDACE GRAMMOND: -- evidence typically would be --

THE CHAIRPERSON: I was just thinking of -- just to preserve the contents of this particular hearing. We --

MR. BYRON WILLIAMS: Per -- perhaps if I might make a suggestion, Mr. Chairman, we could mark it as an exhibit for identification. Would that be --

THE CHAIRPERSON: Very good. Please

continue.

CONTINUED BY MR. BYRON WILLIAMS:

MR. BYRON WILLIAMS: And I -- I apologize, I should have sought clarification of that before starting.

The two (2) key questions from my client's perspective: first of all, is the external actuary's 263 million adjustment credible, and if so, if it is, what should be done?

At page -- at page 2 of our outline and moving on to page 3, our clients outline three key factors which they consider suggest that the external actuary's quarter of a billion dollar adjustment is credible.

First of all at the top of page 2, they outline the fact that it is -- and the -- the chairperson's remarks at the start of the hearing reinforce this, but this -- this adjustment is directionally consistent with prior adjustments to the two (2) primary drivers of this massive readjustment, those being: AB weekly indem -- indemnity and AB other. And for that conclusion we rely upon the Ernst & Young report from February of 2 -- 2011. We see the material favourable adjustment in both lines in the '09/'10 period. We see an even larger favourable adjustment in both lines in '08/'09 being some -- in the range of some over 135 million. And we see another significant adjustment in '07/'08 direct favourable adjustment in the range of 60 million for both those lines.

Now, the record for the earlier period which we put in the notes under that bullet, there was also a significant favourable development of AB weekly indemnity between '06 and '07, and for AB other between '05 and '06.

And so for our -- for -- our clients take comfort directionally in the credibility of the external actuary's report because it's consistent with the pattern we see going back the better part of half a decade.

Our clients also point to the fact that this massive adjustment is directionally consistent with the original estimate of the external actuary in 2005, and at the bottom of page 2 we put in an extensive quote from Ernst & Young in this year's report suggesting that, way back, way back when Mr. Williams had more hair, the -- the expectation would that case reserves would be decreased in aggregate by approximately $250 million, way back in 2005. So again, we see some consistency between the estimate way back then and what we have today.

Turning to page 3 of the outline, Mr.

Chairman and Mr. Evans, and probably the most important factor in our client's consideration, is that there's independent verification of the excessive conservatism by the KPMG actuarial specialist. We had evidence from that, thanks to the subpoenaed evidence, or, excuse me, let me backtrack that, thanks to the request of the Board to bring in KPMG, the external auditor, in the last proceeding.

And we note from -- from the KPMG internal audit actuarial support memo of April 22nd of 2010 the conclusion drawn by the KPMG actuarial specialist is that, for some lines of business, the selected claims liabilities are above our range of reasonableness. And when KPMG took an undertaking to clarify which lines of business those were, they came back and said:

> "The individual categories above the KPMG range were accident benefit weekly benefits and accident benefit other benefits indexed losses."

And the KPMG -- the evidence of the KPMG actuarial specialist is that they expect the two (2) major lines of Basic Autopac, being weekly benefits and other benefits indexed, to continue having favourable development. So that's a key factor in our client's conclusion that these indeed are credible numbers.

And still on this page, although it's not on the outline, our clients referring to the Chairperson's inferences at page 17 and 18 of his comments to -- this morning, suggested the possibility that there is some conservatism still left in the estimates, and our clients certainly don't have the expertise that the Board staff brings to this issue, but it is certainly their belief and they concur that that possibility of ongoing and existing conservatism is there. And so they reiterate their support for the Board's inference in that regard.

Turning to page 4 of the outline, Mr. Chairman, our clients ask: Reaching the conclusion that the external actuary's revisions, adjustments are credible, what should be done? And in approaching this question, before we go through it in detail, our clients looked at it -- this in three (3) ways: they looked at what the Board said in its last two (2) Board orders; they looked, secondly, at the available financial information, recognizing that it is more limited than what the Board has in its possession; and then they considered a series of options.

And I won't dwell long on the Board's orders itself, but my clients just want to -- to highlight the fact that, from their perspective, the really -- the only issue before us today is the quantum of the rebate. The Board in its previous orders has already said who should benefit, whether it should be a good ratepayers benefit or it should be spread across all ratepayers, the method of providing the rebate -- the Board has spoken on that as well, and it's also given MPI the opportunity, if it so chooses, to build in a safety reserve. And to date it's -- it -- it looks like MPI has not chosen to do so.

And, Mr. Chairman, the Board is well familiar with its own language, but we have reiterated on page 4 and moving on to page 5 important evidence from the Board suggesting that it is still open on the question of quantum, suggesting that the record was not closed, that the jury was still out, that there was more vital information that the Board had to consider before finally determining an appropriate quantum.

And that quantum, in our clients' submission, was related not just to the '09/'10 years, not just to the forecasts for '11/'12, but to very real, very vital information in 2010/2011, and we've set out some of that information at the bottom of page 4 and moving onto page 5, including the actuarial external reviews, basic and corporate financial results, et cetera.

And just near the top of page 5 of the outline, the Board makes it perfectly clear that it has not rendered a final decision, that the 70 million is not set in stone, and the Board says that following the receipt of this information, it will review the data and provide its final decision with respect to the rebate.

Later on, on page 5, we just put in some of the Board's quotes in terms of who should get the benefit, how it should be paid, and what if any option should be left open for Manitoba Public Insurance in terms of a road safety fund.

And based upon our understanding of the conversation between the Chairperson, and MPI not challenging his assertion this morning, it's certainly our clients' understanding that MPI has not taken up the Public Utilities Board on the option of a road safety fund. Whatever happens, that's our understanding. We're respectful of the Board's original decision. If MPI has not chosen to take up the Board on that option, that suggests that there's an -- an additional sum of money that may be available.

And I just want to be clear on that point, Mr. Chairman, we're not seeking to review the Board's det -- original determination, but if MPI has not seized the day, then, in our clients' view, that money may -- may be in play, as well.

So turning to page 6, what information do our clients have available to us -- to them. We see the -- first of all, the first bullet on that page, are the MPI third-quarter results, and again winter is always a tough time for MPI. But we see as of November 30th, 2010, the Basic RSR was at a handsome $300 million, just about, two hundred and ninety-nine (299), and that the profit at that point in time in Basic was around seventy-four (74). Of course, we would expect that number to be lower over the winter.

We also have the evidence, turning to the second bullet, of the revised T.14 (sic) provided on or about December 13th, 2010. What does that tell us? The Corporation was looking, at that point in time, at about $30 million in net income. And that even after a 10 percent RSR rebate, the RSR year end 2010/'11 was projected to be well above its upper limit of 154 million, being some $203 million. And again, we see the RSR target is provided by MPI at that date and time.

The third piece of information our clients have available to us is the MPI press release dated March 18th, 2011, and the -- the chief executive officer of MPI in the first paragraph that we quote from that press release certainly underlines her perception that the review of historical PIPP numbers, claims costs by the appointed external actuary, was quite thorough. She makes her opinion clear on that point. So again, reinforcing the credibility of these numbers, at least from MPI's perspective.

And in the next paragraph, we quote their expectation, that the outstanding claims liability could re -- be reduced by about a quarter of a billion dollars. And at the end of that paragraph, the last paragraph on page 6, the Corporation indicating it expects to report a significant one (1) time increase in net income, and I guess the question will be, Is it merely significant, or is it an unprecedented one (1) time only increase in net income.

Turning to page 7, we set out a bit more of the information available to Intervenors. We have the external actuary's report from February 2011, clearly a kle -- key document suggesting favourable development in the range of $260 million. And the Corporation's confirmation, which is footnoted at footnote 6, that there's been a re -- the -- that they expect a release of unpaid claim reserves of 249.8 million.

I may have misstated the -- the bullet on -- the next bullet there, and I want to be careful with the language. The bullet says:

"The audited financial statement of the Corporation is to be tabled on April 8 -- 8th."

And I think that should be re -- reread and re -- rewritten, and so I'd -- I'd ask the reader to strike that out. But I note from Ms. Kalinowsky's letter of March 24th, 2011 that there was some expectation that financial statements will be tabled in the legislature, which should be on April 8th, 2011. And perhaps I read too much into that statement, so I -- I should be careful. And I'm sure the Board will be careful in its reading of that. And so I'd just refer you back to the language of Ms. Kalinowsky on March 24th.

Based on the information available to us, and this is at the last bullet on page 7, our clients estimate -- estimate that the Basic RSR at year end 2010/'11 is likely to be in the range of $400 million, or approximately 246 million above target. Again, we cannot say this with certainty. We have not seen the fourth-quarter reports, the unaudited ones, and the audited ones still have to -- to be before us, but that's our estimate, and certainly care should be used in it.

We reached this estimate by taking the 203 million from TI.14 revised, adding it to that handsome $250 million release outlined by the Corporation, subtracting 40 million for the PIPP enhancements, and that gets us in the range of $400 million. That's the best our clients can do with the information before them.

At page 8 I outline on behalf of our clients the four (4) or five (5) options that they considered. And the first bullet up, you know, our clients are so thorough that they even consider options that don't seem very reasonable. They did look at, Well, is there any evidence to suggest it should be less than $70 million. And it wasn't only their fear of Mr. Kruk that -- that led them to believe that they shouldn't go that low. It was our client's view that there was nothing on the record that would suggest going lower than 70 million.

They -- they did canvass, Well, perhaps we should look at the numbers pre-actuarial adjustment, let's look at revised TI.14, but that option was rejected because the information doesn't contain the most recent or the most accurate information. Why would one rely upon that?

They did look at the MPI option: give out the 70 million and keep that extra in excess of 130 million, perhaps 180 million, in the coffers of MPI for another year. And our clients have to say that they looked at that, but, in their view, that is not an appropriate approach in this hearing. They note that the Board was very definite in 122/'10, that order, that the evidentiary record was not closed. The Board can't be indifferent or -- or visually impaired or blind to the significance of an actuarial adjustment of this magnitude.

Moreover, there is substantial certainty as to the quantum. We have the external actuary's report as of February, 2011. We have the Corporation's press release, which I assume they stand by, of March 18th, 2011. We have the prospect of further financial information to be provided on or about August -- excuse me, April the 8th. So there's more -- substantial certainty as to the quantum.

Another option our clients looked for was, you know, assuming that the Board had some doubts about the credibility of this adjustment, why not rebate the adjustment to consumers in two (2) annual installments in the range of 123 million each year, and making the second -- so giving one twenty-three (123) the first year and making the second one hundred and twenty-three (123) a conditional order subject to further review in -- in the 2012/'13 GRA. Presumably, there would be appropriate protection for the 123 million so it could not be dissipated by the Corporation.

The clients looked seriously at that, but at the end of the day it wasn't an option that they found very palatable, especially compared to the last option, which is giving back to Manitoba consumers today or by May 31st, 2011, the amount that they have overpaid being somewhere, we estimate, in the range of $246 million.

Our clients are strongly of the view that this final option, this best option, is the one that should be chosen. And at the bottom of page 8 I've made a frail effort to try and use some of their words to convey the -- the powerful analytic impulse that is driving them to this conclusion.

In our clients' own words, and I've put them in quotation marks, the payments of these excessive reserves has already been delayed due to the conservative actuarial proc -- practices adob -- adopted. We're not in this hearing taking issue with those processes, we're just recognizing that it's already been delayed.

The Corporation, in our client's view, has the excess money now. And we "know," in quotation marks, that they have the excess money now. Our clients are gravely concerned that the longer we delay the greater the risk that those who paid the excess premiums will not be in a position to receive the rebates. And it is their advice to the Board that we should get back -- the money back to those who paid it, or the closest approximation thereof.

At the top of page 9, perhaps in lawyer's words instead of clients' words, I put in the top five (5) reasons why the total amount in excess of target should be rebated as soon as possible. Reason number 1, the Corporation has been aware since 2005 of the possibility -- I underlined possibility, not probability, of material excess reserves and accident benefit weekly indemnity and accident better -- benefit other indexed.

Reason number 2, following the table -- the tabling -- and I should stroke out "audited financial reports" and put in: additional financial information on April 8th, 2011 with the legislature. There will be substantial certainty as the actual quantum of the amount in excess of reserves.

Reason number 3, with the certainty that there are well over 200 million in excess reserves there is no reason to delay its return to those who have paid excess premiums.

Reason number 4, the long we delay the greater the risk that those who overpaid, especially seniors, will not benefit.

And reas -- Reason number 5 is that the quicker we return the overpayment to consumers the smaller the temptation for MPI to dissipate the excess reserves.

At page 10 our clients ask: Is this a departure from past approaches to rate rebates? And my learned friend in his submissions, certainly seemed to suggest it was. But if one looks more carefully in my clients' submission at the ratio, at the heart of what the Board was doing in past rate rebates, we disagree with respect with MPI.

Our interpretation of past rulings is that the Board has not been prepared to provide a dividend or -- or rebate unless it is confident that the amount to be recognized -- to be raybate -- rebated is recognized in the Corporation's financial statements.

In our view the Board would not be departing from that principle in that -- in this case because: a) it left open the evidentiary record, b) it has received updated information suggesting a material change of the circumstances, c) the Corporation has confirmed a material changes in circumstances, and d) the financial statements of the fourth quarter should be available before the rebate is ordered. And I strike out "year end" and it replaced it with "fourth quarter".

In our client's respectful view, our learned friend made a great distinction between retrospective and prospective. And suggesting that the Board looks only backwards in terms of offering the rate rebate or dividend, again in our respectful point of view, the Board has not done that. It has looked both forward and back trying to anticipate if there are any undue risks on the -- in the future.

But in terms of the information available to it now this is not a prospective analysis. This is an analysis looking back at time. What are the state of the books as of February 28th, 2011? And there is ample evidence on the record to support a significantly larger rebate than MPI proposes.

At page 11, our clients make a few comments about transparency and credibil -- credibility, choosing their words carefully. Our clients are extremely uncomfortable, and they've made this obvious, I -- I would hope, over the last three (3) or four (4) years, with the streak of material one (1) way adjustments to claims incurred. This streak of material one (1) way adjustments has done a disservice to the regulatory process and to the confidence in the regulatory process of Manitobans.

Our clients are not immune to the reality that this is an election year, but, that being said, they have confidence that, directionally, there is significant credibility in the revised, materially revised, estimates of the external actuary. We can't be blind to the fact, and we certainly don't start from a position of political naivete, but certainly our clients, through our review of the record, are -- are confident that the numbers before the Board are ones that it can reasonably rely upon.

In the context of the next GRA, our clients will have many questions, many questions about the clarity with which the external actuary and MPI com -- communicated the conservatism of the 2005 and post-2005 estimates to its regulatory. And we did, out of curiosity, look back at some of those old reports from October 31st, '06 through '09, and perhaps the evidence is there, but at a preliminary glance by a humble lawyer it was not readily apparent.

In the context of the next GRA, our clients will also have many questions about the timing of the quarter of a billion dollar release. That being said, Mr. Chairman, our -- our clients are firmly of the view that there should be a material increase in the rate of dividend. They think that the -- the calculation should be based upon the year end 2010 to '11, the best information available for the MPI year end 2010 to '11, and the amount left in Basic reserves should no -- be no higher than the upper end of the RSR target.

Subject to any questions, those are our clients' submissions.

THE CHAIRPERSON: Thank you, Mr. Williams.

Mr. Oakes, for CMMG?

SUBMISSIONS BY CMMG:

MR. RAYMOND OAKES: Thank you, Mr. Chairman. Mr. Chairman, in your comments this morning, you use two (2) descriptions of this situation that we find ourselves in today, and use the words "astounding" and "unprecedented." And I'd suggest to you that it's certainly easy to understand how the Board would find itself astounded by the magnitude of this financial correction.

As well, the Board was, of course, looking at the situation and had made the prudent requirement of a further financial reporting, with a view to ensuring that there wasn't any financial deterioration, only to find that the Corporation's purse was a quarter billion dollars fatter than what had been represented to them, and I suggest that it's -- it is a crossroads because this Board has to be able to rely on the financial information brought before it in order for it to do its job.

With respect to the CMMG's participation in hearings over the last sixteen (16) years, certainly over the course of the last six (6), we had cross-examined vigorously in the area of the financial reporting and the statement of the premium requirements. Up until 2008 when I was assisted by the brilliance of the late Dr. Allister Hickson, we had questioned extensively in the areas of IBNR and PFADs.

We had noted in 2008 this -- that the Corporation had even dreamt up a new category of PFAD dealing with reinsurance. We had cross-examined on the base -- on the facts that the PFAD had grown from 2001 from -- it had grown approximately three and a half (3 1/2) times, from eighty-nine million seven hundred and ninety eight thousand dollars ($89,798,000) in 2001, by 2008 it was at two hundred and thirty eight million seven hundred thirty-seven thousand dollars ($238,737,000). So it had grown from $90 million to $238 million in the course of those years.

I suggest to you that what's happening today is nothing less than a consistent, deliberate padding of the Corporation's coffers, an overstatement of the premium requirements, and I would suggest to you that what the Board has been advised of at this time is less than the fat that the Corporation has retained under its calculations and estimates of the reserves that it has in various respects.

The situation with respect to forecasts, Mr. Chairman, you had indicated that you -- you are aware of the Intervenors complaints. Certainly the CMMG had brought forward questions relating to materially inaccurate forecasts. You'll recall last year, and the year previous, that we'd talked about the last five (5) years, and that the forecast was considerably higher in approximately three (3) out of the last five (5) years that we looked at. In some circumstances, the premium requirement was double what the experience was, and I would suggest to you that again there's been regular overcharging of the policyholders.

With -- with respect to the constituency that I represent, the motorcyclists, it is a very critical issue. Certainly we see it on the inaccurate forecast for the premium requirements. One has to wonder how many riders faced with the kind of rate volatility that motorcyclists have experienced for more than a decade, you won -- wonder how many of those are no longer riding, how many of those will no longer -- will not receive a rebate to which they're entitled because they've been forced to cash in their plates and can't afford the discretionary decision to continue riding.

Certainly, volatility has been a huge issue for the motorcyclist which has been exacerbated by this continual overstating of the premium requirements.

I would encourage any motorcyclist that is in that situation that's no longer riding, not going to receive part of this rebate, to explore class actions against MPIC based on the information that's come forward to the Board at this time.

As far as the characterization of Mr. Williams with respect to the issue, and with respect to the Board's remedial steps at this time, the CMMG would support those same initiatives. It would ask for a payment out of all of the surplus over and above the Board upper limit of $154 million, and we would suggest that that be paid, recognizing again the situation that that money may never reach the people who overpaid during the years that that money was being accumulated.

In terms of the Board order with respect to road safety initiatives, we saw a Corporation that had very little interest in some significant approaches to the wildlife and livestock problems that costs Manitobans about $35 million a year. Certainly it can't be a lack of funds that's stopping them from building deer fences, or participating in -- in wildlife crossing construction, or any of the initiatives that the CMMG supported, and certainly there would seem money to make some inroads in respect of those losses, as well.

Of course, there's pretty much zero money spent on research into motorcycle causation of accidents, and the like, and certainly with the coffers filled to the extent that we've now found out, the -- certainly heralds some decent investment in safety in the fore -- in the coming years.

Mr. Chairman, those are our comments. I have reviewed issues over the past number of GRAs, and while there was no smoking gun that we could find of this magnitude, certainly the indication to CMMG is that this day was coming and that there has been a very consistent overstatement of the Corporation's resources which goes well beyond conservatism. Thank you.

THE CHAIRPERSON: Thank you, Mr. Oakes.

Ms. Peters, for CAA?

SUBMISSIONS BY CAA:

MS. LIZ PETERS: Thank you. Thank you, Mr. Chairman. This morning you definitely laid out some very clear concerns that we at CAA share. And my fellow Intervenors have also laid out very concisely, in my opinion, some of the same concerns and some of the same red flags that have been raised for us in these proceedings.

And without restating some of the same points that have been raised, I just wanted to say that I find it interesting that in the general rate application last fall CAA suggested that additional monies should be rebated to ratepayers. And while we acknowledge that wasn't accepted, we definitely find it quite ironic that we're back here today discussing essentially the same principle in that money over and above the excess in the RSR should be given back to ratepayers, and that -- that was the principle that guided our decision and our motivation back then to make that suggestion.

So -- so while we're back here today revisiting this -- this rebate and looking at what is in the best interest of ratepayers, to CAA the solution is simple: that the excess needs to be rebated and it needs to be rebated in full and it needs to be rebated today because it is in the coffers today.

And while we acknowledge that this is a uncommon situation to be dealing with, amount of this -- of this amount, it's there now, and we definitely agree with what our fellow Intervenors have said before us. During the GRA and again this morning in your comments, Mr. Chairman, much evidence was presented that MPI has been inaccurately forecasting the cost of the claims for the last several years.

And CAA certainly hopes that after this excess is dealt with, that the new system that's in place that you referenced will help correct the problem from going on in the future. We also listened very closely, Mr. Chairman, to your comments about credibility for MPI as well as the intergenerational issue that is brought about by giving these annual rebates or seemingly am -- annual rebates. And we note that these comments are precisely the same concerns that CAA brings to the GRA every year. It's an ongoing concern and has yet to be dealt with.

So, in conclusion, CAA strongly recommends that in order to minimize the intergenerational issue and in an attempt to improve the credibility of not only this rate-setting process, but the Corporation over all of it by rebating the excess at this point in full could help improve that situation. It will help improve the credibility of this whole process.

So with that being said, we definitely thank the Board for this opportunity and our fellow Intervenors for being here today. And we are very hopeful that you will move forward in -- in a manner where ratepayers are given back the money that shouldn't have been taken from them in the first place. Thank you.

THE CHAIRPERSON: Thank you, Ms. Peters.
Mr. Roberts, for MUCDA?

SUBMISSIONS BY MUCDA:

MR. NICK ROBERTS: Thank you, Mr. Chairman. First off, I'd like to say that we really endorse your submission from this morning. It -- it speaks volumes. I -- I can't add anything to it. You know, we represent some twelve hundred (1,200) businesses in Manitoba. And for most businesses, you know, budgeting or forecasting is part of everyday life, and -- and I would think most business owners would be -- if they had somebody doing budgets where they're out by $50 million a year, we'd be looking for somebody else to do it.

And I -- another thing that I -- I want to get on the record, and I should say it's only my opinion, but it's interesting, you know, with spring in the air, there's also an upcoming election, and it seems very timely for Mr. Swan to be able to announce a two hundred and fifty dollar ($250) -- or $250 million windfall. It -- to me, it sidesteps the Public Utilities Board. I -- I didn't agree with the way that was handled.

Nonetheless, we -- you know, we have this $250 million, or I may be off by a couple of dollars.

But, you know, we've been at these hearings since 2004, and it just seems to be an ongoing saga. I mean, we -- we come every year. And then my first few years here I was so impressed with -- with the Corporation and its responses and all the people it has here and every detail, I can't -- I can barely read through the stuff. I mean, that's why he hire an actuary to -- to go through it because I -- I don't understand it.

But, you know, the -- the farther it goes and -- and it -- it's -- you know, between a weather forecaster and a -- and an actuary -- and I would think an actuary should be, you know, has more -- more details to look at, but sometimes I think the weather forecasters might be getting a little bit closer than some of these statistics they come up with.

And I noticed Mr. Triggs also said and I -- again, going to conservatism, suggesting that the Board maintain a 10 percent rebate, to maintain that rebate and let MPI keep the rest of the money. MPI never should have had the money, they've been overcharging the ratepayers every year. It's a -- it's a tease to -- to every year tell everybody that they're gonna get a 10 percent rebate. What we'd like to see is more accurate forecasting and -- and not rebates.

So we would say that for our members we'd like our money back, plain and simple. And we'd like the Corporation to start sharpening their pencils and get it right. Six (6) years of this is just incredible, and then all of a sudden to pull a rabbit out of your hat and pull out $250 million it's -- it's infuriating to -- I think, to the ratepayers.

So those would be my comments. I think the money should go back, I think it should go back now. There's gonna be a lot of people that aren't gonna get it because they no longer have a plate or -- and I'm sure in -- with some of our dealers they're -- they're gonna have cashed in plates because dealer plates, of course, seem to go up the same as motorcycle insurance every year and -- and of course now we question do we -- should we really be paying those rates.

So the money needs to go back right now, as soon as possible, and let's just get on with it. And hopefully the Corporation, when they come for their next rate application has a -- has a better handle on what they're doing. Those are my comments. Thank you.

THE CHAIRPERSON: Thank you, Mr. Roberts. Mr. Triggs, do you have any closing remarks, or do you want a short ten (10) minute break first.

MR. MICHAEL TRIGGS: Yes, Mr. Chair, can we have a ten (10) minute break?

THE CHAIRPERSON: Of course.

MR. MICHAEL TRIGGS: Thank you.

--- upon recessing at 2:01 p.m.

--- upon resuming at 2:17 p.m.

THE CHAIRPERSON: Okay. Welcome back everyone.

Mr. Triggs...?

CLOSING REMARKS BY MPI:

MR. MICHAEL TRIGGS: Thank you, Mr. Chairman. A few comments to make on what the Intervenors have said. Every one of the Intervenors have said that MPI has been overcharging for all these years and let's make this very clear: MPI is not overcharging on their rates. Overcharging would be, We need a hundred dollars to cover benefits and we charge a hundred and five (105) or a hundred and ten (110) knowing we only need a hundred. MPI did not know -- do that. We're not overcharging for -- our ratepayers.

The PIPPS program that was introduced in 1994 was unknown, it was a theoretical model. There's no basis for the actuaries to determine how much money is needed for the next coming sixty (60) years to pay for that person who was catastrophically injured in a motor vehicle accident. We did not know how to do that at that time.

We've now had seventeen (17) years of gathering data, determining how things are going to work, so we have better predictors in that place. Yes, we were conservative in the early days. Conservatism in the early days is good because it puts us in a strong financial position. It's a lot better to be talking about a rebate than to be talking about having to seek extra money to cover shortfalls that we don't have the money for. So I emphasize, it is not an overcharge and that it happened over these past years.

The question then comes to what to do with the money. The implication of a lot of the Intervenors that have made comments was that MPI is gonna keep this money. MPI is not going to keep this money. The money belongs to Manitobans, it will be returned to Manitobans. The question for the Board to do -- determine is how it will be returned to Manitobans. Will it be simple -- Here's a cheque. Good, we're gone, we're done with, or will the money be used for other programs?

A lot has been said this morning about how -- by implication that the MPI is ignoring the Board's comments on road safety programs and the $20 million associated with that. That is not true. What is happening is that this summer MPI is going to be con -- doing extensive research with its stakeholders, with its customers to determine what they want, what they need for road safety. We don't know at this point in time what it is our customers are going to tell us. They may tell us they want to spend $100 million on fences for deers on the sides of roads, but we don't know that at this point in time.

So what we're looking for, what we want is to have the opportunity to get that feedback, get that understanding. We'll have the paper repaired -- the work will be completed by the end of June, we'll have a paper ready for August/September, which could be filed with the -- the Board at that point, in time for the upcoming hearing. This'll give us the opportunity to have a full and frank discussion of -- on how best to return the money to Manitobans. Is it a cheque of the whole amount? Is it a cheque plus other programs? That needs to have full discussions.

We've talked about this matter for about an hour today. This is probably one (1) of the most significant decisions that this Board will be making on what to do with a quarter of a billion dollars, and we're spending an hour talking about that? Where's the --

that's basically abs -- absurd. We want to have the due process. The -- this Board has set in a process that goes into a lot of detail, it considers a lot of information, it considers a lot of per -- different perspectives. The more perspectives, the more information the Board has, the better decisions can be made. An hour of discussions of saying, Cut a cheque now, is not prudent, it's not appropriate, and we strongly recommend that that not be followed.

The question that the original rate application dealt with was a rebate of a certain amount, and the Board's concern was whether or not the -- things could turn negatively for the Corporation, and they would not be able to afford to do that. The evidence is, no, that has not happened. Let's go with the planned rebate and let's deal with this great opportunity we have in a prudent and careful, well-thought-out manner, and that will be -- happen at the upcoming GRA application.

Subject to any questions you may have, those are the submissions from MPI.

THE CHAIRPERSON: Thank you, sir. Thank you for your submissions, and I want to thank all the Intervenors that took time and attended and presented your submissions.

So we're going to adjourn at this point in time, and you will have our decision in due course. Thank you.

--- Upon adjourning at 2:22 p.m.

Certified Correct,

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Cheryl Lavigne, Ms.