

MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)
GENERAL RATE APPLICATION FOR
2015-2016 INSURANCE YEAR

Before Board Panel:

Karen Botting	- Board Chairman
Regis Gosselin	- Board Member
Anita Neville	- Board Member
Susan Proven	- Board Member
Allan Morin	- Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 23, 2014
Pages 251 to 494



“When You Talk - We Listen!”



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10		the deductible and the potential
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1 --- Upon commencing at 9:02 a.m.

2

3 THE CHAIRPERSON: Good morning,
4 everyone. And welcome back to our second day of
5 hearing in regard to the General Rate Application of
6 MPI. This morning we're going to continue with the
7 cross-examination of M. Guimond with -- by Ms.
8 Grammond, our Board counsel, and that will be followed
9 up by our Intervenors.

10 So, Ms. Grammond, would you like to
11 start? Thank you.

12

13 MPI PANEL 1 RESUMED:

14 DAN GUIMOND, Previously Sworn

15

16 CONTINUED CROSS-EXAMINATION BY MS. CANDACE GRAMMOND:

17 MS. CANDACE GRAMMOND: Thank you, madam
18 Chair. Mr. Guimond, I'm going to begin this morning
19 with some questions about last year's financials, so
20 the 2013/'14 financial results for the Corporation.
21 I'd ask you to go to Tab 7 of the Board's book of
22 documents where you'll find PF.4, or pro forma 4.

23 So, Mr. Guimond, this fiscal year would
24 have been the subject of this proceeding two (2) years
25 ago. Is that right?

1 MR. DAN GUIMOND: Yes.

2 MS. CANDACE GRAMMOND: And we see in
3 PF.4 here at Tab 7 a comparison between what was put
4 before the Board last year when this year was partway
5 unfolded and the actual results that materialized. So
6 we see on the net income and net loss line of PF.4 that
7 last year at this proceeding the Corporation was
8 forecasting a net income of 5.4 million.

9 Do you see that?

10 MR. DAN GUIMOND: Yes.

11 MS. CANDACE GRAMMOND: And the actual
12 result was a \$69.1 million loss, so an overall change
13 of about 74.6 million.

14 Is that right?

15 MR. DAN GUIMOND: Yes.

16 MS. CANDACE GRAMMOND: Now, the
17 Corporation has provided some information with respect
18 to that financial result for last year and the fairly
19 significant change from the forecast to actual. And we
20 find that in the overview of the filing, and in
21 particular overview section 3, we see there -- thank
22 you, Diana -- the Corporation has stated that this loss
23 was mainly caused by net claims incurred, which were
24 104.5 million over the forecast.

25 Are you with me?

1 MR. DAN GUIMOND: Yes.

2 MS. CANDACE GRAMMOND: And the
3 Corporation continues in overview section 3 to discuss
4 what comprised that \$104 million change. And there are
5 also some notes provided in PF.4. So between OV.3 and
6 PF.4 and the book of documents we have some commentary
7 about the -- the very large difference in the forecast
8 to actual.

9 We see, if we stay on PF.4, page 7, so
10 which is actually the second page of PF.4 -- thank you,
11 Diana -- we see there that roughly hundred million
12 dollar change in the claims incurred section. So I'm
13 looking at the -- the top of that chart. We see 647
14 million as the 2014 GRA forecast, and then down to 747
15 million, so about a million -- or a hundred million
16 dollar change.

17 Within that, the second line item, 38.5
18 million, higher than forecasted severity and frequency
19 of collision claims. You're with me?

20 MR. DAN GUIMOND: Yes, I am.

21 MS. CANDACE GRAMMOND: Now, within
22 that, I had referred you a minute ago to overview 3, or
23 OV.3, page 7. And if we go to page 8 of that, and --
24 and you don't necessarily need to go there because
25 we're kind of going to be going back and forth, but we

1 see that the Corporation has stated at the top of page
2 8:

3 "Adverse winter driving conditions
4 resulted in approximately 3 percent
5 more collision and property damage
6 claims than expected in the
7 forecast."

8 And that the impact was 16 million.
9 That's right?

10 MR. DAN GUIMOND: That's what it says,
11 yes.

12 MS. CANDACE GRAMMOND: And continuing,
13 the Corporation has referenced a \$24 million negative
14 impact due to a 10 percent increase in physical damage
15 claims severity. And what the Corporation has cited
16 there are the new labour and material agreements with
17 body shops, the 1 percent PST increase, and total --
18 higher total loss settlement values.

19 Are you with me?

20 MR. DAN GUIMOND: Yes.

21 MS. CANDACE GRAMMOND: Now, I take it
22 that the -- the new labour and material agreements with
23 body shops that are referenced there, that's
24 independent of the changes that you spoke of yesterday
25 relative to changes in the industry that are coming in

1 aluminum vehicles and so forth?

2 MR. DAN GUIMOND: That's correct.

3 MS. CANDACE GRAMMOND: And can you give
4 us an indication of the impact due to the third item
5 referenced, the higher total loss settlement values?
6 In other words, how much of the 24 million attributed
7 in that paragraph relates to that particular item?

8 MR. DAN GUIMOND: I think I'll defer
9 that to Mr. Johnston.

10 MS. CANDACE GRAMMOND: Sure. If we go
11 back to PF.4, page 7. This is Tab 7 of the book of
12 documents. We talked about the 38 1/2 million that's
13 shown. The next item on that list is the 25.5 million
14 higher than forecasted PIPP reserve and associated IBNR
15 adjustment.

16 That would appear to be another
17 significant component of the -- the change that we saw
18 last year?

19 MR. DAN GUIMOND: Yes.

20 MS. CANDACE GRAMMOND: And I understand
21 that this was pursuant to a comprehensive review of
22 existing injury claims which resulted in an increase in
23 loss reserves for prior year claims?

24 MR. DAN GUIMOND: Yes.

25 MS. CANDACE GRAMMOND: We also see a

1 little bit farther down on the same chart a \$9.3
2 million change related to higher than forecasted
3 internal loss adjustment expenses. This also resulted
4 from an increase in claims liabilities for physical
5 damage claims.

6 Is that right?

7 MR. DAN GUIMOND: Yeah. I'm just
8 wondering where you're going with the questions. My
9 understanding of the Board, that they wanted me here to
10 be able to talk about maybe policies or help to make
11 decisions. And Mrs. Reichert and Mr. Luke Johnston
12 will be answering all the details in terms of the --
13 either the financial aspect or the actuarial
14 perspective.

15 So I'm just -- I'm just wondering --
16 like, I came here in good faith here, so. And, I mean,
17 if -- if you want to ask me where all the numbers go in
18 terms of policy or what the Corporation's trying to do
19 from a financial strategy and so on. But if you want
20 to go into minutia of things, I'm not too sure where
21 you're going with it, so.

22 MS. CANDACE GRAMMOND: I --

23 MR. DAN GUIMOND: And then -- and where
24 -- you know, in terms of me coming back here in -- in
25 good faith in terms of what the Regulator was asking,

1 so. And I understand I'm a bit of a grasshopper in
2 this environment here. I'm just trying to act in good
3 faith and -- and understand what's -- what's going on.
4 Thank you.

5 MS. CANDACE GRAMMOND: As I had
6 indicated at the beginning of the cross, if there were
7 questions that you didn't want to answer or couldn't
8 answer, you could certainly defer them. So if you're
9 telling me that questions relative to last year's
10 financials or something that would be better asked of
11 Ms. Reichert or Mr. Johnston, then -- then just say so
12 and I can do that.

13 MR. DAN GUIMOND: Yeah. I mean, I --
14 I'm -- I -- yes, to your question. And also I came
15 back here and am willing to stay the entire hearings
16 based on what Mr. Gosselin said yesterday in terms of --
17 -- of the context. I understand why he wanted me here
18 and why he thought it'd be a good idea for me to be
19 here, and I'm willing to be here. But if we're going
20 to defend the rate app in terms of going into the
21 details from a financial perspective or actuarial
22 perspective, I think that Ms. Reichert and Ms. -- and
23 Mr. Luke Johnston that should be doing that.

24 But if you want me to talk about -- at a
25 high level, like we talked about yesterday in terms of

1 financial strategy, risk mitigation and so on, I'm --
2 I'm more than willing to answer those questions. But
3 at the detail level I -- I mean, I wasn't even going to
4 be here. But it's only yesterday that I changed my
5 mind based on Mr. Gosselin in terms of the context that
6 he -- he put in. Otherwise, I feel Ms. Reichert and
7 Ms. -- and Mr. Johnston are the right people to go into
8 the entire details or whatever points, you know, you're
9 trying to make.

10 MS. CANDACE GRAMMOND: Okay. So I'll
11 take that answer as a -- a signal that I will ask the
12 rest of my questions relative to last year's financials
13 of Ms. Reichert and Mr. Johnston.

14 MR. DAN GUIMOND: Yes, and -- and thank
15 you very much. And -- and any detailed questions
16 regarding financials or actuarial questions.

17 MR. REGIS GOSSELIN: To that point, Mr.
18 Guimond, since we're talking about what happened last
19 year, perhaps at a level of detail that you're not
20 comfortable with, you know, one (1) question I do have
21 -- an observation more than a question is that the
22 early messaging around why MPI needed a rate increase
23 was because of the severity of claims last year. And,
24 frankly, it's only one (1) piece of the entire pie, as
25 you know.

1 Could you -- you know, could you explain
2 why you forgo some of the other factors that are
3 equally as significant as the events that happened last
4 winter from a accident standpoint?

5 MR. DAN GUIMOND: If -- it -- it goes
6 back to the waterfall diagram in -- in the rate app.
7 We can see that the severity is -- is getting up and
8 we're starting to see introduction of the new models.
9 It really started in 2012. And so I said severity is a
10 -- is a -- a problem, and it's going to get worse.

11 At this point in time it's -- the rate
12 app is based on the waterfall that -- in terms of
13 explaining the two point four (2.4). And Ms. Reichert
14 and Mr. Luke Johnston are going to be able to go into
15 the details of that. And that three point nine-three
16 (3.93), that's going to be discussed in detail in -- in
17 -- with -- with Ms. Reichert and Mr. Johnston.

18 And the point that I'm trying to make
19 about severity is that it's going to get a lot worse in
20 the future. We're starting to see the inklings here.
21 You'll see it in the total loss and you'll see it in
22 the -- in the costs of repairing vehicles. And we're
23 in it. We're just not in it big time. And that's why
24 that it's so important for us to put the \$30 million in
25 savings through our initiatives, to be able to prevent

1 future rate increases.

2 So at this point in time these cars are
3 coming into our province. It's starting to manifest
4 itself. It is what it is today. There's not much we
5 can do about it. And what I'm telling the regulator is
6 that as a -- as a threat, so to speak, in terms of what
7 happens outside the organization that will affect us as
8 these two hundred and forty (240) new vehicles come in
9 the province, if we don't -- if we don't manage to find
10 ways to reduce our costs somewhere else. Because the
11 costs -- the -- the costs will go up. I just don't
12 want it to go up in terms of policy pricing, right?

13 So we're going to avoid the -- we have
14 to avoid that \$30 million increase somehow. But
15 physical damage will go up by thir -- at least thirty
16 (30) -- at least \$30 million.

17 So that's the point that I'm trying to
18 make. You have -- have to look at yourself at this
19 point in time, and then you have to look at 2020 where
20 you're going to be. So as these vehicles come in,
21 you're going to spend a lot more money on physical
22 damage to repair these cars. As -- as you spend more
23 money on physical damage, the Corporation has to invoke
24 those initiatives that I showed yesterday in blue to be
25 able to reduce our cost by \$30 million somehow

1 corporately, to be able to offset that \$30 million
2 increase.

3 MR. REGIS GOSSELIN: Well, explain to
4 me, you know, the -- you get -- somebody buys an
5 aluminum F150.

6 MR. DAN GUIMOND: Yes.

7 MR. REGIS GOSSELIN: So obviously a
8 more expensive truck to fix. I mean, that would be
9 reflected in the rate that that person would be paying
10 for that truck as opposed to trying to attribute the
11 cost across all policyholders, or what -- what am not I
12 getting there?

13 MR. DAN GUIMOND: Well, the fact that
14 there's a lag time in the data. The -- the -- and Mr.
15 Johnston will be able to explain that a little bit
16 more, but there's at -- based on what we're seeing, and
17 -- and we're studying this right now, but there's a lag
18 time in the -- in the data that we get from CLEAR to --
19 to what is really the cost.

20 For example, the Ford 150 aluminum,
21 there's no -- there's no data. So whatever we get from
22 -- from -- it'll take time for the data to build to
23 know exactly from a rating perspective what it should
24 be. So you have to be really careful about that lag
25 time. There's -- there's no data. Like it -- it's --

1 I think -- I'm trying to say this in a -- when the Ford
2 150 comes out, you'll agree with me that across Canada
3 there's no -- there's no data that says how much it
4 costs to fix a 150.

5 So that's going to take some time to
6 build up, so that's why when we start to look at this
7 we said, This is going to be -- it's going to be pretty
8 different when we come here to be able to say that
9 somehow we have to start to -- because physical damage
10 has been something so consistent, and the data was
11 there and it's been easy to come here and say, Well, it
12 is what it is.

13 But now things are changing so rapidly
14 that as these vehicles keep coming in, like you're
15 going to have two hundred and forty (240) new make and
16 models coming in, each time that these -- these cars
17 come in, you have no data. And it's new policies and
18 procedures. It's new equipment. It's new training.
19 It's new -- like a Ford 150 you have to create an
20 aluminum room in your shop.

21 Nobody, including the collision repair
22 industry -- and that's why we're talking with them --
23 knows what -- what the cost is going to be. So what
24 we're doing right now is being very proactive in
25 working with the repair industry and working -- we were

1 very fortunate to be able to network with the --
2 there's a committee of all the OEMs that specialize in
3 repair, like how -- how vehicles are going to repair.
4 And they're -- they're agreeing to help us to figure
5 this out.

6 So it -- it's very important that in the
7 next five (5) years, as these vehicles come in, that
8 we're running blind on costs for -- for a period of
9 time. That -- that's a very important thing that we
10 need to convey to you as a -- as a regulator.

11 MS. SUSAN PROVEN: If -- if we go back
12 to -- I don't when -- how long you've been with MPI,
13 but back in the '80s when they went from metal to
14 plastic, there was a similar shock with parts, I think,
15 in that, you know, they said it was costing more -- I
16 remember this -- costing more to deal with the new type
17 of materials that were in these cars. And I -- I guess
18 it would be a similar shock, and the rates did go up
19 then.

20 But I'm wondering, when you say -- you
21 keep saying, Well, I want to keep the rates from going
22 up. Isn't it a reality when -- that when you're
23 dealing with something that's new and different, it is
24 going to be more expensive?

25 MR. DAN GUIMOND: Yes, it will be, by

1 at least \$30 million, minimum. So physical damage will
2 go up by \$30 million. What we're saying, and this is
3 what I was trying to convey in my -- I was wondering if
4 we could go back to my testimony, the -- the slide that
5 has the -- the blue and the -- the diagram there?

6

7 (BRIEF PAUSE)

8

9 MR. DAN GUIMOND: It's page 3 of the
10 slide deck. This -- this is -- this is very important
11 here in the sense that we're working with the repair
12 industry. And we know that PD's going to go up at
13 least \$30 million, if not more, because these vehicles
14 are coming in, and it's new training, new tools, new --
15 you have to -- bricks and mortars, you have to change
16 how you work inside your shop, new processes.

17 So what -- what we're doing, to your
18 point, Ms. Proven, is that what we're saying -- and --
19 and you wanted to see value from MPI. What we're
20 saying is that physical damage will go up by at least
21 \$30 million. So -- so when we come before you in -- in
22 the future you'll see PD go up. And just to your
23 point, it will go up; nothing we can do about it.

24 What we want to do is put cost -- put
25 some strategic initiatives in place to go and offset

1 those -- those costs. So that's why we're saying,
2 like, when we put the money to the bottom line through
3 these other initiatives, we're trying to at least get
4 \$30 million to the bottom line to offset the increase
5 in physical damage.

6 So that -- that blue -- at that auto
7 manufacturing trends, that's between 2012 to 2020. So
8 we're going to work to try and put \$30 million to the
9 bottom line, just like we put that 60 to offset the 30
10 that's going to go up. That's -- that's value as a
11 corporation committing to doing that.

12 And then that's why I talk about the ops
13 costs. And then that's why I talk about how important
14 it is to rebuild the -- the RSR and so on. Because
15 once we -- and -- and the rates yesterday, how I was
16 mentioning, you know, it should be at least, in my
17 opinion, 3.4 percent in the Basic rates to deal with
18 the deficiency in premium.

19 So I'm -- I'm hoping that that's coming
20 across from a strategic perspective how you deal with
21 the deficiency in premium, you deal with the deficiency
22 in capital. You got a clean -- hopefully, a clean
23 baseline. And then from there, you have to work really
24 hard to go get that \$30 million in savings to offset
25 the increase in PD over the next five (5) years.

1 MS. ANITA NEVILLE: How did you arrive
2 at the \$30 million figure?

3 MR. DAN GUIMOND: Well, that's --
4 that's a very good question. And I found out that
5 through these hearings we're not -- like, I'm not able
6 to phone you or talk to you. But I'd like to bring you
7 to our R&D centre at Plessis after the hearings.

8 What we did is we took some cars, some
9 of these new cars, and we ripped them apart and -- and
10 did the estimate. What we did is we followed our
11 normal procedures of estimating with the tools and the
12 processes, how they are today. We took the best of the
13 best. And we said, Estimate this car, which -- which
14 had some of the new technology in it. Then we rip the
15 car apart. We fix it to OEM standard. And we were
16 about 15, 16 percent off of the estimate. It was
17 costing us 15 to 16 percent more.

18 So we -- we did like a proxy to get to
19 that number, to answer your question. Does that --
20 does that make sense? Like --

21 MS. ANITA NEVILLE: Yeah, I'm not sure
22 that I -- I --

23 MR. DAN GUIMOND: It's a lab -- think
24 of it as a lab experiment. You -- you bring a new car
25 with the new technology. You -- you look at it as to

1 what you think it would cost based on your existing
2 processes. And then you actually fix it right to OEM
3 standard. And we were off by 15 percent.

4 So we know these new cars, as they come
5 in, they're costing us about 15 percent more a job. So
6 you multiply that, and you come up with a proxy, and
7 that's how we got to the 30 million.

8 MS. ANITA NEVILLE: Thank you.

9 MS. SUSAN PROVEN: Just so I can get
10 this straight, I'm thinking about water and sewer
11 because that's what I normally do. But, you know, we
12 have to think about who's paying for what. And I think
13 Mr. Gosselin, you know, was saying, Well, wouldn't it
14 be the people with the new cars, these more expensive
15 and difficult cars. Would they not be paying?

16 But if you're asking us to sort of shore
17 up this process by, you know, thinking about the cost
18 now, I know that's always wise to do that when you're
19 running a household, think about the future, but who's
20 paying? That's the question. Are we going to have
21 people who are driving the older cars and who may
22 never, ever see these new cars in their garage, are
23 they going to be paying too much? That -- that's the
24 question that I have.

25 MR. DAN GUIMOND: Well, it's -- it's a

1 very good question from an underwriting perspective as
2 to when these cars car -- start to come in, should we
3 start surcharging people who buy Ford 150s, for
4 example. Be everybody that buys a Ford-150 aluminum
5 for three hundred and five (305) shops, or whatever --
6 how many shops we have, you know, we have to invest
7 twenty (20) -- at -- at the end of the day at the
8 aggregate level it's going to go up by \$30 million.

9 Who pays is another very good question.
10 And that's something we've been looking at. And
11 exactly to your point, we're saying, like, what's --
12 you know, going back to fair and equitable, who -- what
13 -- you know, in -- in terms of underwriting the book of
14 business. And when you do that, you're also asking
15 yourself, I don't know what the cost is.

16 So I think you're going to -- like I've
17 -- I've asked Ms. Reichert and Mr. Johnston to look
18 into that, because I -- I think that's a -- that's a
19 good point of discussion.

20 MS. SUSAN PROVEN: But did you not just
21 tell us what the cost was? You said that you had torn
22 the vehicle apart. You know --

23 MR. DAN GUIMOND: Yeah.

24 MS. SUSAN PROVEN: Yeah, I mean, I
25 think we have to do that. Because if we're asking

1 people in our -- you know, our customers to pay what
2 it's going to cost, then, you know, that's what I would
3 do, I guess, is figure out what it was going to cost.

4 MR. DAN GUIMOND: Well --

5 MS. SUSAN PROVEN: And you sort of gave
6 us a pretty good estimate there.

7 MR. DAN GUIMOND: Yeah.

8 MS. SUSAN PROVEN: Thank you.

9 MR. DAN GUIMOND: I've -- I've stated,
10 I think, what we -- we believe the cost to be.

11 MS. SUSAN PROVEN: M-hm.

12 MR. DAN GUIMOND: We haven't come to
13 you to say who should pay. That, we don't know yet,
14 how that should shake out. How to -- you know, so.

15 MR. REGIS GOSSELIN: Since we're
16 talking about new cars, I want to talk about old cars.

17 MR. DAN GUIMOND: M-hm.

18 MR. REGIS GOSSELIN: Because one (1) of
19 the complaints that we have received -- I have received
20 from individuals is that they're using an old car and
21 they're driving into the city from -- commuting into
22 the city with an old car. It might be worth three (3)
23 or four thousand dollars (\$4,000) or two thousand
24 dollars (\$2,000) or something like that.

25 And according to the rates, the CLEAR

1 system, they're paying four thousand dollars (\$4,000) a
2 year for that car. They get into an accident. The car
3 is totalled by MPI, and they end up getting the value
4 of the car, which is one (1) or two thousand dollars
5 (\$2,000). So they've been paying fifteen hundred
6 dollars (\$1,500) a year and they get back two thousand
7 dollars (\$2,000) from -- from MPI.

8 And the question is: Is there an
9 option? I mean, I know you -- I know you follow the
10 CLEAR system, but is there an option for those
11 individuals? I mean, is there a -- a -- how do other
12 insurers deal with those -- that kind of a scenario?

13 MR. DAN GUIMOND: If -- if I understand
14 your question properly, now we're going into vintaging
15 of the car. So -- so if -- if -- and Luke can get in -
16 - I'm -- I'm sorry. Mr. Johnston can get into that in
17 more details, but the premium you pay on a car that --
18 that gets older and older and older, if you look at the
19 component of physical damage of your premium, it's --
20 it's next to nothing, right? That's -- that's the
21 important point in terms of the breakdown of your -- of
22 your premium.

23 So when you approve the rates for these
24 vehicles, the -- if they pay like six hundred dollars
25 (\$600) a year or whatever for an old car, that premium

1 has -- has very, very little money to do with -- with
2 the physical damage aspect of it. It's all about BI,
3 or third-party liability.

4 MR. REGIS GOSSELIN: But since -- since
5 -- you know -- since we're on that slide, could you
6 bring it up, Diana, please? So the question I want to
7 frame -- ask you, Mr. Guimond, is -- you know, this is
8 a -- a -- I think, a comprehensive picture of where
9 you're going, going forward. But the question I have
10 is next year.

11 So I'm a client. I deal with MPI.
12 What's going to be fresh and new for me when I deal
13 with MPI this coming year? You know, what -- how is my
14 experience with MPI going to be any different than it
15 was last year?

16 MR. DAN GUIMOND: Well, the -- the --
17 at the beginning, not much for most people. But next
18 year we have to start rolling out the pilots for what
19 we call distributed estimating. That's the blue -- you
20 see that? And that means that we have to find a way
21 that instead of a customer for a vehicle that's in an
22 accident that's drivable, that -- that like -- the --
23 the -- what we did with glass.

24 You don't have to phone the call centre.
25 You can use a mobile app. You can go to -- to a --

1 it'll show you the shops that are qualified to repair
2 your vehicle. You just go there and you get your
3 vehicle fixed. Because these cars that are coming in,
4 unless you put them apart, you won't be able to do the
5 estimate.

6 So we have to find a way in terms of
7 customer experience. We have to find a way to work
8 with the trade that when your vehicle is drivable, you
9 can go to a shop of your choice. You drop your car.
10 You get your use, your rental. You should be able to -
11 - you need to get your car back in about eight (8)
12 days.

13 So that's all the supply chain
14 management and all that stuff. And we need to be able
15 to cut the cost to -- to something that's going to be
16 between the sixty-eight (68) to the hundred and fifty
17 dollars (\$150) that I was showing you yesterday to make
18 -- to ensure that -- that the -- it remains affordable
19 to -- to our customers.

20 MR. REGIS GOSSELIN: Now, one of the
21 things that interests me and, you know, I -- I like to
22 do a lot of my business on the web, and I guess one of
23 the things I'm wondering about is whether or not I'd be
24 able to interact to a greater extent with MPI via the
25 web as opposed to having to go to the local broker shop

1 or -- what are the plans in that --

2 MR. DAN GUIMOND: Yeah. We --

3 MR. REGIS GOSSELIN: -- that respect?

4 MR. DAN GUIMOND: I think like dealing
5 on the web with us, you'll see a huge change in the
6 next five (5) years on the claims side, and also on --
7 on products that are -- that are not tied to the
8 distribution side of it.

9 What we did from -- from a -- hardwired
10 into our service delivery model is that when you look
11 at the broker transactions, like when you have to
12 interact with the brokers, you'll notice that all the
13 transactions that can be automated have been automated.

14 And the rest that are left are tied to
15 two (2) things. One (1), transactions that are tied to
16 -- to physical inventory. For example, you buy a new
17 car. You want your plates. You want your sticker.
18 You want your -- your registration card. And you have
19 to, you know, go through the taxation process and all
20 that stuff to be able to legally drive that car. So
21 from a -- from a virtual perspective, or Internet
22 perspective, everything's been automated except for
23 transactions that are tied to -- to physical inventory.

24 The second thing we did is for consumer
25 protection is your identity. We -- we like the idea

1 that you go through the broker for your driver licence
2 and your -- and anything that has to do with personal
3 information about you. Why? Because it offers
4 consumers protection against identity theft.

5 The biggest identity theft, based on the
6 -- on the stuff that I've read and -- and some of the
7 things we've been looking at, is that somebody who
8 looks like you can go to a broker -- you know, if -- if
9 we didn't do what we had done, can go to a broker, get
10 an address change, get your driver licence with their
11 picture on your driver licence, you don't know about
12 it, and then you end up with three (3) or four (4)
13 warrants for your arrest in North America. And it's
14 going to cost you a fortune to get your record back.

15 What we do for identity, anything that
16 has to do with your personal information we want you to
17 go to a broker. We're going to take a picture of you.
18 We're going to run you through facial recognition, and
19 we're going to make sure that it's you that's there.
20 And then we'll allow the card to be printed and sent to
21 the new address, if it's an address change, or if it's
22 a name change, or whatever. But there'll be consumer -
23 - that's the consumer protection aspect of -- of how
24 our model works.

25 So that's been hardwired like that on

1 the distribution side, but on the -- on the claims side
2 is where there'll be huge opportunities for that kind
3 of interaction that you mention. You'll have mobile
4 apps. You'll be able to look at your files. And as we
5 maybe sell different kinds of products over time,
6 you'll be able to do things on the web, as well.

7 MR. REGIS GOSSELIN: Now, I don't have
8 the -- the slide -- the slides not there, but you
9 indicated there were things that MPI would not do, and
10 I want to -- I want to explore that with you.

11 Very specifically the ones I want to
12 question about is the fact that you would not be
13 wanting to do the work that brokers are doing now, and
14 you also indicated that you didn't want to do anything
15 with respect to the -- the companies that are doing the
16 -- the repair shops.

17 MR. DAN GUIMOND: Yeah.

18 MR. REGIS GOSSELIN: I guess -- you
19 know, it's pretty clear to me that there's a tremendous
20 consolidation going on within the broker community in
21 Winnipeg and Manitoba, and also the same thing is
22 happening with repair shops.

23 Now, does that change anything here?
24 Like, does it change anything that -- you know, you're
25 getting more consolidation of brokers. You got fewer

1 and fewer brokers out there. They may -- they may have
2 a faceplate that is suggesting a particular name, but
3 behind the scenes we know that there's a consolidated
4 operation going on.

5 Does that change anything here to the --
6 to these statements? I mean, does that -- does that
7 change anything from the standpoint -- your
8 relationship with those brokers and those repair shops?

9 MR. DAN GUIMOND: In terms of the --
10 them buying themselves each out, or whatever, there's
11 about three hundred and five (305) locations right now
12 throughout the province. I mean, for what we pay
13 brokers and what they do for us, it would -- you know,
14 like, it's -- it's really -- let's say we -- we were to
15 go direct and just deal through our service centres,
16 for example. I mean, the -- the impact on customer
17 service would be horrible.

18 I mean, these guys are open -- the
19 brokers are open seven (7) days a week. Their hours of
20 operation in the malls and so on are from 9:00 in --
21 you know, 8:30 in the morning to 9:30 at night. People
22 are used to buying a car and just having their plates
23 right away and be able to -- to drive with -- with
24 their car with -- with proper insurance and proper
25 registration. So the benefit we get with the brokers,

1 from a -- from a consumer protection perspective and
2 servicing the public, I mean, you can't beat what
3 they're doing right now for -- for what we're paying.

4 Now -- now, there's three hundred and
5 five (305) locations throughout the province, and it's
6 about a hundred and fifty-nine (159) owners. You know,
7 if -- if the bank would -- you know, let's say you --
8 you go from three hundred fif -- three hundred and five
9 (305) locations over time and you're down to -- to, you
10 know, fifty (50) locations owned by banks, I mean,
11 maybe that's something we could talk about. But right
12 now, it's pretty hard to beat what they provide.

13 MS. SUSAN PROVEN: I also think that's
14 not happening in the small towns. I mean, the small
15 towns, the people are small business owners --

16 MR. DAN GUIMOND: That's right.

17 MS. SUSAN PROVEN: -- both in the
18 brokerage and also in the auto repair industry.

19 MR. DAN GUIMOND: Yeah.

20 MS. SUSAN PROVEN: So we haven't seen
21 that yet.

22 MR. DAN GUIMOND: Yeah. And, I mean,
23 they -- it's -- it's also -- like, the customer service
24 aspect, from a customer service perspective, I mean,
25 it's -- it's not worth changing that; it's really not.

1 I think it's really to the advantage of -- of
2 customers, both in terms of customer service and
3 identity protection, because once you're in the
4 community, people know each other, people know
5 something's going on. And it's -- it's a way to -- to
6 really service the customer and offer protection that
7 we could never do on our own.

8 MR. REGIS GOSSELIN: Now, what about
9 the repair shops?

10 MR. DAN GUIMOND: I'm sorry?

11 MR. REGIS GOSSELIN: The repair shops.

12 MR. DAN GUIMOND: The repair shops are,
13 to me -- first of all, I -- I'm very reluctant to
14 interfere in the marketplace. I -- I don't think MPI
15 has been set up to -- to be able to -- to -- you know,
16 like, how big do you become, right? I mean -- I mean,
17 I could build one (1) body shop in -- in Winnipeg.
18 It's be pretty hard to beat the economies of scale at
19 that body shop, but that's not our mandate. That's not
20 what we do. We don't interfere in -- in the
21 marketplace.

22 The only thing we have to do is make
23 sure -- and that's what I -- I told the joint steering
24 committee, that -- that we're working repair shop, is
25 that you got to make sure that people are getting their

1 money's worth. And we have to show that. We have to
2 show that through the productivity, through the certain
3 key performance indicators that we're working on.

4 And the other thing is I think it's very
5 important to allow people choice. I was totally
6 shocked when we did the immobilizer program, how people
7 were willing to wait six (6) months to get an
8 immobilizer because there's only that shop that can
9 play with my baby. People, when it comes to their
10 cars, are very, very sensitive and they have a loyalty
11 to the people they like to deal with. And if we were
12 to mess with that, I -- I think that's just -- that's
13 just a show stopper.

14 There's also significant things to take
15 into consideration in terms of warranties, in terms of
16 when you have a new car. Manufacturers are getting
17 much more specific as to where you can get your car
18 repaired and under what circumstances. And if you
19 don't follow what they say, your warranty's a goner.

20 MR. REGIS GOSSELIN: One (1) of my
21 recent experiences with a repair shop was my vehicle
22 being in the shop for weeks.

23 And -- and I guess the question I have
24 is: Do you track repair shop performance, individual
25 repair shop performance? And if there's an outlier,

1 are there any consequences for that repair shop?

2 MR. DAN GUIMOND: Yes, and yes. We --
3 you know, a car should be repaired within eleven (11)
4 days from drop-off. So that's something we're -- we
5 call it key-to-key, something we're -- we want to
6 document more. And -- and we -- we -- I think that's a
7 very -- it says a very important point to us and we're
8 -- we're really monitoring that. And they -- it has to
9 be a good reason why a -- a car, for example, will be
10 more than eleven (11) days in a shop.

11 I think yesterday I took the example of
12 one (1) was at twenty-two (22) days. I actually got in
13 my car with the engineers and the estimators and we
14 went to see there what was going on, because it was a
15 new car and I -- it -- it piqued my curiosity.

16 We ended up -- we -- we -- like, there
17 was some lead time on parts. People didn't know how to
18 -- how to fix the car because the policy and procedures
19 hadn't made it. And so we wrote off the car, told the
20 customer, Go buy yourself another one. And we repaired
21 it in our R & D shop to -- to figure out, you know, how
22 to repair these things to be able to help the industry
23 out. So, yeah, that's very important.

24 MR. REGIS GOSSELIN: But coming back to
25 this -- this issue of repair shops, I mean, clearly,

1 because of the technological changes that are occurring
2 with the -- the cars, we're going to lose some of these
3 repair shops. I mean, I can't see them, you know, it
4 would -- it's going to require an investment on the
5 part of the repair shops to keep up to speed with the
6 technology.

7 Now, do you -- do you provide any of the
8 support to them to do -- to get that -- to that level?
9 Or do you -- I mean, beyond the fact you're going to
10 pay -- probably end up paying a higher per hour rate.

11 Are you -- are you providing any kind of
12 support to help them transition into this new era?

13 MR. DAN GUIMOND: Yeah. No, that's an
14 excellent question. And to -- to -- I've been going
15 around in -- in my car in rural Manitoba a lot, going
16 to visit some shops and stuff. And there's no
17 questions that the investment that people are -- are
18 not going to be able to keep up. I mean, there's no
19 way that -- that, based on volume, that they're going
20 to be able to -- to do that.

21 Our concern, of course, is we have to
22 provide service throughout the province. And that's a
23 very important man -- it is part of our mandate to be
24 able to -- it doesn't matter where you are in the
25 province. You have to provide service. So -- so I

1 look at the -- at the repair shop like the gas station
2 that existed several years ago where there was a -- a
3 bay and you could get your car repaired at a gas
4 station.

5 And now, that concept is -- is gone.
6 And you might have a -- a food store, a little food
7 store, or something like that and you just can buy gas.
8 But you can't get your -- your vehicle repaired and you
9 can't even get an oil change any more at a gas station.
10 So what we need to do is work with the industry. And -
11 - and that's why we put this joint committee together,
12 is how do we make sure that -- because this is kind of
13 the human side of it where a lot of these businesses,
14 that's their nest egg for retirement.

15 And you don't want to do something --
16 and that's why I'm -- I -- I was going back yesterday
17 to the -- to the three point four (3.4) and not
18 changing the deductible to seven hundred (700) or
19 something, is that we have to work with the industry to
20 allow this conversion and this transition. So you
21 don't want to do something too quickly that forces that
22 business not only -- not only one they want to sell.
23 It's not a business -- it's -- you're down to a real
24 estate transaction that nobody wants.

25 So what we want to do -- and that's why

1 we're working with Mitchell and so on, is that we want
2 to go through a transition over the next five (5) years
3 where with the technology that -- that the shops maybe
4 that do structural work today, like the level
5 investments you need, so is it possible that we can
6 help these shops to bide time as they exit to -- to be
7 able to say, You know what? I know the severity.

8 So when I accredit a -- a body shop,
9 let's say, in a particular community up north or -- or
10 rural Manitoba, and I say, You know, it's okay for you
11 -- because I know from a technology perspective, I know
12 what -- you know, it's just the -- the headlamp. Yeah,
13 go -- go get the headlamp done, okay?

14 But when I know you start to crush the
15 car and you're starting to get to -- to inside -- how
16 the car is built, like, the -- based on the speed of
17 the collision, then I'm going to have to say, No, you
18 know what? You can't repair that kind of damage. I'm
19 going to tell the customer, You've got to -- you've got
20 three (3) other locations you can go to get that kind
21 of damage done -- repaired.

22 So we'll have to help customers decide
23 based on the severity where they might be able to go so
24 we can bide time for the industry to sort of work it
25 out amongst themselves. And we have to really think

1 this through, because this is -- this is about
2 families. It's about businesses. It's about real
3 impact to real people.

4 So we have to be -- the role that we
5 have, and the mandate that we have, we have to be very,
6 very sensitive as to what we're going to do. And
7 that's why I -- you know, like yesterday, the way I was
8 talking to you about, you know, these things that
9 concern me. It is -- it's very important that -- that
10 we talk about the overall mandate of the Corporation
11 and -- and what is required there to be able to achieve
12 the mandate from a rate-setting perspective.

13 MR. REGIS GOSSELIN: Now, looking at
14 this slide here, you know, we -- there's two (2) things
15 at the very top there that talk about the outsourcing,
16 the contact centre, and the IT staff. Okay, leaving
17 aside those two (2) things, you know, we see -- we sit
18 at the panel and we see MPI, and we see a great big
19 lump of IT resources, far higher than anybody else that
20 -- it doesn't compare to MPI.

21 So we -- you know, as we look at the
22 data we're seeing from the benchmarking and so on,
23 we're seeing a great big lump of IT relative to other
24 insurers. So you've been -- you know, you've been
25 involved at IT for --

1 MR. DAN GUIMOND: M-hm.

2 MR. REGIS GOSSELIN: -- a good part of
3 your career. Tell us what's different about MPI. Why
4 is it that MPI is coming up with a different number
5 than -- than some of the other comparators?

6 MR. DAN GUIMOND: Well, you know, if --
7 if you look at -- at the entire corporation, you know,
8 if you include leaving the flow through of -- of the
9 money that we collect on behalf of the Government of
10 Manitoba for -- for registration, our -- our revenues
11 are about \$1.3 billion. For a company that size, your
12 IT department should never exceed \$60 million.

13 And Gartner can -- you know, if -- if
14 you'd like us to bring Gartner next year as a expert
15 network -- witness or whatever. I think we're about at
16 -- I -- I think next year it's about \$40 million. It's
17 about forty (40), \$45 million. So we're fifteen (15)
18 below. So I look at that and I'm saying, Okay, you
19 know, we're -- we're doing okay.

20 The other thing, too, it goes back to a
21 monopoly versus the private sector. And I can find
22 exactly, if you want to, the section in the Gartner
23 benchmarking where they say, Keep in mind that we're
24 not maximizing revenue.

25 So some of the -- some of the benchmark,

1 we're not going to perform as well as -- as the other
2 cor -- corporations because we're -- first of all,
3 we're not doing on the entire revenue that we're
4 flowing through. And -- and you know with the bench --
5 the word 'benchmarking' that I'm average in two hundred
6 thousand dollars (\$200,000) less of revenue per
7 employee because we grind on the incur.

8 I mean, at two hundred thousand dollars
9 (\$200,000) per employee compared to that bench -- you
10 know, that word 'benchmark' and run the numbers, you'll
11 see we're doing fantastic. We're probably -- you know,
12 we'll be well above the -- I mean, we'll be beating
13 that benchmark like heck.

14 So you -- you've got to look at the
15 monopoly versus the private sector, and then be able to
16 re -- and Gartner, that's why they made that comment in
17 the score card. Remember, MPI does not maximize
18 revenue. These score cards are based on profit,
19 revenue -- maximize revenue -- maximizing revenue per
20 employee from a -- from a profit perspective. So you
21 have to put that into context.

22 MR. REGIS GOSSELIN: But are you doing
23 anything differently at MPI with IT than, say, an SGI
24 or an ICBC, or -- I mean, are you -- are you -- in
25 terms of your relationship with the -- the dealer shops

1 or your relationship with the broker, are you doing
2 something at an IT level that's different than what --

3 MR. DAN GUIMOND: Yeah.

4 MR. REGIS GOSSELIN: -- a comparable
5 operation?

6 MR. DAN GUIMOND: The -- the biggest
7 difference that we do, if -- if you look at us in terms
8 of our -- our business model and in terms of -- of our
9 pattern, so to speak, in terms of trying to be the
10 lowest price across Canada and be able to beat
11 inflation, is that we have what we call 'the
12 distributed enterprise model'. And what we mean by
13 that is we embed ourself from a technology perspective
14 with our business partners.

15 So we've embedded technology into the
16 broker side. We're embedding technology into the --
17 the repair facilities, like E-GLASS. And now we're
18 going to do it for physical damage because what we're
19 doing -- from a comparative advantage perspective in
20 the marketplace, what we're doing is we're embedding
21 ourselves into our business partners to be able to work
22 with them to achieve magic numbers to be able to have
23 the lowest -- to be able to beat inflation, to be able
24 to have the lowest price across Canada without having
25 to change the -- the coverage we have in -- in our

1 policy.

2 Like -- like, think about SGI right now.
3 I mean, they -- they have a seven hundred dollar (\$700)
4 deductible. I mean, we -- we got a five hundred dollar
5 (\$500) deductible. That's huge for consumers. I mean,
6 to be able to do that, if it wasn't for our -- our
7 business partners and how we work with them, there's no
8 way we could do what we're doing right now, from a
9 coverage perspective and pricing perspective.

10 So if there's a fundamental difference,
11 it's how in Manitoba, for whatever reason, we've been
12 able to work with the brokers, with the repair
13 industry, with the -- the medical community and be able
14 to embed the technology, be able to have collaboration
15 innovation to be able to beat the -- the inflation and
16 be able to have the lowest price without having to
17 change the coverage.

18 I mean, look at Alberta, a thousand
19 dollars, the deductible; SGI, seven hundred dollars
20 (\$700). I mean, that -- that's -- if -- if you want
21 value, I mean, there's value for you. So that's --
22 that's the fundamental difference, is our ability to
23 embed ourselves with the distribute enterprise
24 modelling and be able to meet magic numbers that allow
25 us to -- to achieve the price points that we have for

1 our policy.

2 MR. REGIS GOSSELIN: So in terms of
3 your service shops, is your -- that you have throughout
4 Manitoba, I mean, I'm looking at ICBC, for example, and
5 SGI. They have -- they have a similar structure, don't
6 they? I mean, they have -- they have the service shops
7 in this area, you know, your delivery -- for delivering
8 your services.

9 Is -- is there something different there
10 that you're doing that they're not doing or vice -- or
11 -- or they're doing that you're not doing?

12 MR. DAN GUIMOND: Well, I -- I think
13 the -- the difference, the -- the fundamental
14 difference -- well, first of all, we're very fortunate
15 that business partners want to work for us. I mean, in
16 SGI it -- it was in the Collision Magazine, I believe,
17 and so on, you know, the repair shops were able to --
18 to find a way to work directly with government and get
19 that 10 -- 10 percent increase.

20 So I think what's different is that
21 there is strong support for public auto insurance in
22 Manitoba and that people -- business owners are willing
23 to work with us to be able to change, innovate,
24 collaborate, change the way we do things to be able to
25 meet that price point in the marketplace that allows us

1 to -- to be able to have -- have the coverage that we
2 have on our policy for the price that -- that we offer
3 that -- that coverage for. That -- that's the big
4 difference.

5 We're very -- we're very lucky. I mean,
6 the repair industry could easily say, You know what
7 then, it's a hundred and fifty (150) bucks an hour;
8 otherwise, get somebody else to fix it.

9 Do you know last year -- last year, I
10 found out we were sending certain makes and models to
11 SGI because one (1) of the -- one (1) of the shops, you
12 know, said: Well, it's costing so much money. And if
13 I'm not getting so much money I'm not repairing the
14 car.

15 I mean, we're very lucky. Like, we --
16 just like I'm in front of you making a case for our
17 rate app, and I'm telling you this 3.4 percent is
18 critical to our long-term in the Basic rate, when you
19 deal with these business people, they -- they're there
20 for money. I mean, they want to do a good job and they
21 want to help us, but cost is cost. And so they're
22 willing to work with us to keep it as low as possible.

23 MR. REGIS GOSSELIN: Now, one (1) of
24 the things that we look at, as a panel, you know, when
25 we compare rates across Canada for a similar car -- and

1 you have some of the same data on your information --

2 MR. DAN GUIMOND: Yeah.

3 MR. REGIS GOSSELIN: -- material. And

4 -- and I would say one thing that strikes up -- that

5 catches my -- my attention is the fact that for a

6 similar vehicle in Regina versus Winnipeg. You know,

7 and we can see Regina's costs becoming lower than --

8 than Winnipeg's, and we see -- we're seeing a

9 progression of that over time.

10 MR. DAN GUIMOND: For -- for the

11 pricing of the policy or the cost of the repair?

12 MR. REGIS GOSSELIN: No, for the -- for

13 the pricing of the policy. And -- and I guess the

14 question I have is, what's going on? Like, what --

15 what -- why is it that there would be a difference in--

16 MR. DAN GUIMOND: M-hm.

17 MR. REGIS GOSSELIN: -- a marginal

18 different -- or an increasingly important difference

19 between Manitoba versus -- Winnipeg versus Regina for

20 that particular vehicle?

21 MR. DAN GUIMOND: Well, if -- if I -- I

22 -- and I'm -- I'm going to go get the specifics for

23 you, maybe, after the break. But if I recall, SGI just

24 had a -- a -- ICBC just had 5 percent they're applying

25 for on rates. And SGI, I think, had the regulator

1 approve a number around there, but then it went to
2 Cabinet and it went down to 3.4 percent. So it's not
3 different. It's going up, and it'll catch up with
4 them. And our policies are -- are as low as SGI, if
5 not lower.

6 MR. REGIS GOSSELIN: I -- I think what
7 I'm getting at is at one (1) point you were -- you
8 know, at one (1) point if you compared the vehicle in
9 Regina versus Winnipeg, Winnipeg was lower. And now
10 progressively we're seeing Winnipeg becoming higher in
11 terms of policy costs versus the same vehicle in
12 Regina. I'm just -- we're just wondering -- I'm
13 wondering what's going on.

14 MR. DAN GUIMOND: The -- the biggest
15 difference is the deductible. I mean, if you really
16 want to get down to it, if I was to put a seven hundred
17 dollar (\$700) -- dollar deductible on the Compulsory
18 side, you know, I -- I mean, you can see the difference
19 there in pricing.

20 MS. SUSAN PROVEN: Can I --

21 MR. DAN GUIMOND: So -- so the fact
22 that we're where we are with that -- and they've got --
23 I mean, that's -- that's huge, right? A two hundred
24 dollar (\$200) -- dollar difference on the Compulsory
25 deductible. That's-- that's -- you know, that's big

1 coins.

2 MS. SUSAN PROVEN: I just want to go
3 back to this embedding with the partners. And it does
4 seem that you did some kind of arrangements with some
5 recyclers. So I'm taking us back to this recycling
6 discussion we had yesterday. And then you said some of
7 them panicked.

8 MR. DAN GUIMOND: Yeah.

9 MS. SUSAN PROVEN: And they didn't like
10 the new arrangement. But I'm still sort of curious
11 about the new arrangement that you have with whoever it
12 is that still provides you with recycled parts.

13 MR. DAN GUIMOND: Yeah. Yeah. Okay.
14 So for the sixteen (16) recyclers -- and I'm assuming
15 we're still at sixteen (16) because I know some might -
16 - might -- we still might be signing up some folks.
17 There's an agreement in place that -- that we work
18 together on the agreement and -- and they agree to --
19 to this agreement.

20 Then for the physical damage re-
21 engineer, the sixteen (16) elected representatives con
22 -- consisting of a four (4) member panel that we work
23 with, with the re-engineering department -- with their
24 re -- with the initiative that we're doing. And then
25 when we make system changes, when we implement things

1 and so on, we go over the changes with them. We make
2 sure it's -- it's -- it works and so on.

3 Now, that doesn't mean that -- that when
4 we do it -- like, we're doing this pilot right now, the
5 collaborative estimating, and we've made some changes.
6 I know that -- that we're -- when you do a pilot,
7 you're probably going to have to do some -- some
8 updates.

9 Going back to your point -- so -- so
10 what we're doing, we're working very closely with those
11 sixteen (16) and we're okay. There's -- there's a -- a
12 faction, if you wish, the -- the three (3) or four (4)
13 that -- that kind of went and -- and hired a lawyer and
14 -- and are here asking to -- to somehow that MPI, I
15 guess, buys more -- more recycled parts. So the -- the
16 way I am, you know, like I look at this and I say,
17 Well, you -- you know, people work hard. And they work
18 hard for their business. And they're seeing all these
19 changes and they're seeing their business shrinking and
20 shrinking.

21 And -- and I think these folks, they --
22 they just -- they just reacted. And so it's -- it's
23 the human side of it. So I know I'm going to be here,
24 and I'm going to have to talk about all of this stuff,
25 and we will. But I think what's important for the

1 Regulator to know is that we do have this -- these
2 representative working with us representing the sixteen
3 (16) recyclers. We have terms of reference. We meet.

4 And I think at the end of the day the
5 way the -- the economy is going and with all the new
6 technology, we're just going to have to make a policy
7 decision as to whether we want to buy recycled parts or
8 not. And like everybody -- when somebody says
9 something there's always -- I -- I think, like in terms
10 of the concerns are -- are the body shops -- are some
11 people playing games to find a way to buy OEM versus
12 recycled parts? Probably. And we're going to find
13 them and we're going to get them.

14 The -- the -- but at the end of the day
15 in the big picture, what we're talking about is a
16 structural change in the auto industry and new
17 technology. And -- and you know how it is in business.
18 I mean, things change.

19

20 CONTINUED BY MS. CANDACE GRAMMOND:

21 MS. CANDACE GRAMMOND: Thank you. Mr.
22 Guimond, you were talking a minute ago about the Basic
23 deductible, and I'm just going to take you back to that
24 for a minute.

25 Can you tell us how long it's been since

1 the Basic deductible has been five hundred (500)? That
2 is obviously for private passenger.

3 MR. DAN GUIMOND: I can't remem -- I --
4 I know I -- I participated in that -- in that exercise,
5 but I think it was in the late '90s, early -- I think
6 it was in the late '90s or 2000. We'll -- we'll get
7 that for you, but it's -- it's been like ten (10),
8 fourteen (14) years at five (5) -- five hundred (500),
9 I believe.

10 MS. CANDACE GRAMMOND: Yeah. Yeah. So
11 the undertaking is --

12 MR. DAN GUIMOND: Yeah -- yeah, sure --

13 MS. CANDACE GRAMMOND: -- you'll advise
14 us when --

15 MR. DAN GUIMOND: -- when we change the
16 -- to the five hundred (500), yeah.

17 MS. CANDACE GRAMMOND: Okay.

18 MR. DAN GUIMOND: Yeah.

19

20 --- UNDERTAKING NO. 3: MPI to provide how long
21 it's been since the Basic
22 deductible has been five
23 hundred (500) (Discharged
24 on page 306)

25

1 CONTINUED BY MS. CANDACE GRAMMOND:

2 MS. CANDACE GRAMMOND: And can you tell
3 us, if you recall, why and how that change came about
4 at the time?

5 MR. DAN GUIMOND: Pressures regarding
6 pricing. It's -- it's -- you know, at one point in
7 time you -- you have to -- as time goes by, it -- it
8 was done through a legislative change. And at one
9 point in time, you know, you have to review the -- the
10 limits of the coverage, and you have to -- to look at
11 what you're providing, and -- and you -- and if -- if -
12 - and then there was a change made.

13 MS. CANDACE GRAMMOND: And would you
14 agree that over time and given inflation, if the
15 deductible remains fixed, then there's an argument that
16 Basic coverage is being enriched or improved, in
17 relative terms?

18 MR. DAN GUIMOND: Every time -- no, I -
19 - I wouldn't agree with that, and I'll tell you why.
20 Because when you change the deductible -- when you
21 change the deductible and you have a claim, from a
22 consumer perspective, you -- you owe more of that
23 claim, right. You have to pay the first seven hundred
24 dollars (\$700) of the -- you know, if you were to
25 change the -- like a five hundred dollars (\$500) -- you

1 have to pay five hundred dollars (\$500), the first five
2 hundred dollars (\$500).

3 If -- if we were to change it to eight
4 hundred (800), or a thousand dollars (\$1,000) like
5 Alberta, you're on the hook for the first thousand
6 dollars (\$1,000) of that claim. So the consumer won't
7 see that as a positive. They'll see it as a negative
8 because you're -- you're taking more money out of their
9 cash flows. Right. That's -- that's the thing when I
10 said rate predictability and stability, people want a -
11 - they know their cash flow. It's -- it's paid by
12 month.

13 They're on monthly payments, and if they
14 keep the car, they want that premium to be about the
15 same next year. And when there is an accident, they --
16 they -- if -- if you were to switch that deductible and
17 -- and go into their piggy bank for a thousand dollars
18 (\$1,000) versus five hundred dollars (\$500), that --
19 that'd be a problem. The public won't accept that
20 right now.

21 MS. CANDACE GRAMMOND: I appreciate
22 your comments about the perspective of the consumer.
23 From the perspective of the Corporation, would you
24 agree that the same claim today is costing the
25 Corporation more than the same claim the day after the

1 deductible was made five hundred dollars (\$500)?

2 MR. DAN GUIMOND: Yeah.

3 MS. CANDACE GRAMMOND: The other thing
4 that I wanted to ask you about on this issue is
5 relative to the Extension line. And what I mean by
6 that is if the Basic deductible were increased, would
7 you think that it may give rise to additional purchases
8 of Extension coverage to buy that deductible down?

9 MR. DAN GUIMOND: Historically it has.
10 Whether that would happen in the future or not, I -- I
11 don't know.

12 MS. CANDACE GRAMMOND: In the filing,
13 and this is in one of the IR responses, and it is in
14 the book of documents so maybe we can go there. It's
15 Tab 12, PUB/MPI I-9. This was a question that we had
16 asked flowing from your pre-filed testimony on this
17 issue about increasing the deductible. We had asked
18 about the circumstances in which the Corporation would
19 consider it.

20 And in the answer, the Corporation said,
21 "Changing coverage," and I'm just -- this is in the
22 later part of the answer of (a) on page 2. So, yeah,
23 Diana, if you just go down a bit past the bullets, the
24 paragraph that begins, "If the approach is
25 unsuccessful." Yeah, so the -- in the second sentence

1 there, the Corporation says:

2 "Changing coverage and, in
3 particular, decreasing coverage would
4 like be a last resort. The
5 Corporation would recommend such
6 approach most reluctantly, as it
7 would have a negative impact on the
8 ratepayers and economy of Manitoba."

9 Can you tell us a little bit more about
10 why the Corporation would consider this as a last
11 resort, or if you've already given us all the reasons,
12 then just confirm that?

13 MR. DAN GUIMOND: I've given you a lot
14 of the reasons. But we -- we won't do -- in principle,
15 we won't take away or dilute the coverage that we
16 provide in our insurance policy unless we really,
17 really have to. That's the principle. And I should
18 say we won't recommend to take away, because it's not
19 our decision. It's the Government of Manitoba that
20 decides what the coverage is.

21 MS. CANDACE GRAMMOND: Okay. So in
22 keeping with that, that you won't dilute the coverage
23 unless you have to, at this point in time, the
24 Corporation's view is that this is -- the Basic
25 deductible is not the option that should be pursued?

1 MR. DAN GUIMOND: Not at this time, no.
2 I -- I -- it's not something that we'd want to do
3 because it's not a good thing for the consumer. And
4 unless we have to, we're -- we're not going to do it.

5 MS. CANDACE GRAMMOND: Okay. And the -
6 - the answer here to the IR that we're looking at also
7 references the negative impact on the ratepayers and
8 the economy. Obviously, you've talked about the -- a
9 claimant having to pay more.

10 Is there any other negative impact on
11 the ratepayers or the economy that you want to refer to
12 that you haven't already?

13 MR. DAN GUIMOND: Well, the -- if we
14 can go to my slide deck on the economic impact of
15 Manitoba.

16

17 (BRIEF PAUSE)

18

19 MR. DAN GUIMOND: Slide 32.

20

21 (BRIEF PAUSE)

22

23 MR. DAN GUIMOND: Okay, just before I
24 talk to that, I just found out that the -- in response
25 to your undertaking, the deductible was changed to five

1 hundred dollars (\$500) in 1997.

2 MS. CANDACE GRAMMOND: Thank you.

3 We'll consider that undertaking discharged.

4 MR. DAN GUIMOND: Thank you. So if you
5 look at the first number, the \$495 million, that's
6 about eleven hundred (1,100) full-time FTEs in the
7 repair industry. And I don't want you to think that
8 we're paying for eleven hundred (1,100) people, but
9 just in terms of the -- of the -- from a labour
10 perspective, the -- you know, it -- it pays for over
11 eleven hundred (1,100) full-time FTEs in Manitoba,
12 okay.

13 So if we raise the deductible, it won't
14 -- it won't be -- you'll have some shops closing down
15 throughout the province, and it won't be the shops in
16 Winnipeg or Brandon; it'll be all rural Manitoba.

17 So that's why I'm saying to the
18 Regulator we have to be really careful here in terms of
19 what we do. And that's why I really want to work with
20 that transition that's happening in the auto industry
21 to really make sure we can continue providing service
22 throughout Manitoba. And it goes back to -- a little
23 bit to what I was saying. On operational costs, we
24 have to do things thoughtfully and thoroughly. And
25 we're going to have to keep you informed about these

1 things as we go forward.

2

3

(BRIEF PAUSE)

4

5

MS. CANDACE GRAMMOND: Mr. Guimond,
6 we're -- we're having a little bit of trouble drawing
7 the link between raising the deductible and body shops
8 closing. Can you explain that?

9

MR. DAN GUIMOND: Yeah. We -- we bring
10 about a hundred thousand jobs a year for repairs in
11 Manitoba like in terms of -- of accidents, right. So
12 there's -- there's -- body shops repair about a hundred
13 thousand cars a year. If you -- if you have a higher
14 deductible, because of the -- the fleet that we
15 underwrite, there's a lot more cars that are going to
16 be written off. And there's not going to be as many
17 repairs going through these shops.

18

MR. REGIS GOSSELIN: I don't get it.

19

MR. DAN GUIMOND: Okay.

20

MR. REGIS GOSSELIN: Why -- why would a
21 higher deductible cause more cars to be written off?
22 Can -- can you explain that to me, please?

23

MR. DAN GUIMOND: The -- the average --
24 just -- just hold on for a second, please.

25

1 (BRIEF PAUSE)

2

3 MR. DAN GUIMOND: I'm going to, after
4 the break, go back to the analysis that we did and
5 review the data, and then I'll -- I'll respond to the
6 question because there's an analysis that we did of how
7 it affected the -- the shops, and it really had a
8 negative impact in rural Manitoba. So I'll get back to
9 you on that.

10 MS. CANDACE GRAMMOND: Thank you. You
11 got that? Okay.

12

13 (BRIEF PAUSE)

14

15 MS. CANDACE GRAMMOND: Yeah. Yeah,
16 okay. So -- so the undertaking is -- I'm just going to
17 read the undertaking into the record for the court
18 reporter. It's to advise with respect to the linkage
19 or the analysis done by the Corporation between the
20 raising of the deductible and the potential impact on
21 body shops. Okay.

22

23 --- UNDERTAKING NO. 4: MPI to advise with respect
24 to the linkage or the
25 analysis done by the

1 Corporation between the
2 raising of the deductible
3 and the potential impact on
4 body shops

5

6 CONTINUED BY MS. CANDACE GRAMMOND:

7 MS. CANDACE GRAMMOND: Just a couple
8 more questions on this. I know you've said, Mr.
9 Guimond, that in your view the -- the ratepayers would
10 be very adverse to the deductible being raised.

11 Has the Corporation done any market
12 research or any surveys of Manitobans on that point
13 within the last, say, five (5) years?

14 MR. DAN GUIMOND: Yes, we have. And we
15 introduced it in the rebuttal of the Simpson report.

16

17 (BRIEF PAUSE)

18

19 MS. CANDACE GRAMMOND: Just one (1)
20 more question on this. The way that -- that I
21 understand that the system works is that if an
22 individual has a collision, and if they are at fault
23 for that collision or found to be at fault 50 percent
24 or more, they would pay their deductible in connection
25 with having their vehicle fixed.

1 Is that right?

2 MR. DAN GUIMOND: If they're at fault,
3 yes.

4 MS. CANDACE GRAMMOND: So would there
5 be an argument that by raising the deductible, more
6 cost is being drawn from drivers that cause accidents
7 or that have at-fault accidents, as opposed to an
8 across-the-board rate increase that impacts everyone in
9 a different way?

10

11 (BRIEF PAUSE)

12

13 MR. DAN GUIMOND: Just to paraphrase
14 the question a little bit. So what you're saying is
15 that if the deductible increases, the -- the people who
16 would be affected are less than the sum of all the
17 people that are insured.

18 MS. CANDACE GRAMMOND: It's less than
19 everyone, yes. But also it's the at-fault drivers. So
20 I'm just asking if you can give us some comment on
21 that.

22 MR. DAN GUIMOND: Yeah, if -- if you --
23 if you raised the -- the Compulsory deductible, let's
24 say, to five (5) to seven hundred (700), everybody will
25 pay less for their insurance premium. The people who

1 have accidents will pay more per incident because they
2 have to pay a higher deductible.

3 MS. CANDACE GRAMMOND: Okay. That's
4 what I thought. I'm going to move, then, back to
5 another topic that you had some exchange on with the
6 Chairman of the Board just a -- a couple of minutes
7 ago. And that's with respect to the 30 million in
8 additional costs that the Corporation has -- is going
9 to be facing as a result of changes in the industry.

10 And my question is -- and I know we --
11 we talked about this issue a little bit yesterday. I
12 assume because of the fact that these new vehicles will
13 be coming into the fleet over time that the Corporation
14 doesn't expect an immediate \$30 million impact at a --
15 at a single point in time.

16 Would -- would that be fair to say?

17 MR. DAN GUIMOND: That's correct. It's
18 -- we -- we believe by 2020, we'll see the full impact
19 of the 30 million.

20 MS. CANDACE GRAMMOND: Is there
21 something in the way of an analysis that the
22 Corporation could file with the Board that would show
23 what it's expecting, in terms of this progression
24 between the present and 2020?

25 MR. DAN GUIMOND: Well, not only should

1 -- would I like to be able to file something, but I'd
2 like to, if -- if the Board is amenable to that, I'd
3 like to do a really good presentation at our R & D
4 centre and actually show you the cars and show you how
5 they're changing. Because when you see it, it -- it's
6 really an eye opener when you -- when you actually see
7 the cars and you -- you see the -- the vehicles that
8 are being written off or how -- how it costs money.

9 You -- you look at the damage and you
10 say, Oh, come on, there's no way it costs so much money
11 to fix that car. And then it's only when the engineers
12 walk you through it and they show you how they put
13 these things together, how it's -- it's dramatically
14 changing. So I think it would be very beneficial to do
15 that.

16 MS. CANDACE GRAMMOND: And I think
17 that's something that the Board can definitely consider
18 and -- and discuss, having heard your invitation.

19 Leaving aside the site visit for the
20 moment, are you willing to give the undertaking with
21 respect to filing a -- the financial analysis for the
22 purposes of the hearing?

23

24

(BRIEF PAUSE)

25

1 MR. DAN GUIMOND: We'd -- it's in
2 progress, and we'd rather file that next year at the
3 next GRA.

4 MR. BYRON WILLIAMS: Madam Chair, might
5 I speak?

6 THE CHAIRPERSON: Sure.

7 MR. BYRON WILLIAMS: Just -- certainly
8 if MPI is declining to answer this undertaking, from
9 our client's perspective this allegation has been
10 central to the evidence of Mr. Guimond. And we
11 certainly would be supportive of compelling MPI to
12 respond or to admit that they're unable to support that
13 assertion.

14

15 (BRIEF PAUSE)

16

17 MR. DAN GUIMOND: I just want to make
18 sure that I didn't misunderstand the question. If you
19 want us to justify the \$30 million, like to put how we
20 got to the \$30 million? I don't have any problem doing
21 that.

22 If -- if you're talking about, like, the
23 timing, like the cash flow in terms of timing as to
24 when the cars come in and at what rate and -- and so
25 on, that -- that's the part that we can't answer right

1 now. But to -- to be able to demonstrate how we got to
2 the \$30 million, I don't have any issues if -- if
3 that's what you're after.

4

5 CONTINUED BY MS. CANDACE GRAMMOND:

6 MS. CANDACE GRAMMOND: I was after
7 both, so I'll -- I'll take you up on the -- the offer
8 of the first thing. With respect to the timing, I
9 guess my question would be if the Corporation has
10 formed the view that the full implementation should be
11 complete by 2020, is there something that you can give
12 us in terms of what you think the progression might be?

13 I mean, we -- we appreciate that it's
14 dependent on market conditions, but can you give us
15 something?

16 MR. DAN GUIMOND: We'll look at the
17 materials and get back to you on that, but it -- it's
18 going to be very hard to -- to hypothesize because we -
19 - the thing we know for sure right now, there's two
20 hundred and fourteen (214) new makes and model -- two
21 hundred and forty (240) new makes and models by 2016.
22 We know it's coming in. We know it's starting to have
23 an impact. It'll be hard to -- to determine the rate
24 of adoptions and so on, so we'll -- yeah.

25 MS. CANDACE GRAMMOND: Yeah, I -- I

1 understand that. If -- if you want to put some
2 statements in, whatever you provide with respect to
3 that, then do so. And we can at least consider what
4 you're able to provide.

5 THE COURT REPORTER: This is an
6 undertaking?

7 MS. CANDACE GRAMMOND: Yes, this an
8 undertaking. Do you need me to describe it?

9 THE COURT REPORTER: Yes, please.

10 MS. CANDACE GRAMMOND: Okay. So this
11 is an undertaking to provide some form of analysis with
12 respect to the calculation of the anticipated
13 additional 30 million in cost as well as the time frame
14 over which it may unfold.

15

16 --- UNDERTAKING NO. 5: MPI to provide some form of
17 analysis with respect to
18 the calculation of the
19 anticipated additional 30
20 million in cost as well as
21 the time frame over which
22 it may unfold

23

24 MR. DAN GUIMOND: Sorry, timing, that's
25 going to be -- you know, how many people are going to

1 buy these cars, how fast, over what time and all that
2 stuff, that -- that's going to be hard. I can -- I can
3 justify the \$30 million.

4

5 CONTINUED BY MS. CANDACE GRAMMOND:

6 MS. CANDACE GRAMMOND: So then -- so
7 how did the Corporation get to the 2020 year?

8 MR. DAN GUIMOND: It's -- when you do
9 strategic planning you -- you look at it, and -- and
10 it's a crystal ball, right. But if -- that -- that's
11 the thing here too, like in terms of -- of coming here
12 and talking about these things. The strategic
13 planning, you know that it's coming. You know there's
14 a threat. You know you have to address it.

15 I think we have to start to be able to
16 talk about these things here so the Regulator is aware
17 about it. But as everybody knows, strategic planning,
18 it -- it goes from strategic planning to tactical to
19 operational. And -- and if you want, like,
20 specificities that are more at the tactical level,
21 operational level, when we're at the -- at the early
22 stages of this external threat, I mean, you have to
23 understand that the expectations can be like a level of
24 detail that are -- that -- that you know exactly what's
25 going on.

1 MS. CANDACE GRAMMOND: No, I'm not
2 asking for specificities. I think what -- what I'm
3 asking for is, if the Corporation has formed a view
4 that this \$30 million is going to be fully in place by
5 2020, there must be some basis upon which that year was
6 selected.

7 MR. DAN GUIMOND: Yeah. Yeah, we -- we
8 can provide you --

9 MS. CANDACE GRAMMOND: That's all I
10 want.

11 MR. DAN GUIMOND: Okay.

12 MS. CANDACE GRAMMOND: Okay.

13 MR. DAN GUIMOND: No problem.

14 THE CHAIRPERSON: Okay, we'll also --
15 the Board will also address Mr. Williams's concern at
16 the coffee break and come back with a decision.

17 MR. BYRON WILLIAMS: Madam Chair, I
18 believe it -- it may be addressed in the sense that my
19 understanding is that the undertaking is for MPI to
20 justify their -- their estimate, as well as give
21 support to their contention that this will be rolled
22 out by 2020 with some indication of the -- the time
23 frame, recognizing they're gazing into a murky crystal
24 ball.

25 THE CHAIRPERSON: Thank you, Mr.

1 Williams.

2

3 CONTINUED BY MS. CANDACE GRAMMOND:

4 MS. CANDACE GRAMMOND: And, Mr.

5 Guimond, just before we leave the -- the 30 million, at
6 least I think I'm just about ready to leave it, the --
7 there is nothing in the current rate application in
8 terms of the rate increase that's being applied for
9 that relates to that, right? The 30 million we're
10 talking about is completely into the future?

11 MR. DAN GUIMOND: That -- that's right.
12 And that -- and that goes back to what I was trying to
13 say yesterday about, you know, value to Manitobans and
14 commitments. Just like we put the \$60 million to the
15 bottom line, we're going to try and -- and put that 30
16 million to the bottom line to prevent rate increases.

17 MS. CANDACE GRAMMOND: Sorry, one (1)
18 other thing on the 30 million. Is -- is that the
19 repair costs only or is there an infrastructure
20 component as well in the 30 million?

21 MR. DAN GUIMOND: It's -- at a very
22 high level it's training. It's bricks and mortars.
23 It's parts. It's equipment. It's having to work with
24 Hydro and put a new transformer because of the
25 electricity of the new welding equipment. It's -- it's

1 an end-to-end in terms of what does a shop need to do
2 to handle all these cars.

3 THE CHAIRPERSON: Ms. Grammond, would
4 this be a good time to take a break, or did you have
5 another compelling question at this point?

6 MS. CANDACE GRAMMOND: Thanks. We can
7 take a break, Madam Chair.

8 THE CHAIRPERSON: I -- I think we'll
9 take a break at this time, and we'll be back in -- I
10 guess about quarter to. Thank you.

11

12 --- Upon recessing at 10:26 a.m.

13 --- Upon resuming at 10:50 a.m.

14

15 THE CHAIRPERSON: I believe everybody's
16 back now, and we're ready to begin with the hearings
17 again. And I'm going to put it over to Ms. Grammond
18 again to continue with her cross-examination.

19 MS. CANDACE GRAMMOND: Thank you, Madam
20 Chair.

21 THE CHAIRPERSON: Just before Ms.
22 Grammond, Ms. Neville has a question of M. Guimond.

23 MS. ANITA NEVILLE: Mr. Guimond, do you
24 have figures -- percentages of the number of people who
25 upgrade their Basic insurance to two hundred (200) or

1 one hundred dollars (\$100)? Just percentages.

2

3

(BRIEF PAUSE)

4

5 MR. DAN GUIMOND: Eighty-five (85) to
6 90 percent of --

7

8 MS. ANITA NEVILLE: To either two
9 hundred (200) --

9

MR. DAN GUIMOND: -- people who --

10

11 MS. ANITA NEVILLE: -- or one hundred
12 (100)?

12

13 MR. DAN GUIMOND: They buy additional
14 protection because we have different layers of -- of
15 protection, like the one hundred (100) up to -- up to
16 three hundred (300), right. So it -- but in terms of
17 market penetration, it's 85 to 90 percent of the
18 population that buy down the deductible.

18

MS. ANITA NEVILLE: Thank you.

19

20 MR. REGIS GOSSELIN: M. Guimond, the
21 presenter yesterday, Mr. Houghton, had a number of
22 points that he wanted to make the panel aware of, and I
23 -- I just want to go over -- over some of them. And
24 I'm thinking very specifically of the spousal transfer.
25 He mentioned that, you know, I have a -- may have a
poor driving record, and so what I do is I transfer the

1 vehicle over to my spouse as a means of reducing the --
2 the rates that I pay.

3 Now, we've -- we've talked about this
4 before with Ms. McLaren in the past and, you know, I
5 get the sense MPI doesn't want to go there. I mean,
6 they don't see that as being -- at least that's what we
7 -- I understood from Ms. McLaren.

8 Can I have your perspective on that, I
9 mean in terms of -- is that not a means in which high-
10 risk drivers can avoid the consequences of their --
11 their poor behaviour?

12 MR. DAN GUIMOND: I know there was a
13 study that was presented here that tried to quantify
14 the -- the actual amount of time this was happening and
15 -- and the implications of it, and I don't remember the
16 details of it. However, from a policy perspective, I
17 remember that the -- that the number of people that do
18 that is not material, from a dollar perspective.

19 And also that with the DSR scale of --
20 of intro -- of what we're doing, and the -- the
21 implications, if you wish, to going to a named driver
22 on the policy, those are really serious implications
23 because right now at MPI -- I mean, the way the -- the
24 way the plan is -- is designed with the -- you know,
25 the driver licence and the car, and so on, is that a

1 Manitoban never finds himself uninsured.

2 So, for example, if you drive -- we can
3 lend each other's car. You don't have to worry about
4 it. If grandpa from Kenora comes and visits and you
5 get into the car and you have an accident, and they
6 forgot to renew their -- their insurance, your driver
7 licence will protect you if you're at fault. You
8 never, never, never find yourself uninsured in
9 Manitoba. It's a -- it's an incredible plan, in my
10 opinion.

11 And when you look at those stats -- and
12 to let go of that to go to a named driver on a policy
13 for the amount of money that you're talking about, and
14 also what you can do with the DSR scale, I -- I just
15 don't think it's worth doing it.

16 MR. REGIS GOSSELIN: I don't -- I don't
17 follow the -- the logic though. I mean, I --

18 MR. DAN GUIMOND: For --

19 MR. REGIS GOSSELIN: -- could -- could
20 you -- maybe I'm missing something but -- so I -- I get
21 in an accident. I transfer the car to my wife.
22 Grandpa comes in. He drives the vehicle. He's still
23 covered.

24 I mean, it -- what I -- what I'm getting
25 at is I avoid higher premiums by the action of

1 transferring the vehicle to my -- I'm not suggesting
2 that we reduce the coverage to grandpa. I'm just
3 simply saying that I -- I shouldn't be able to avoid
4 the -- the premium.

5 MR. DAN GUIMOND: The spousal-to-
6 spousal thing is -- is not material; it's more how you
7 handle children. That -- that's where the -- that's
8 where the issue is. It's -- it's the mom and dad that
9 has two (2) or three (3) cars and -- and people driving
10 the -- and the -- the -- you know, like, some -- some -
11 - the -- the kids at home that -- that are driving
12 these cars and they're not the owners. That's --
13 that's the -- that's where the money is. And so you'd
14 have to get -- you know, to solve the problem -- I
15 mean, the spousal-to-spousal thing is neither here or
16 there, from a -- from a quantitative perspective; it's
17 how you deal with kids.

18 And then, when you look at that, I mean,
19 you know, you're looking at mama bear there if you go
20 there. And, I mean, there's some really serious
21 implications to that. And I don't think it's worth the
22 tradeoff. And I think the DSR scale is -- is more
23 something that -- that should be looked at a little bit
24 more as -- as we gain data.

25 MR. REGIS GOSSELIN: Now, Mr. Houghton

1 also talked about PIPP and the fact that PIPP coverage
2 -- I'm holding a licence, I don't drive a car, I'm
3 holding lic -- PIPP coverage, and I'm not paying
4 anything for the PIPP coverage.

5 MR. DAN GUIMOND: M-hm.

6 MR. REGIS GOSSELIN: I'm just paying
7 for the licence. And he -- you know, the suggestion
8 from Mr. Houghton was let's -- let's have the -- those
9 drivers pay some of the PIPP costs.

10 Have you got a perspective on that?

11 MR. DAN GUIMOND: Yeah, I -- I do. I -
12 - you know, when I think of PIPP, PIPP, I view it as a
13 gift for Manitoba because PIPP is paid through --
14 through vehicle insurance and -- and driver licensing,
15 but you get access to PIPP because you're a Manitoban,
16 not because you're a policyholder.

17 So, you know, do we -- do we charge
18 children? You know, like, I mean, it's all -- you have
19 access to PIPP because you're a Manitoban. You're --
20 it's not because you're a policyholder. The vehicle
21 insurance process and the vehicle -- like, on -- on
22 your -- your Basic, either on your driver licence or on
23 your in -- on your vehicle, pays for the plan.

24 So in terms of how you distribute the
25 PIPP costs, it -- when I -- when I think of that logic,

1 you know, that drivers should pay more or -- or vehicle
2 owners less and so on, we have to remember that what
3 we're doing is really -- it -- it's the driver licence
4 owners and the vehicle owners that are paying for PIPP
5 for all Manitobans. And you get access to PIPP only
6 because you're a resident, not because you're a
7 policyholder.

8 So the -- the argument as to what makes
9 sense, you know, like, I think the way do it now
10 resonates with me. I -- I don't think that we should
11 start putting a lot more money on driver licences.

12 MR. REGIS GOSSELIN: And the reason you
13 think that is because you --

14 MR. DAN GUIMOND: Affordability.

15 MR. REGIS GOSSELIN: Affordability,
16 okay.

17 MR. DAN GUIMOND: Consumer
18 affordability.

19 MR. REGIS GOSSELIN: The decision to
20 attribute PIPP costs to the holder of a licence as
21 opposed to a vehicle would be a provincial government
22 decision?

23 MR. DAN GUIMOND: Yeah. Yeah. It's in
24 the legislation.

25 MR. REGIS GOSSELIN: Now, the -- the

1 fact that I'm driving an off-road vehicle but I don't
2 pay PIPP --

3 MR. DAN GUIMOND: M-hm.

4 MR. REGIS GOSSELIN: -- that one is a
5 little bit harder for me to understand. I mean, it's a
6 vehicle. Why wouldn't they be -- and -- and I'm
7 thinking they're probably at risk on those vehicles.

8 Why wouldn't they be assigned some of
9 the PIPP costs?

10 MR. DAN GUIMOND: Well, in -- in 1994,
11 when PIPP was introduced, when it went from a tort to a
12 pure no-fault, and the -- the policy decision at the
13 time felt that -- that when it -- it wasn't a means of
14 -- of transportation, that -- that -- like -- like, for
15 snowmobiles or off-road vehicles were things that were
16 considered toys versus transportation, that PIPP
17 wouldn't apply unless, like, a snowmobile, for example,
18 it -- it gets into an accident with a car.

19 But if you're -- you're just using an
20 off-road vehicle, from a policy perspective, it was
21 deemed more that these things were more like toys.
22 They're not transportation and -- and PIPP shouldn't
23 apply to it. And we can go back to 1994. I know we've
24 got some papers on that when we created the -- the
25 policies on that with the Government of Manitoba at the

1 time.

2 MS. SUSAN PROVEN: Could I -- could I
3 just jump in? Because I -- I'm wondering about --
4 there's a lot of off-road vehicles, though, that are
5 used in work, like the snowmobile. You know, like
6 people -- I'm thinking the trappers or the maple syrup
7 people. I mean, a lot of these people use snowmobiles
8 to do the work they do.

9 MR. DAN GUIMOND: Yeah. Yeah, and --
10 and that falls more under the Workers' Compensation
11 program, right? And if you look at Workers' Comp and
12 what we do, you know, like should we really be charging
13 those premiums on those vehicles too, and they're
14 paying Worker Com -- they're -- they're -- that's --
15 that's kind of how it works out.

16 MR. REGIS GOSSELIN: Coming back to the
17 off-road vehicles, I mean, the numbers have gone up
18 dramatically on -- on the vehicles since '94. And I --
19 and I guess the -- for me, seeing some of these ATVs go
20 by my campsite, you sort of wonder, Well, you know,
21 it's high-risk drivers. Shouldn't they be paying more
22 for -- for PIPP coverage than -- than they are now.

23 MR. DAN GUIMOND: They're not --
24 they're not covered by PIPP. I -- I just want to make
25 sure I understood the -- this -- I understand the

1 question. I'm sorry.

2 MR. REGIS GOSSELIN: So they're only
3 covered if they have -- they hit a pedestrian?

4 MR. DAN GUIMOND: No.

5 MR. REGIS GOSSELIN: No. They're not?

6 MR. DAN GUIMOND: No.

7 MR. REGIS GOSSELIN: And if they -- but
8 if -- if they hit a vehicle, they're covered?

9 MR. DAN GUIMOND: For an off -- for an
10 off-road vehicle, if they are in an accident with an
11 automobile, that's when PIPP starts to kick in for
12 those guys.

13 MR. REGIS GOSSELIN: I see. Okay.

14 MR. DAN GUIMOND: Yeah, it's through
15 the automobile.

16 MR. REGIS GOSSELIN: Thanks for that
17 clarification. Now, one (1) of the other concerns
18 that's been raised in the past is the buy-back program.
19 You know, in other words, I -- I get in an accident.
20 I'm responsible for the accident. Rather than making a
21 claim, I decide, well, I'm going to -- I'm going to pay
22 that -- the cost of that collision myself.

23 And I guess a concern that -- that has
24 been raised is the fact that, you know, I -- I may
25 become -- I may be a at-risk driver because I -- I have

1 a number of these small accidents and I -- I basically
2 hide the impact of those -- those accidents from --
3 from MPI.

4 And do you see that as being an issue?
5 Do you see that would be a problem?

6 MR. DAN GUIMOND: There's been a lot of
7 discussions about the -- the buy-back policy. The --
8 the position we have on that is that at this point in
9 time, from a -- from a program perspective, a citizen
10 is not forced to claim. Like, by law you don't have to
11 claim.

12 And so the -- even when you -- you go
13 for an estimate and so on, you -- you don't have to
14 process your claim. You don't have to claim by law.
15 So it's very hard to -- to change that, right? I mean,
16 it's -- it's -- the concept is that a citizen is not
17 forced to claim or is not legally obligated to claim.

18 MR. REGIS GOSSELIN: Pay-as-you-go,
19 that also has come up at previous --

20 MR. DAN GUIMOND: Yes.

21 MR. REGIS GOSSELIN: -- Board hearings.
22 And -- and it's -- and obviously being implemented in a
23 number of other jurisdictions. Is that something that
24 has potential in Manitoba?

25 I mean, are you even considering pay-as-

1 you-go as a -- as an option in Manitoba?

2 MR. DAN GUIMOND: No. The -- you know,
3 we -- we've put our position on the record regarding
4 pay-as-you-go. But what I -- you know, I talked to
5 that -- about that yesterday, is that telematics not be
6 discounted in our business models. And there's a lot
7 of privacy issues with pay-as-you-go. Saskatchewan
8 just did a -- a pilot on motorcycles with telematics,
9 and they're not going to do more. Privacy was a big
10 concern. People did not want to be tied to -- to the
11 telematics.

12 But I do believe, and I think that goes
13 to Ms. Neville's high school driver ed, for example,
14 program, how yesterday I said that, you know, in terms
15 of payback you don't have -- able to demonstrate a -- a
16 lot of savings with the driver education program.
17 Almost none, actually. But it's a good thing to do.

18 But I believe that telematics should be
19 used to create a safe environment for, you know, maybe
20 the fifteen (15) to twenty (20) -- fifteen and a half
21 (15 1/2) to twenty-seven (27) age group to be able to
22 construct a mechanism of feedback, support, to be able
23 to modify driver behaviour, and to know that the
24 information we're gathering on you will not be used
25 against you but to help you to modify your behaviour.

1 And I also -- I think that's the best
2 way to use that technology right now. The -- the pay
3 as you go is -- for the -- for the reasons we had put
4 on the record back then, I think still holds true.

5 MR. REGIS GOSSELIN: Now, you raised
6 the issue of technology, and I had that as my list of
7 things I wanted to talk to you about. And I guess
8 technology, my understanding is that that -- those
9 vehicles are now becoming basic computers. They
10 generate a lot of data, including data about driver
11 performance just before a collision.

12 MR. DAN GUIMOND: Yes.

13 MR. REGIS GOSSELIN: And I guess the
14 question I have is: Do -- are you using that data in
15 determining driver responsibility?

16 MR. DAN GUIMOND: Not -- not -- no, but
17 -- we don't use it because there are a lot of privacy
18 issues with it. I know under -- that we will cooperate
19 with the police on their criminal investigations. And
20 there's a protocol that needs to be followed to be
21 strictly compliant to the laws in terms of privacy, and
22 so on. So -- but as a general practice, no.

23 MR. REGIS GOSSELIN: So even if you
24 have acc -- even if that data is available and could be
25 used for assessing responsibility and determining what

1 went on, your -- you've made the determination that you
2 can't go there.

3 MR. DAN GUIMOND: Not at this time.
4 I'm -- I'm thinking that as time goes by, and as things
5 evolve, and the way technology will work that -- that
6 as we -- as we learn to be maybe -- it might change,
7 but right now in terms of the privacy laws and how it
8 works from a -- no, we can't -- we're not there yet, is
9 what I'm saying.

10

11 CONTINUED BY MS. CANDACE GRAMMOND:

12 MS. CANDACE GRAMMOND: Mr. Guimond, I
13 just wanted to ask a follow-up question on one of our
14 earlier exchanges just prior to the break. We were
15 talking about the changing deductible. I had asked you
16 if the Corporation had done any market research or
17 discussions with Manitobans. You had advised, Yes, and
18 that there was reference to that in the rebuttal
19 evidence that the Corporation filed.

20 You're with me?

21 MR. DAN GUIMOND: I -- I believe it's -
22 - I said it was with the Simpson rebuttal, if I recall.

23 MS. CANDACE GRAMMOND: Yeah, I think
24 we're talking about the same thing, what the
25 Corporation filed on October the 17th in response to

1 Dr. Simpson's report. I've got that in front of me,
2 and I'm -- I'm just wondering if you can direct me to
3 where the -- the market research is referenced, because
4 I'm not sure --

5 MR. DAN GUIMOND: Okay. I -- I'm just
6 going --

7 MS. CANDACE GRAMMOND: -- that I --

8 MR. DAN GUIMOND: -- get my binder, and
9 I'll -- I'll be right with you.

10 MS. CANDACE GRAMMOND: Sure.

11

12 (BRIEF PAUSE)

13

14 MR. DAN GUIMOND: Yeah, it's page 12 of
15 the rebuttal.

16 MS. CANDACE GRAMMOND: Yes. It's like
17 she does magic there in the corner. Anyways. Barely
18 came out of your mouth, and there it is.

19 So are you -- you're referring to the
20 chart that's shown on the screen?

21 MR. DAN GUIMOND: That's correct.

22 MS. CANDACE GRAMMOND: And would this
23 be the reference to maintaining stable and fair rates,
24 and the other information in the top left-hand box?

25 MR. DAN GUIMOND: Yeah. This is how we

1 try and -- and monitor how customers interpret value.
2 It's a regression analysis against the value equation.
3 And from there, you can see in terms of staying aligned
4 with -- with what consumers expect in terms of if you -
5 - if you do something how it interacts, and how you can
6 sort of not meet your -- your corporate performance
7 index. So -- so this is tightly tied to our -- our
8 corporate performance index in terms of making sure
9 customers are -- are satisfied in Manitoba.

10 MS. CANDACE GRAMMOND: Okay. And the
11 issue of Basic deductible, it -- it does not appear in
12 that phraseology on the chart.

13 Is that a subset of the top one,
14 "Maintaining stable and fair rates"?

15 MR. DAN GUIMOND: No, if you look -- if
16 -- if you want to interpret the chart, for example,
17 Autopac coverage, that's where the -- on the left-hand
18 corner, right. So I'm just going to read here in terms
19 of the interpretation of the axes is that, in terms of
20 good value, so the -- the placement on the vertical
21 axis is the amount of impact an independent variable
22 has on Manitoba rating of good value that is the
23 scripture of the Corporation.

24 So, for example, maintaining stable and
25 fair rates is the most important thing to customers.

1 And what that means -- and you can see if you look at
2 the rate increases, you know, that the last twelve (12)
3 years, if you look at the data, Manitobans have come to
4 understand that what that means is, if I buy a car and
5 I keep it, that next year's rate will be about the
6 same. And it'd have -- to increase it, it'll have to
7 be really justified as to why it needs to go up. They
8 want stability with their cashflow.

9 And then what happens in terms of what
10 you're getting at is that what you have to be careful
11 is that they're okay with the coverage, but if you
12 start to -- they would perceive as cheating, if you
13 raise the deductible from five hundred (500) to seven
14 hundred dollars (\$700), for example, to avoid a rate
15 increase which will mess up, in their mind, what is
16 fair and predictable, then you start to really get
17 negative results on your key performance index with the
18 consumer.

19 MS. CANDACE GRAMMOND: So you're saying
20 --

21 MR. DAN GUIMOND: So those things are -
22 - are all interrelated. And you have to be really
23 careful in terms of, from a policy perspective, what
24 you do.

25 MS. CANDACE GRAMMOND: So you're saying

1 that the end outcome of the research was that the --
2 the public obviously holds rate stability in high
3 importance, but also would not support Basic deductible
4 increase?

5 MR. DAN GUIMOND: What I'm saying is
6 that, if -- if you want to -- in terms of meeting our
7 key performance -- corporate performance index, okay,
8 our numbers in terms of customer satisfaction, that if
9 you start to trade off coverage for -- for price and
10 they think you're cheating, you're going to really not
11 meet customer expectation because they're going to say,
12 You didn't perform. So now you're going to change the
13 coverage to keep the -- the price lower, right, and
14 that's -- that's a no-go. You can't do -- you can't do
15 that.

16 MS. CANDACE GRAMMOND: Okay. So are
17 you saying that the market research specifically asked
18 people about the Basic deductible and that was the
19 response?

20 MR. DAN GUIMOND: I don't know how the
21 exact questions -- how the -- you know, the -- the
22 analyst did that, but I -- I do know that -- that we
23 are able to -- to understand these associations. So if
24 you want to get the public really upset, you start to
25 change the coverage and you ask for more money.

1 MS. CANDACE GRAMMOND: Okay.

2 MR. DAN GUIMOND: That sounds
3 intuitive, but, I mean, you can see the importance of
4 that. And that's why in my testimony yesterday I made
5 -- I -- I really think it's important to go back to
6 rate predictability and stability, because if you don't
7 have that, you won't have support for public auto
8 insurance in Manitoba. It's as simple as that. It'll
9 evaporate.

10 MS. CANDACE GRAMMOND: I'm going to go
11 to some questions about the RSR and the RSR rebuilding
12 fee. In your PowerPoint presentation yesterday there
13 was reference to the need for predictable and clear
14 criteria for RSR rebuilding and rebating.

15 You -- you'll recall that?

16 MR. DAN GUIMOND: Yes.

17 MS. CANDACE GRAMMOND: And in response
18 to one (1) of the IRs that the Board asked MPI, it's
19 number 1-85 and it's at Tab 18 of the book of
20 documents, in particular, 1-85B, we asked the
21 Corporation about the proposed criteria for
22 establishing an increase or decrease of the RSR
23 rebuilding fee in a given year. And then the
24 Corporation said in their response:

25 "In a given rating year, there will

1 be numerous different circumstances,
2 projections, financial
3 considerations, et cetera."

4 But what -- what we need to understand
5 is how, on the one (1) hand, MPI is saying through your
6 testimony, We need predictable and clear criteria. And
7 then on the other hand in this response the Corporation
8 is saying, Well, there's different circumstances in
9 every year that you have to consider.

10 MR. DAN GUIMOND: I'd just like to see
11 in my presentation yesterday the RSR...

12 MS. CANDACE GRAMMOND: I think it's
13 slide 9, at least the --

14 MR. DAN GUIMOND: It's slide 13.

15 MS. CANDACE GRAMMOND: -- what I'm
16 referring --

17 MR. DAN GUIMOND: Slide 13 --

18 MS. CANDACE GRAMMOND: Slide 13?

19 MR. DAN GUIMOND: -- is the one (1) I'd
20 like to be able to answer your question.

21

22 (BRIEF PAUSE)

23

24 MR. DAN GUIMOND: So to answer that
25 question as to maybe when you ask people for money, or

1 when maybe you rebate money. I think that's the
2 question you're asking me.

3 Is that correct?

4 MS. CANDACE GRAMMOND: Yeah, the -- the
5 question I'm asking is, on the one (1) hand you said in
6 your pre-filed testimony, However this is going to work
7 with the RSR needs to be clear and predictable. But
8 then in the IR answer the Corporation is saying, Well,
9 it's going to depend year by year.

10 So how do you make it clear and
11 predictable when it depends year by year? That's what
12 I'm asking.

13 MR. DAN GUIMOND: So -- okay. So when
14 -- what the Corporation is trying to say is to have
15 rate predictability and stability, you need -- you need
16 to be between the two (2) red lines. Because when --
17 when bad things happen, you don't have to ask money for
18 the ratepayers. So it takes care of -- of the numerous
19 little hails that you can't recover through insurance,
20 or bad weather. You know, we've -- we've talked about
21 that, so -- so you...

22 In terms of rebating or surcharges, me -
23 - my position is that there -- there shouldn't be a --
24 a rule on the books on that. I think the idea is more
25 to get to rate predictability and stability. And then

1 the people who will face the situation at the time
2 where it manifests itself, I think they need to do
3 what's in the public good at that point in time. And
4 that may be very different today compared to tomorrow.

5 So the idea of having fixed rules, I
6 don't know why we should do that. And -- and maybe one
7 (1) example is that let's say you're at two-ninety-five
8 (295) and the stock market goes crazy and you find
9 yourself at four-twenty-five (425). I think the people
10 that are going to be in this room at that point in time
11 are going to look at it, and they're going to make a
12 decision to what they think is right at that point in
13 time.

14 If you -- if you go to the other
15 extreme, I -- I think, again, you know, will the
16 Corporation be able to maybe transfer money from excess
17 retained earnings or not, and all these possibilities.
18 So I think that's -- that's what they're hearing -- I
19 mean, that -- that's a -- a good reason to have these
20 hearings, is that when these things manifest
21 themselves, you make the decision at that point in time
22 as to what makes sense.

23 And so I wouldn't -- I wouldn't put any
24 rules. I would just go after rate predictability and
25 stability. I would make sure that -- that we fall in

1 between the -- the two (2) red lines, you know. We can
2 evaluate in four (4) years from now, like I was saying
3 yesterday with the MCT at 100 percent, if -- if the
4 volatility really manifests the way we think, right?

5 And -- and then when it comes to
6 rebating and surcharging, I mean, why try and predict a
7 -- a condition that -- that in the future that we don't
8 even know how it's going to manifest itself or -- or
9 the reason. So I would -- I would park that if I -- if
10 -- if it was my decision. I'd just make sure I'd go
11 for rate predictability and stability. That's step 1.
12 Number 2, rebates or -- or surcharges, deal with them
13 one (1) at the time, what makes sense.

14 MS. CANDACE GRAMMOND: Thank you. Now,
15 you had also said in your pre-filed testimony that in
16 the past the Corporation had asked for an RSR
17 rebuilding fee of 2 percent, and that was quite a
18 number of years ago.

19 Can you tell us a little bit about what
20 the -- the context was at that time for the 2 percent?

21 MR. DAN GUIMOND: I can't remember.
22 I'm sorry. It's too far --

23 MS. CANDACE GRAMMOND: Okay. I -- I
24 know it was --

25 MR. DAN GUIMOND: -- too far gone.

1 MS. CANDACE GRAMMOND: -- I know it was
2 quite a while ago. Let me ask you this, then.

3 In -- in the present application and the
4 1 percent that was applied for, can you tell us a
5 little bit about why it was the 1 percent and not a --
6 a different number that was applied for this year?

7 MR. DAN GUIMOND: Yes, I can. When I
8 was looking at all of this, and -- and, you know, when
9 I was thinking about -- visualized myself yesterday
10 doing the presentation and trying to find common
11 ground, I was looking at this and I was saying, Well, I
12 -- I don't believe the interest rates are going to go
13 up. And I knew at that point in time when we did the
14 rate app it was two point four (2.4).

15 Maybe up to -- so we redid the numbers.
16 You saw that yesterday. We were at three point six
17 (3.6), or something like that, with the current
18 interest rates. I figured the -- you know, we'd --
19 we'd need more money by the time we get here. So I
20 think I wanted to be able to show that, as president
21 and CEO, you know, when you say -- when you say
22 something, you have to be able to back it up.

23 So what I did is I really left a point
24 on the table for -- to offer the Regulator an
25 opportunity to change its position on interest rate,

1 and put the three point four (3.4) to the -- to the
2 Basic rates. And then I said to myself, Well, you
3 know, why not four point two (4.2), or three point nine
4 (3.9)? This goes back to finding common ground again.
5 And I said, You know, at three point four (3.4) I can
6 meet my mandate. As president and CEO, if I get 3.4
7 percent, I'll meet the mandate. If I don't get that, I
8 won't meet our mandate. That -- that's what I believe.

9 So, you know, at the end of the day when
10 you're dealing with all kinds of variables that nobody
11 really know how it's going to turn out, I mean, it --
12 it -- this -- you know, you think this interest rate
13 thing -- like, I mean, really -- like nobody knows. We
14 could parade experts here left and right, nobody's
15 going to -- if -- the only thing people know is it's
16 going to go up, but they don't know when.

17 So you've got to make a call. So I made
18 a call, and I'm willing to say as president and CEO at
19 3.4 percent, we'll meet our mandate. If we don't have
20 3.4 percent, we're not going to meet our mandate. And
21 -- and I think you need to stand up as the leader, and
22 you need to -- when there's all kinds of uncertainties
23 you need to make a call, and I made the call. And
24 we'll see what happens.

25

1 (BRIEF PAUSE)

2

3 MS. CANDACE GRAMMOND: Mr. Guimond, you
4 also gave a little bit of evidence yesterday in
5 response to a question from the Chairman of the Board
6 about transferring excess retained earnings into Basic
7 from the other lines, and I just want to ask you a few
8 more questions about that.

9 The first question is: When would the
10 Corporation envision --

11 MR. DAN GUIMOND: I'm glad to report
12 it's not mine.

13 MS. CANDACE GRAMMOND: I -- I think it
14 was actually someone in the hall. It was very loud.

15 When would you envision a transfer, and
16 -- and leave aside the amount for the moment, but what
17 would the timing be relative to this process?

18 MR. DAN GUIMOND: I think what we're
19 committing is -- is to have whatever we agree to, to be
20 there within four (4) years. That's number 1. And
21 then number 2 is to get to the minimum amount as fast
22 as possible. So when I -- when I think about all the
23 things that can happen, you know, if we -- if we have
24 like a bad winter, if we take a bigger hit, and so on,
25 so -- but our objective will be -- our commitment to

1 you is to have it rebuild within four (4) years, and to
2 get there as fast as possible.

3 MS. CANDACE GRAMMOND: So would we
4 expect to see the first transfer then in current fiscal
5 year? Like after the Board's Order but before the end
6 of February?

7 MR. DAN GUIMOND: It's going to depend
8 what -- what really Ms. Reichert tells me in terms of
9 how she thinks our -- our competitive lines are going
10 to end up at the end of the year. But, yeah, I would
11 think that you'd want to see something -- so I'm
12 definitely going to want to be able to show that we --
13 that we're serious about it, and -- and transfer
14 something meaningful before the end of the fiscal year.

15 MS. CANDACE GRAMMOND: Okay. Thank
16 you. And I -- I appreciate that you -- the Corporation
17 will need to look at how much is in the other lines,
18 but would it be reasonable to expect that whatever the
19 excess is in the other lines would be transferred, or
20 would -- do you think the Corporation would see the
21 need to maintain something more than the target numbers
22 in those other lines?

23 MR. DAN GUIMOND: It will depend what
24 the Board of Directors -- the -- in -- in terms -- I
25 think you're talking about that -- that \$100 million

1 sitting there. We're going to transfer the lion's
2 share of that money as fast as possible, if -- if
3 everything works out. It's possible, though, that we
4 might use some of that money to -- to do something I'm
5 not at liberty to -- to talk about right now. But it -
6 - it has to do with our research -- our R & D facility.
7 And we might be investing in our R & D facility, so.

8 But it will be pretty darn close to the
9 -- to at least the number you see there, if not -- if
10 not a little bit more because we'll get some of the
11 profits coming in this year, too, right? So it'll be -
12 - it'll be substantial.

13 MS. CANDACE GRAMMOND: And from the way
14 that the discussion on this has -- is going, I think I
15 already know the answer to this question, but I just
16 want to make sure that I'm clear.

17 Should the Board have any concern that
18 there will be no money transferred? Or is it safe to
19 say that there will be some amount transferred?

20 MR. DAN GUIMOND: Oh, for sure, some --
21 some amount transferred. I mean, this is a serious
22 commitment on behalf of our board of director to the --
23 to the Regulator.

24 MS. CANDACE GRAMMOND: The other thing
25 that I wanted to learn about from you is in terms of

1 the -- the timing. And -- and I -- I don't necessarily
2 want to take you back to past fiscal years. But
3 there's been -- I think it's fair to say there's been
4 excess money sitting in Extension and SRE for some
5 time. That -- and when I say, "excess," I mean over
6 and above the -- the targets for retained earnings in
7 those lines.

8 Can you tell me a little bit about the
9 thought process of the Corporation in terms of coming
10 to the Board to ask for the surcharge and say, And
11 we're going to make transfers, as opposed to making the
12 transfers first prior to asking for a surcharge?

13 MR. DAN GUIMOND: Yeah, I -- you know,
14 like going back to meeting our fiduciary
15 responsibilities and going back to the presentation I
16 had yesterday, it's imperative for us that we be able
17 to move forward on the DCAT. We -- we need to know
18 where the Board stands on the DCAT. And we need to
19 know what the range of the RSR is going to be before we
20 move any money or we do anything.

21 It's important that we -- that we have
22 that before we move forward. We're not going to
23 transfer any money from our excess retained earnings
24 until we have a -- a clear position from the -- from --
25 from the PUB Board, from the Regulator, in terms of are

1 we moving forward on the DCAT and are we okay with the
2 ranges. So that's -- that's the answer as to why we
3 haven't transferred anything.

4 The only reason I put 1 percent there
5 for rebuilding, I mean, I mean, we'd all be about
6 eighty (80) years old by the time the RSR would be
7 rebuilt at 1 percent. I just left it there because I
8 really believe that I could meet the mandate I'm asked
9 to meet with 3.4 percent in the Basic rates. So it was
10 never -- it was there because I knew the interest rate
11 wouldn't go up. I knew that -- that it would be a -- a
12 problem.

13 And so I left it there for the Board to
14 be able to vary the Order and -- and put the three
15 point four (3.4) where I believe it belongs so that we
16 can meet our mandate. And that would be in the
17 interest of the public good. Because we didn't know
18 what the numbers would be, right? I mean, I made a
19 call. I wasn't -- it's -- you have to make a call when
20 you're a leader. So I made the call.

21 MS. CANDACE GRAMMOND: Just going back
22 to the earlier part of that answer.

23 What if the Board decides, for whatever
24 reasons, not to implement the DCAT? Is there still
25 going to be a transfer, or does the Corporation require

1 that before it's going to transfer any excess retained
2 earnings?

3 MR. DAN GUIMOND: If we don't proceed
4 with the DCAT, we're -- we're not able to proceed with
5 the transfers because we don't know how much money to
6 transfer. And we don't know what -- what the Regulator
7 would do with the money.

8 MS. CANDACE GRAMMOND: The Corporation
9 is expecting, pursuant to the filing, based on what it
10 thinks interest rates are going to do and so forth,
11 that the RSR as of the end of the current fiscal year
12 is going to fall below the bottom of the Board's
13 existing range, right? Because it's not like there's
14 no range right now. There is a previously ordered
15 Board range.

16 So if that were to occur, if the numbers
17 fall such that the RSR is under that minimum of the --
18 the current Board Order target, and for whatever
19 reasons the Board doesn't implement DCAT, is the
20 Corporation just going to allow the RSR to sit under
21 the Board's target? Or would there be a transfer at
22 that point?

23 MR. DAN GUIMOND: It'll sit under --
24 under the target. It will be -- the worst-case
25 scenario is the RSR at the end of the fiscal year would

1 be as low as \$30 million, and it's going to sit there.

2 MS. CANDACE GRAMMOND: So no DCAT, no
3 transfers. Is that it?

4 MR. DAN GUIMOND: Well, I'll put some
5 context around that. The way I was briefed is that the
6 -- and why we -- we went the way we went is that I -- I
7 was briefed, and I was a bit surprised yesterday maybe
8 at the -- the answer I got from Mr. Gosselin, but I was
9 told that -- the way I was briefed is that the
10 Regulator and ourselves, and I believe CAC's involved
11 too, that we had all these technical conferences. I
12 think we've been in it for four (4) years, I believe,
13 in terms of discussing the DCAT.

14 And my understanding, too as I stated
15 yesterday, is that the Board's actuary and our actuary
16 were -- were very aligned and things were resolving and
17 that -- that we should -- the way I was briefed is that
18 it wouldn't be an issue to proceed this year.

19 So, I mean, if you're getting into the
20 context of -- of -- if you're trying to provide context
21 with blackmail, I was led to believe that -- that we're
22 -- we were going to rule on this, this year.

23 MS. CANDACE GRAMMOND: Don't take my
24 question as any kind of prejudgment on the -- the part
25 of the Board. I mean, it's day 2, and nobody knows

1 what the outcome of this is going to be, this rate
2 application or any aspect of it.

3 MR. DAN GUIMOND: Okay. It's important
4 to me to know -- to know that people know that the way
5 we went about it was in good faith and it's not about
6 putting people's back to the wall.

7 MS. CANDACE GRAMMOND: Okay. And so, I
8 mean, you -- you appreciate that, for -- for whatever
9 reasons, the Board may not implement the DCAT. It may
10 decide that the existing approach may be subject to
11 some change, maybe not, is going to stay. Like, you --
12 you -- the Corporation appreciates that that could be
13 the outcome of this, right?

14 MR. DAN GUIMOND: It definitely could
15 be an outcome. But it's important to know that in
16 terms of my frame of mind, is that the Board would like
17 to proceed with this and -- and that it's -- it's at
18 the point where we can move forward.

19 MS. CANDACE GRAMMOND: No, and I know.
20 And I think the Corporation's made its position in
21 terms of DCAT clear in that regard, that we know that
22 that's certainly what the Corporation is looking for.
23 But just so that the Board understands, because there
24 are these wide range of outcomes for this proceeding,
25 or potential outcomes for this proceeding. And -- and

1 I'm -- I'm not trying to accused you of -- of blackmail
2 or pushing the back to the wall, but so that the Board
3 understands the Corporation's position, no DCAT equals
4 no transfers.

5 Is that it?

6 MR. DAN GUIMOND: Well, no DCAT means
7 that you don't know what -- what you're dealing with in
8 terms of -- of amounts. I mean, as long as the DCAT's
9 not approved, you don't have a target.

10 MS. CANDACE GRAMMOND: Well, there is a
11 target.

12 MR. DAN GUIMOND: So there's no way --

13 MS. CANDACE GRAMMOND: There's a target
14 now. And I don't think we have any reason to think
15 there would be no target. So let's assume that the
16 Board doesn't accept DCAT for whatever reason but that
17 there is still a target range. So there's still a
18 range.

19 MR. DAN GUIMOND: Yeah.

20 MS. CANDACE GRAMMOND: There's an
21 amount in the RSR that could be on the low side. And --

22 MR. DAN GUIMOND: And we -- we won't
23 transfer the money until we can move forward on the
24 DCAT because we want to be able to meet our fiduciary
25 responsibilities.

1 MS. CANDACE GRAMMOND: Okay.

2 MR. DAN GUIMOND: That's -- that's the
3 key driver. That's -- that's important, to -- to
4 understand that meeting our fiduciary responsibility is
5 -- is very, very important to the -- to the board of
6 directors and -- and the officers of the Company.

7 MS. CANDACE GRAMMOND: Okay. Now, Mr.
8 Guimond, I'm sure you've looked at the second quarter
9 report for the Corporation that just has been released
10 fairly recently. And, for the record, it was attached
11 to pre-ask 2 of the Board.

12

13 (BRIEF PAUSE)

14

15 MS. CANDACE GRAMMOND: So what I would
16 like to know is how -- and I -- I'm not going to take
17 you through necessarily specific numbers in here,
18 although if you want to point to some, that would be
19 fine.

20 How do you feel about the Corporation's
21 financial position at the end of the second quarter of
22 the current year?

23 MR. DAN GUIMOND: Vulnerable.

24 MS. CANDACE GRAMMOND: And what makes
25 you say that?

1 MR. DAN GUIMOND: I think that as long
2 as we don't deal with the RSR, the assumptions of the
3 interest rates, and be able to move forward in
4 immunizing the Corporation against the -- the financial
5 vulnerability that we're facing in terms of -- like to
6 me, that's just a point in time, but in the bigger
7 picture the Corporation is vulnerable financially.

8 And it concerns me enormously because
9 we're going to lose the support of public auto
10 insurance in Manitoba if we -- if we don't go back to
11 rate predictability and stability. We're just not
12 going to meet our corporate performance indicators, and
13 it's -- it's going to go bad.

14 MS. CANDACE GRAMMOND: Just -- again to
15 make sure that I understand what I -- I hear you
16 saying, and -- and you certainly made reference
17 yesterday to your concerns about interest rate risk,
18 and I -- I do have some questions for you about that in
19 a minute.

20 But what I see in the second quarter
21 report is that the -- the total equity of the
22 Corporation, so not just Basic but everything, is about
23 477 million as at August 31st of 2014, if -- that's on
24 page 10, if you want to -- to look at it.

25

1 (BRIEF PAUSE)

2

3 MR. DAN GUIMOND: Yeah, that's correct

4 MS. CANDACE GRAMMOND: And, I mean,
5 that -- that's a pretty big number, 477 million, so
6 just can you maybe tell us in that context, and I --
7 appreciating your comments about interest rate risk,
8 why you feel that the position is vulnerable?

9 MR. DAN GUIMOND: Well, out of that
10 money that's sitting there -- in terms of the success
11 of the Corporation a lot of that money is spoken for.
12 So what's -- what's important to me is to go back, and
13 maybe we can go back to that -- that graph that I had
14 regarding the -- those two (2) red lines.

15 As long as we're not immunized against
16 financial volatility that would preclude us to have
17 rate predictability and stability, the Corporation will
18 not be able to meet its corporate performance index,
19 and we will lose the support of public auto insurance
20 in Manitoba because people want to be on a monthly
21 budget, and they want their vehicles -- I mean, their
22 insurance premium, that next year it's going to be
23 about the same, and not much more.

24 And -- and they've been used to that for
25 twelve (12) years. And I think the climate change and

1 everything else that's happening, and -- that's why I'm
2 saying I'm willing to review the MCT of 100 percent
3 four (4) years from now, but if we don't immunize
4 ourselves against this volatility, we're -- we're going
5 to get ourselves into a lot of trouble.

6 MS. CANDACE GRAMMOND: Mr. Guimond,
7 when you say that the 477 million, or at least part of
8 it, that equity is spoken for, what are you referring
9 to? Because it's -- it's comprised of retained
10 earnings and AOCI, right, accumulated other
11 comprehensive income?

12 MR. DAN GUIMOND: One (1) moment,
13 please.

14

15 (BRIEF PAUSE)

16

17 MR. DAN GUIMOND: I think the point
18 that I'm trying to make is that how much money is in
19 there to be able to deal with -- with the volatility --
20 the financial volatility that we're facing. And that's
21 really, from my perspective, and I'll just -- it's the
22 Basic RSR. That's where the vulnerability is. And as
23 long as you have that vulnerability, it's going to be a
24 problem.

25 MS. CANDACE GRAMMOND: On this chart,

1 the Basic RSR is 108 1/2 million, right, of the four
2 seventy-seven (477)?

3 MR. DAN GUIMOND: Yes, as of March 1 --
4 yeah.

5 MS. CANDACE GRAMMOND: This -- yeah.

6 MR. DAN GUIMOND: August 31 --

7 MS. CANDACE GRAMMOND: Right, August --

8 MR. DAN GUIMOND: -- 2014, yeah.

9 MS. CANDACE GRAMMOND: -- so the basic
10 RSR actually has gone up since March 1st of the current
11 year by about 8.6 million, right?

12 MR. DAN GUIMOND: And may very well be
13 at \$30 million by the end of the fiscal year.

14 MS. CANDACE GRAMMOND: But from March
15 to August it went up by eight point six (8.6).

16 MR. DAN GUIMOND: Yes, but I -- I'm
17 trying to follow the logic in terms of why I feel we're
18 vulnerable.

19 Why we feel we're vulnerable is because
20 this number may very well be at \$30 million at the end
21 of the fiscal year. And as long as we don't solve the
22 issue with the RSR, I think the Company is very
23 vulnerable.

24 MS. CANDACE GRAMMOND: Is it fair to
25 say that the -- the real root of your concern about

1 vulnerability is interest rate risk?

2 MR. DAN GUIMOND: That is one (1) of my
3 concerns. The interest rate being the -- the primary
4 one. There's also -- I mean, a lot of people are --
5 are talking about another equity adjustment. I don't
6 know if that's going to happen or not, but there's a --
7 there's a lot of things that could negatively affect
8 us.

9 The interest rate right now is -- is key
10 because that one (1) is really hurting us right now.
11 But there's a lot of talk out there about an equity
12 adjustment. So it's -- there's a lot of bad things
13 that can happen to us.

14 MS. CANDACE GRAMMOND: And let's maybe
15 talk about the interest rate now. I -- I know I said
16 I'd have some questions. You said yesterday that you
17 believe that interest rates will stay down, despite the
18 forecast of the banks.

19 Can you tell us a little bit more about
20 the basis for your belief on that?

21 MR. DAN GUIMOND: Well, I'm not a --
22 I'm not an economist. I -- I did study economics. I
23 do have a Bachelor in economics a long time ago. But
24 when you hear people like the -- the government or the
25 Bank of Canada, the Governor of the Bank of Canada, or

1 -- or the people that manage banks, like monetary
2 policy and they're saying that the interest rate will
3 not go up.

4 And -- and I know that's tied to the
5 economy and the ability to keep things going. And they
6 know that if the interest rate goes up based on the --
7 what Mr. Ray Carney, for example, on the CBC special,
8 or what the Bank of Canada said in -- in September that
9 rates are not going up, and they're not going up for a
10 while for a long-term. So when you have an economy
11 that's tied to low interest rate, if you have to hedge
12 your bets that -- that speaks volume for me. I'm --
13 I'm just a business guy.

14 And -- but when you have, like, people
15 in authority in those positions and -- and they keep
16 saying that. And for the last five (5) years, I mean,
17 you see the data. It ain't going up. You have to make
18 a call. And that's my belief.

19 And the -- and I'm hoping that the
20 regulator, especially with the -- I think it's been
21 five (5) years now that -- that's it's been here.
22 Like, that they -- they said it would be going up and
23 it hasn't been going up. So I'm hoping that that has an
24 effect on the regulator in terms of their position.

25 MS. CANDACE GRAMMOND: And -- and on

1 that you said yesterday that you were asking the Board
2 to change its view of interest rate forecasting.

3 So what are you asking the Board to
4 implement in -- in that way?

5 MR. DAN GUIMOND: I -- if -- if it --
6 if the -- what I'm hoping for is the regulator change
7 their position on the interest rate. That they agree
8 that it's not going to go up. And that they vary the
9 Order and put the 3.4 percent towards the Basic rates.
10 I feel that at three-point-four (3.4) I can meet the
11 mandate.

12 Now, I know that yesterday I put some in
13 the record that it might be even higher, right? It
14 might -- the -- the rate could be even be higher. I
15 think if we ran the numbers as of the end of September
16 it's at three-point-six (3.6). But you've got to make
17 a call, and you've got to balance things out. And I'm
18 saying at 3.4 percent, we'll meet our mandate. If we
19 don't get the 3.4 percent we're not going to meet our
20 mandate.

21 MS. CANDACE GRAMMOND: So when you say
22 -- you're asking the Board to change its view on the
23 interest rates, you're really saying grant the rate
24 application. You're not asking for a specific
25 direction about interest rate forecasting?

1 MR. DAN GUIMOND: What I'm -- what I'm
2 suggesting is -- is to vary the application and put the
3 3.4 percent towards the Basic rates, and let us take
4 care of the RSR.

5 MS. CANDACE GRAMMOND: Okay. So,
6 sorry. Just to make sure that I understand that. In
7 this -- the -- today, in this day of the hearing when
8 we've been talking about three-point-four (3.4), you're
9 thinking a 3.4 percent rate increase, as opposed to the
10 two-point-four (2.4) rate increase and a 1 percent RSR
11 rebuilding?

12 MR. DAN GUIMOND: Well, it -- to me
13 maybe it's semantics. But right now from a consumer
14 perspective they're thinking they're going to have a
15 3.4 percent rate increase. Now, we all know that the 1
16 percent for the RSR -- I mean, that's -- what I'm
17 saying is it should be 3.4 percent for the Basic rates.
18 We'll take care of the RSR.

19 MS. CANDACE GRAMMOND: Okay. So is the
20 Corporation amending its rate application?

21 MR. DAN GUIMOND: No, we're not. And
22 the reason I'm not is because we could have spent a
23 pile of money doing that, and I could -- we could have
24 had debates on the future of the interest rate, and we
25 could parade experts here, and spend a million dollars

1 on experts and give us -- give the -- at the end of the
2 day I think this is a really good example of these
3 processes. This protocol -- this -- this -- what makes
4 sense. You've got to make a call.

5 And is it four point two (4.2)? Four
6 point nine (4.9)? Three point six (3.6)? You know,
7 everything is right now indicating above what -- what
8 I'm suggesting. But you have -- as a leader you got to
9 make a call, and I'm saying if -- if -- the three point
10 four (3.4) will allow us to meet our mandate. And --
11 and so because it's so -- it -- it's really a business
12 decision that you make to mitigate risk, and you don't
13 know the answer.

14 I mean, if I was on your side -- I
15 understand, too. I mean, if I was on -- in your shoes,
16 I'd say, Well, they've got to go up. They don't go up.
17 It's been five (5) years of saying they're going to go
18 up. So I'm saying, reconsider your position, and then
19 just like what I was facing, you don't know the answer.
20 And you know you can talk to ten thousand (10,000)
21 experts and you still won't know the answer, what the
22 right number is.

23 So just like me, you're going to have to
24 make a call. And the only additional advant -- only
25 additional information you have that I -- that -- that

1 I had to do is I said three point four (3.4) we'll be
2 able to meet our mandate. Anything else I don't feel
3 we're going to meet our mandate. And -- and at the end
4 of the day, it's -- it's very -- it's a business
5 decision, and it's -- it's not something that you can
6 go scientifically determine. It's a judgment call.

7 And I think the regulator is at the
8 point where they're going to have to take the authority
9 they have, and just like me they're going to have to
10 look at it and say, hmm, Like how much of this interest
11 rate risk do we push to the regulator, and how much of
12 a balloon do we create in the future if we don't start
13 addressing it.

14 MS. CANDACE GRAMMOND: Okay. So --

15 MR. DAN GUIMOND: And so it's a
16 business call, and -- and the regulator will have to
17 decide, you know, what -- what makes sense.

18 MS. CANDACE GRAMMOND: So --

19 MS. SUSAN PROVEN: Can I -- can I just
20 interject while we're still on the topic in case you go
21 somewhere else, but as a regulator we're -- I always
22 felt we were responsible for this reserve, and that we
23 would put it in the rates somehow to keep it at the
24 level that we felt comfortable with. And as you said,
25 we did establish a level in a former Order.

1 So I can see where you're going. You
2 know, you want to make sure that the Corporation is
3 viable. And it is going to take an increase,
4 obviously, or it sounds like it's going to, but you're
5 only saying to us, as a Board, You look after the
6 actual increase and we'll look after the reserve.

7 And that -- that sort of takes some
8 responsibility away from the Board in that, you know,
9 we need to -- we need to know where that reserve is at,
10 and be responsible for it. And I'm still struggling,
11 Mr. Guimond, with the fact that you said that you don't
12 want to see increases; that you want the rates to be
13 stable for the customer so that they don't have to have
14 an increase in the future, but I can't see anyway
15 beyond this year.

16 Like if this is the situation, what is
17 going to change in the future years that will make it
18 so that customers have no increases? That just doesn't
19 seem possible.

20 MR. DAN GUIMOND: Yeah, that -- that's
21 a very -- very good question. And, you know, I
22 sincerely hope the interest rates are going to go up
23 eventually. I've talked to people. I've -- I've
24 talked to various individuals, and -- and the -- the
25 thing is, and this is very subjective -- very

1 subjective. It's my own thought.

2 The -- I don't think the interest rates
3 are going to go up in the near future. And what's
4 going to happen is that when you make a decision, it
5 takes about thirty-three (33) months to fully manifest
6 themselves into our -- our financial statements just
7 because of the staggered renewals.

8 So at 3.4 percent, that'll help us for
9 the next thirty-three (33) months. I believe the
10 interest rate will be going up with the next thirty-
11 three (33) months. I believe the interest rate will be
12 going up with the next thirty-three (33) months. So by
13 the time this interest -- this -- this ruling in
14 thirty-three (33) months into the future, I believe the
15 interest rates will be starting to go up 2019 at the
16 latest.

17 When we do the asset liability study, in
18 terms of how we immunize ourself against this interest
19 rate thing, I really want to have a conversation with
20 the -- with the regulator to say, Okay, first of all,
21 when we -- when we make the move there's going to be
22 costs associated to the conversation, you know, when we
23 change, we immunize ourself against these -- these
24 movements.

25 Then there's also going to be a hit on

1 rates when we do that, and so timing will be important.
2 So I think, in the interest of the public good, if you
3 get that 3.4 percent that manifests itself over the
4 next thirty-four (34) months you're buying time until
5 the interest rate goes up.

6 Then I think we're going to have to have
7 a good conversation about the timing of -- of doing the
8 matching because just -- I think we're probably at rock
9 bottom, on your way up, how much money do you want to
10 leave on -- on the table on your way up, you know,
11 like, in terms of when the interest rate starts to go
12 up.

13 So I think we need to decide to -- to
14 make a decision what would be in the public interest in
15 terms of when's the right timing when we do the -- the
16 ALM and -- and when we start to do the matching, what's
17 the conversion costs, what's the effect on the rates,
18 and then, you know, what's the timing of when we make
19 those moves because when those interest rates start to
20 go up, you know, like me, money's going to start to
21 come in.

22 So now we're going to have to decide,
23 you know, what's the right timing and when is the right
24 time to make that because I -- I think Manitobans
25 should be able to -- to take advantage a little bit of

1 what's going to happen when the interest rates go -- go
2 up.

3 I mean, we don't want to leave all that
4 money on the table. So I think it'd be good to have a
5 good discussion -- a good financial discussion and
6 strategy as to what would be in the best interests of -
7 - of the public. But my strategy is very simple.
8 Three point four (3.4) allows us to meet the mandate.
9 You buy time. You decide -- when the interest rates
10 start to go up, they'll go up and up and up to whatever
11 it's going to be. You -- you decide how much money you
12 want to go make. And then you execute the strategy to
13 immunize yourself on the matching. And then you call
14 it a day.

15 We're probably going to be done with
16 that by -- by 2018, 2019. But it's very important that
17 we work together on this financial strategy to make
18 sure we -- we maximize the -- the return for -- for
19 policyholders. But right now, the interest rate are
20 not going up, and they're not going to go up.

21

22 CONTINUED BY MS. CANDACE GRAMMOND:

23 MS. CANDACE GRAMMOND: Mr. Guimond, I
24 just want to go back to something from one (1) of the
25 last questions that I had asked. So you're looking for

1 3.4 percent. I know we've heard that. But that is
2 comprised of the 2.4 percent rate increase and a 1
3 percent rebuilding fee. So the Corporation --

4 MR. DAN GUIMOND: No.

5 MS. CANDACE GRAMMOND: No.

6 MR. DAN GUIMOND: No. No, what I'm
7 suggesting is that the -- the regulator reassesses it's
8 position on interest rate. And if they agree with me
9 that the interest rate will not go up in the near
10 future, or at least for the next eighteen (18) months
11 or less, I mean, I -- I think it's going to be at least
12 eighteen (18) months, but they're not going to go up.
13 That's my point.

14 And so you have to come to that
15 conclusion. You have to accept that first. Once you
16 accept that the interest rates are not going to go up,
17 then you say, What do we do about it and what's the
18 number that -- that you pick, because it's dis --
19 discretionary because you don't really know what's
20 going to happen.

21 And so I'm telling you that at 3.4
22 percent, with my knowledge of the business and what
23 we're doing and the commitments you saw yesterday,
24 we're going to be able to meet our mandate. If we
25 don't get that, we're not going to do it.

1 So in terms of -- of what number to pick
2 once you agree they're not going to go up, I'm
3 recommending to the regulator that they amend the Order
4 and they give us 3.4 percent rate increase in the Basic
5 rates.

6 MS. CANDACE GRAMMOND: Okay, but you
7 also told me that the corporation is not amending its
8 application. So which one is it? Because they applied
9 for 2.4 percent rate increase and a 1 percent
10 rebuilding fee. Now you're telling me they want a 4
11 percent rate increase. So it needs to be one or the
12 other. So which one is it?

13 MR. DAN GUIMOND: At the end of the day
14 what I'm doing is not very (indiscernible) in making a
15 suggestion to the PUB in terms of what is in the
16 interests of -- of -- of what I think should happen.
17 It's a suggestion.

18 MS. CANDACE GRAMMOND: Okay. So you --

19 MR. DAN GUIMOND: Whether the regulator
20 does it or not, that will be up to them.

21 MS. CANDACE GRAMMOND: So you're
22 suggesting an alternate disposition of the application?

23 MR. DAN GUIMOND: Yes.

24 MS. CANDACE GRAMMOND: Okay. Okay.

25 Mr. Guimond, you touched on the --

1 MR. REGIS GOSSELIN: I just want -- I
2 just want -- it's a shift in thinking, right?

3 MR. DAN GUIMOND: I'm sorry?

4 MR. REGIS GOSSELIN: It's really a
5 shift in thinking. At least for me it is a shift in
6 thinking because saying that -- say, for example, that
7 we give a 2 percent, 2.4 percent increase and a 1
8 percent rate rider, 2.4 percent proves inadequate to
9 cover costs, it just means that there'd be shifting
10 some of the reserve money into the balance sheet. But
11 from -- they're basically shifting money to cover off
12 the shortfall, right? I mean --

13 MR. DAN GUIMOND: That your RSR is
14 going to be depleted.

15 MR. REGIS GOSSELIN: I mean, that's
16 their perspective. I mean, it's just -- it's academic.
17 If you have -- if you got 3.4 percent as a rate and
18 there's excess money that goes into the RSR, the
19 difference is, from our perspective, the difference is
20 that, this is my thinking, that once you grant three
21 point four (3.4) rates, it's embedded in the rate, as
22 opposed to two point four (2.4) embedded in rates, and
23 1 percent to RSR which can be pulled back without
24 impacting rates. You know what I mean?

25 MR. DAN GUIMOND: Yeah. And when you

1 look --

2 MR. REGIS GOSSELIN: Big difference
3 though. Big difference in the sense that --

4 MR. DAN GUIMOND: Yeah.

5 MR. REGIS GOSSELIN: -- it, as opposed
6 to being embedded in rates on a go-forward basis --

7 MR. DAN GUIMOND: Yeah, and --

8 MR. REGIS GOSSELIN: -- you're going to
9 shore up the RSR rider.

10 MR. DAN GUIMOND: No, that's -- that's
11 -- that's a good point and my thought process regarding
12 that, as I said, okay, like, if they run the numbers
13 they're going to see it's between two point four (2.4)
14 and four point two (4.2), depending the assumptions you
15 want to use. Okay. So first case -- right now they're
16 looking at 4.2 to 4.9, right, so in terms of
17 transferring the risk to the regulator and preventing a
18 bubble, right. So the way you look at it from the risk
19 mitigation perspective, you're saying interest rate are
20 not going to go up. So now you're creating, you're
21 transferring -- if you're not -- if you're not using
22 the fore -- in the forecasting model how you think the
23 interest rate are going to work, then what happens is -
24 - is that you're -- the next year it just starts to
25 mushroom, right. Like -- like, we're going to be

1 instead of two point four (2.4) or four point nine
2 (4.9) and then it's six (6) and it's -- you know, it
3 just -- it just starts to really, really grow on you,
4 right, and the actuaries can explain or go into details
5 with that. So what we know now, if the interest rate
6 don't go up anywhere to rerun the pro formas, you could
7 be looking at -- at 4.2, 4.9 by next year.

8 So -- so then I said to myself, really
9 it's a guessing game. Really, what we're doing is
10 guessing. So what I'm saying is, okay, let's minimize
11 the impact of transferring the risk to the -- to the
12 policy holder so they don't end up with four point nine
13 (4.9) or four point two (4.2) and it isn't keep -- you
14 know, we don't create this mushroom of -- of a balloon
15 of cost down the road. So that's why I made the call
16 at three point four (3.4) because I think you're going
17 to -- when you huddle, so to speak, and deliberate
18 you're going to say, well, when I look at that risk of
19 interest rate, I'd probably be looking from 2.4 to 4.9,
20 4.2, 4.9, depending on the model you want to run,
21 right, in terms of what you think interest rates are
22 going to do.

23 The luxury that you have is that you
24 have a president CEO in front of you that says, "At
25 three point four (3.4), I'll meet the mandate." Based

1 on my experience and so on, anything less we will not
2 meet our mandate. But you have to agree in the first -
3 - the first step is to agree that the interest rate
4 won't go up. That's critical. I'm there. Maybe you
5 are not. But if you are there then it's just about
6 what are the implications. Are the interest rate not
7 going up and how long is it going to last? And when
8 you run the models, you're up to four point (4.2), 4.9
9 percent if they don't go up. So then you say, okay,
10 you know, I still want to assume some risk, maybe not
11 all the risk. I don't want to create a nightmare in
12 the future. So I set at three point four (3.4). At
13 least -- at least you have the benefit knowing that the
14 corporation is willing to be accountable and believes
15 it will meet its mandate at three point four (3.4).

16 But it's a judgment call and I totally
17 get it on the other side, I mean, if I was in your
18 shoes too but I really think I wouldn't continue -- I
19 came to the conclusion that if I was on your side of
20 the table I wouldn't continue to transfer the risk of
21 the interest rate to the ratepayers so it doesn't
22 explode on them. So once you decide to say, okay, I'm
23 not going to do that then what's reasonable and fair?
24 That's a judgment call.

25 MS. SUSAN PROVEN: Mr. Guimond, why

1 didn't you apply for this though in the first place? I

2 guess I'm --

3 MR. DAN GUIMOND: Why?

4 MS. SUSAN PROVEN: -- I'm confused
5 because I'm wondering why you didn't make this
6 application, the three point four (3.4), in the first
7 place --

8 MR. DAN GUIMOND: Yeah.

9 MS. SUSAN PROVEN: -- like originally.
10 It wasn't that long ago.

11 MR. DAN GUIMOND: That's a very good
12 question because when I look at it from the inside out
13 I see a lot tension between the regulator and MPI. And
14 when I look at all the materials I get the impression
15 that MPI has not listened to you, has not tried to deal
16 with the issues that you have put on the table, that we
17 didn't really come to you with alternatives like I did
18 yesterday, and that I get a sense that you're
19 frustrated. So as the new CEO, I didn't want to go in
20 and say, okay, well, this guy, same old, same old. I
21 mean, they're not going to change and here they go on
22 the interest rate again when I told them last year
23 you're not experts on interest rates and this is what
24 we're using.

25 So what I did is I thought, like, once

1 you got to know me a little bit and what we put on the
2 table yesterday, that -- that -- that we would be able
3 to have that discussion. Now you know that the
4 interest rates are not going up, right. I mean, the --
5 we -- we used the information we had at that time that
6 that was valid and now you know they didn't go up and
7 now you know the impact as of today of them not going
8 up. So at least you have the -- it's not like us being
9 stubborn. I didn't want to appear stubborn. I just
10 want to say it the way it is. And then at the end of
11 the day we just have to make a call.

12 MR. REGIS GOSSELIN: I wonder, Mr.
13 Guimond, given that you -- you had mentioned a few
14 times the pro forma statements and your evaluation of -
15 - of -- I think it would be appropriate for you to
16 undertake to show that, show us this number. I realize
17 --

18 MR. DAN GUIMOND: Yeah.

19 MR. REGIS GOSSELIN: I realize you
20 can't resubmit an application but I guess if you are
21 asking us to consider this new fresh information, could
22 you undertake to give us a pro forma that -- that
23 discloses?

24 MR. DAN GUIMOND: Actually, it's been
25 filed. We received some information from the

1 regulator, asking to rerun them and -- and it's my
2 understanding you have them.

3 It's -- it's PUB PreAsk number 5.

4 MR. REGIS GOSSELIN: Thank you. I
5 hadn't seen that.

6 THE CHAIRPERSON: Just at this moment,
7 I'm looking at the clock. It's twelve o'clock. And
8 also we have some new chairs coming and I don't mean
9 for myself but -- but literally new furniture has
10 arrived and apparently it's coming in during the lunch
11 hour. So if you don't mind, I think we'll take a lunch
12 break now. And did you have -- sorry, Mr. Williams,
13 you had something to --

14 MR. BYRON WILLIAMS: Well, with your
15 permission, Madam Chair, our client -- and we're never
16 sure when the right time is. I was going to ask some
17 questions about this this afternoon, but from our
18 client's perspective, and I'm fortunate to have Ms.
19 Desorcy here this morning, there is a fundamental issue
20 of transparency to Manitoba ratepayers here.
21 Analytically there is a massive difference between a
22 corporation telling you it needs 2.4 percent to break
23 even and 1 percent more to put something in the kitty,
24 versus --

25 Can you hear me? My mic is on. Can't

1 hear me?

2 MS. SUSAN PROVEN: Oh, that's --

3 MR. BYRON WILLIAMS: Is that a
4 reflection of the weight of my words?

5 I'm winging this so I'll see if I can
6 get back to the heart of it, but we're -- we were --
7 we're not sure when the right time to raise this but
8 we're -- I'm fortunate to have Ms. Desorcy here.

9 There's a fundamental issue of
10 transparency and candor with -- with Manitoba
11 ratepayers that has been raised, and from our client's
12 position there is a major difference between a
13 corporation telling Manitobans that in good faith they
14 need a two (2), 2.4 percent rate increase to break even
15 plus another 1 percent to put something in the kitty,
16 versus coming to Manitobans and saying, We need \$27
17 million to break even, or a 3.5 percent rate increase.

18 So from our client's perspective, from
19 the perspective of transparency, if MPI is telling us
20 that they need 3.5 percent to break even, from our
21 client's perspective that should be reflected in an
22 amended rate application. We don't -- you know,
23 there's -- there's ample information on the record and
24 our client does not consider it a cumbersome
25 bureaucratic task but an essential task in terms of

1 candor with ratepayers.

2 THE CHAIRPERSON: Thank you, Mr.
3 Williams. We'll be discussing this over the lunch. So
4 we'll take a break and we'll come back about ten after
5 1:00. Thank you.

6

7 --- Upon recessing at 12:05 a.m.

8 --- Upon resuming at 1:18 p.m.

9

10 THE CHAIRPERSON: Okay. Thank you very
11 much for your patience. We did have some technical
12 difficulties, but they've resolved themselves. So I'd
13 like to welcome you back after lunch for this hearing.
14 To begin with though, I -- I do have a question for Ms.
15 Kalinowsky.

16 In addressing Mr. Williams's concern in
17 regard to the transparency of the GRA, is the
18 Corporation planning on amending the GRA to reflect Mr.
19 Guimond's comments?

20

21 (BRIEF PAUSE)

22

23 MS. KATHY KALINOWSKY: Good afternoon.
24 I have instructions to say that the Corporation will
25 not be amending the application, and it is the

1 suggestion for an alternative order that the Board
2 could give based on the new interest rate scenarios
3 that are provided. And if you want any further
4 clarification, then Mr. Guimond will be pleased to add
5 to the record.

6 THE CHAIRPERSON: Okay. Thank you very
7 much, Ms. Kalinowsky. Then we will proceed with the
8 hearings and listen to the evidence based on the GRA as
9 filed. Thank you. Ms. Grammond, would you like to
10 continue?

11 MS. CANDACE GRAMMOND: Yes. Thank you,
12 Madam Chair.

13

14 CONTINUED BY MS. CANDACE GRAMMOND:

15 MS. CANDACE GRAMMOND: Mr. Guimond, I
16 just have a few more questions for you, and then I'll
17 turn things over to Mr. Williams. I do have a couple
18 of questions about unrealized gains within the
19 Corporation's investment portfolio.

20 I'd ask you to go to Tab 13 of the
21 Board's book of documents. We have there a response by
22 the Corporation, it's PUB/MPI I-21. And I appreciate
23 that Pre-ask 1 filed by MPI in response to the Board is
24 an update of this document, so if anyone wants to refer
25 to that one you could -- you could do so although the

1 numbers are fairly similar. So --

2 MS. KATHY KALINOWSKY: Sorry, Ms.
3 Grammond, before you even get to your question, I can
4 likely say that if it's about unrealized gains it would
5 probably be much better directed towards Ms. Reichert.

6 MS. CANDACE GRAMMOND: And I'm prepared
7 to do that. I wasn't going to ask Mr. Guimond a lot
8 about the numbers, per se. What I was going to ask
9 him, and so maybe I'll just put the question out and --
10 and then he can see if he wishes to answer it, is with
11 respect to a decision on the part of the Corporation to
12 realize gains given what we see here in terms of the
13 ratio of market value to book value, and the fact that
14 that ratio is in excess of 105 percent.

15 So it's really about the decision making
16 that I wanted to learn about, so let me know who --
17 who's the best person.

18 MS. KATHY KALINOWSKY: Okay. And that
19 would be much better addressed to Ms. Reichert.

20 MS. CANDACE GRAMMOND: Okay. That's
21 fine.

22

23 CONTINUED BY MS. CANDACE GRAMMOND:

24 MS. CANDACE GRAMMOND: My next question
25 then for Mr. Guimond relates to a topic that's been

1 touched on already. Mr. Guimond, earlier today you
2 spoke about the matching, and the extent to which the
3 Corporation is immunized.

4 And so we -- we know from the evidence
5 on the record that the Corporation is in the process of
6 obtaining a study on that issue. In particular, we
7 understand that MPI has hired Aon Hewitt to undertake a
8 two-phase study. That's right?

9 MR. DAN GUIMOND: That's correct.

10 MS. CANDACE GRAMMOND: And can you let
11 us know what the status of that is? According to the
12 filing, phase 1 was to be completed by the end of 2014.

13 So is that still on track, or is there
14 any change?

15 MR. DAN GUIMOND: It's in progress and
16 on track.

17 MS. CANDACE GRAMMOND: So at this
18 point, has the Corporation had any preliminary
19 presentation or early findings or anything like that
20 from Aon Hewitt as to what the outcome of phase 1's
21 going to be?

22 MR. DAN GUIMOND: There was some
23 meetings with Aon to -- to ha -- go over some
24 preliminary information.

25 MS. CANDACE GRAMMOND: And did Aon

1 communicate to the Corporation what its thought might
2 be on the idea of cash flow matching, whether it's good
3 or not good?

4 MR. DAN GUIMOND: It was more like a
5 preliminary discussion in terms of options. And so no
6 -- no clear direction or decision at this point in
7 time.

8 MS. CANDACE GRAMMOND: And can you give
9 us an idea of when the phase 1 findings will be shared
10 with the Public Utilities Board?

11 MR. DAN GUIMOND: Next year.

12 MS. CANDACE GRAMMOND: So as part of
13 the GRA filing, or just in the new year of 2015?

14 MR. DAN GUIMOND: GRA.

15 MS. CANDACE GRAMMOND: So at that point
16 -- because it -- as -- as we understand it, phase 1 was
17 to look at what an appropriate interest rate mitigation
18 strategy might be. And then phase 2 was to recommend
19 an appropriate asset allocation.

20 So by the time next year's GRA is filed,
21 would both of those phases not already have run their
22 course?

23 MR. DAN GUIMOND: I think Ms. Heather
24 Reichert would be better to handle those questions,
25 because I -- I just got briefed. I know there was some

1 preliminary discussion and she's handling that file.

2 So it would be better for her to answer those

3 questions.

4 MS. CANDACE GRAMMOND: Okay. Just one
5 moment, Madam Chair.

6

7 (BRIEF PAUSE)

8

9 MS. CANDACE GRAMMOND: Okay. Thank
10 you, Madam Chair. Those are my questions for Mr.
11 Guimond.

12 THE CHAIRPERSON: Yes, Mr. Gosselin...?

13 MR. REGIS GOSSELIN: I just have one
14 (1) question, Mr. Guimond. And -- and perhaps you
15 could give me some insights about this particular
16 issue. I know that you can get rental insurance when
17 renting cars in North America from MPI. You know, you
18 can go to the MPI office and get a -- insurance
19 coverage for rental vehicles for North America.

20 And I guess the question is: Have you
21 ever considered offering that -- that service to
22 vehicles rented outside of North America? Europe, for
23 example, Australia, and so on.

24 MR. DAN GUIMOND: The -- the current
25 plan doesn't allow that by legislation, so there's no

1 plan to do that.

2 THE CHAIRPERSON: Okay. Thank you very
3 much. And I'd like to call upon Mr. Byron Williams
4 from CAC to give his cross -- begin his cross-
5 examination.

6

7 CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

8 MR. BYRON WILLIAMS: Thank you and good
9 afternoon, members of the panel. I -- I note that Ms.
10 Desorcy is keeping a vigilant eye over my left
11 shoulder, I believe.

12 Mr. Guimond, I -- I thought I heard you
13 say to Ms. Grammond this morning in terms when you --
14 when you felt she was getting a bit too much into the
15 detail of the application, that only yesterday you made
16 the decision to come back today after the Chairman's
17 comments.

18 Did -- did you make a statement to that
19 effect, sir? Do you recall making a statement to that
20 effect?

21 MR. DAN GUIMOND: What I said, and --
22 is that I heard from Mr. Gosselin that it would be
23 important for me to be here. And so -- and I said that
24 what I understood Mr. Gosselin to say is that he wanted
25 to ask questions about policy or -- or decisions and

1 things of that nature. And so I'm -- I'm intending to
2 stay the -- the hearing, based on -- on what Mr.
3 Gosselin said. But at the end of the day, when it
4 comes to these kinds of questions, Ms. Reichert and Mr.
5 Johnston should be handling those questions.

6 MR. BYRON WILLIAMS: And, sir, when you
7 say you intend to stay for the hearing, you're going to
8 be here for the duration.

9 Is that what you're telling us?

10 MR. DAN GUIMOND: I heard Mr. Gosselin
11 saying that that's what was important. So, yes.

12 MR. BYRON WILLIAMS: Thank you. And
13 that's helpful. And, Mr. Gosselin, you understand as
14 well -- excuse me, Mr. Guimond. I apologize. I've got
15 a lot of important men in the room whose name's start
16 with a 'G', so if I confuse it from time to time. You
17 understand that you -- you have filed on the record in
18 this hearing prefiled evidence. And as well you have
19 oral evidence that you gave yesterday and -- and today.

20 You understand that, sir?

21 MR. DAN GUIMOND: Yes.

22 MR. BYRON WILLIAMS: And so you
23 understand, sir, as well, that under our process at the
24 Public Utilities Board, when evidence is presented, the
25 PUB and -- and Intervenors have a right to ask you

1 questions about it?

2 Do you understand that, sir?

3 MR. DAN GUIMOND: That's correct.

4 MR. BYRON WILLIAMS: So would it be
5 fair to say that you're here as more than just an act
6 of courtesy? You're coming here to defend your
7 evidence?

8 MR. DAN GUIMOND: I'm part of the team
9 to -- to answer the -- the evidence. I don't -- I
10 don't feel -- like -- like, right now, based on my
11 testimony, I'm -- I'm here. But my understanding is
12 that I -- I don't have to be here for the entire
13 hearing because Ms. Reichert and Mr. Johnston can
14 answer all the questions that need to be answered
15 regarding the details.

16 MR. BYRON WILLIAMS: And, sir, am I
17 right in suggesting -- or is it -- would it be correct
18 to suggest to you that you've been with MPI since 1990?

19 MR. DAN GUIMOND: Yes.

20 MR. BYRON WILLIAMS: And if I've got my
21 corporate history correct, most recently you served as
22 vice president, Strategy and Innovation, as well as
23 chief information officer with Manitoba Public
24 Insurance?

25 MR. DAN GUIMOND: Yes.

1 MR. BYRON WILLIAMS: And in that role
2 you were responsible for the management and
3 administration of the Corporation's automobile
4 insurance products and services.

5 Would that be fair?

6 MR. DAN GUIMOND: I was part of the
7 team, yes. It -- it fell under my responsibility, but
8 remembering that I'm part of the management committee.

9 MR. BYRON WILLIAMS: And I recall in a
10 discussion you had with Ms. Grammond yesterday you --
11 you made reference to a waterfall diagram which appears
12 in the overview section of -- of the application.

13 Do you recall that reference, sir? We
14 don't need to go there, but do you recall that?

15 MR. DAN GUIMOND: Yeah. Yeah.

16 MR. BYRON WILLIAMS: So you have read
17 the overview section of the application, sir?

18 MR. DAN GUIMOND: Yes.

19 MR. BYRON WILLIAMS: And at a high
20 level, you're familiar with the overall application,
21 given your responsibilities as president and CEO?

22 MR. DAN GUIMOND: Yes.

23 MR. BYRON WILLIAMS: So be... We're --
24 we're both going to get carpal tunnel syndrome pressing
25 this button. And so at a high level again, sir, you're

1 more than capable of responding to the central elements
2 of your -- your application.

3 Would that be fair?

4 MR. DAN GUIMOND: At the strategy
5 level, yes. I clearly stated yesterday that I'm not an
6 accountant, I'm not a CA, and I'm not an actuary. So
7 in terms of the minutia, so to speak, the answer would
8 be no. But in terms of the strategy, in terms of
9 fiduciary responsibility, in terms of being able to
10 deliver a mandate, yes.

11 MR. BYRON WILLIAMS: And at a high
12 level, as well, sir, it'd be fair to say that your --
13 it's within your responsibility to ensure that
14 corporate guidelines are being adhered to by your
15 staff.

16 Would that be fair?

17 MR. DAN GUIMOND: Yes.

18 MR. BYRON WILLIAMS: And -- and, sir, I
19 believe you just mentioned, to your credit, that you
20 are neither an accountant or an actuary?

21 MR. DAN GUIMOND: Yes, I don't have an
22 accounting designation, nor am I an actuary.

23 MR. BYRON WILLIAMS: And sadly, sir,
24 you're not a lawyer either?

25 MR. DAN GUIMOND: Happily.

1 MR. BYRON WILLIAMS: I was going to say
2 you didn't have to agree with the premise of the
3 question. And -- and, sir, while clearly you hold both
4 a bachelor of arts, as well as training through the
5 Life Office Management Institute in Queen's, but it'd
6 be accurate to say that much of the acumum -- acumen
7 you bring to the job is -- is built -- has been built
8 up through your years of rising through the ranks at
9 MPI?

10 MR. DAN GUIMOND: My -- I -- I've
11 worked most of my life at MPI.

12 MR. BYRON WILLIAMS: Now, sir, I think
13 of you as the, in quotation marks, the "special
14 services and information technology guy."

15 Would that be a fair way to characterize
16 your particular area of speciality within Manitoba
17 Public Insurance?

18 MR. DAN GUIMOND: No.

19 MR. BYRON WILLIAMS: Okay. Well, let
20 me try it a different way. I know you've had -- you --
21 you're in a relationship with the repair industry.

22 Have you ever served as a claim adjuster
23 within MPI?

24 MR. DAN GUIMOND: No.

25 MR. BYRON WILLIAMS: And did you ever

1 manage a claims centre?

2 MR. DAN GUIMOND: No.

3 MR. BYRON WILLIAMS: And did you ever
4 serve as a senior executive in claims, or as vice
5 president of claims?

6 MR. DAN GUIMOND: Over the years, I've
7 taken over various departments, and then retransferred
8 them to various vice presidents.

9 MR. BYRON WILLIAMS: So are you -- have
10 you served in a senior management cape -- capability in
11 terms of claims, sir?

12 MR. DAN GUIMOND: Yes.

13

14 (BRIEF PAUSE)

15

16 MR. BYRON WILLIAMS: And -- and, sir,
17 without asking you to elaborate on this point in time,
18 you have used the word 'fiduciary' to describe the role
19 that you play within MPI.

20 Is that fair?

21 MR. DAN GUIMOND: Yes, as an officer of
22 the company I have to meet fiduciary responsibilities
23 of the Corporation.

24 MR. BYRON WILLIAMS: And perhaps not
25 using the term 'fiduciary', but you'd certainly agree

1 with -- with the proposition that MPI stands in a
2 special relationship with Manitoba ratepayers in -- in
3 terms of fulfilling its contractual obligations under
4 Basic and Extension, and as a steward for the billions
5 of dollars of ratepayers' dollars which are in its
6 trust.

7 Would that be fair?

8 MR. DAN GUIMOND: Yes.

9 MR. BYRON WILLIAMS: And that places
10 you in a special relationship with ratepayers?

11 MR. DAN GUIMOND: Yes.

12 MR. BYRON WILLIAMS: And, sir, would it
13 be correct to suggest to you that the mandate of
14 Manitoba Public Insurance -- among the mandates of
15 Manitoba Public Insurance is the mandate of breaking
16 even over the long term?

17 MR. DAN GUIMOND: From a financial
18 perspective, Basic should break even. There's a lot
19 more to our mandate than -- than just breaking even on
20 Basic.

21 MR. BYRON WILLIAMS: Thank you, and I
22 appreciate that qualification. And with -- leaving
23 aside issues related to the proposed rebuilding of the
24 Rate Stabilization Reserve, so setting those aside, you
25 can confirm that it is a goal of Manitoba Public

1 Insurance, to break even, in terms of the 2015/'16
2 year.

3 Was that -- would that be fair, sir?

4 MR. DAN GUIMOND: I think it's fair to
5 say that every fiscal year that when it comes to Basic
6 we try to break even.

7

8 (BRIEF PAUSE)

9

10 MR. BYRON WILLIAMS: If -- if you want
11 to say anything about staggered renewals, but I -- I
12 understand, Mr. Guimond, and I'll try not to overhear
13 Ms. Kalinowsky. I apologize.

14 And, sir, particularly for the 2015/'16
15 year, given the adverse results in 2012/'13, the
16 adverse results in 2013/'14, as well as your forecast
17 for 2014/'15, the last thing you would want is a fourth
18 consecutive year of losses.

19 Would that be fair?

20 MR. DAN GUIMOND: Our goal remains to
21 always try to break even.

22 MR. BYRON WILLIAMS: And given that
23 mandate of breaking even and your special relationship
24 with ratepayers, you would agree that it's incumbent
25 upon you to give your best advice to the Public

1 Utilities Board on what the Corporation believes it
2 requires to break even for the 2015/'16 year, agreed?

3 MR. DAN GUIMOND: When we submit our
4 general rate app, the forecasting model that we use is
5 at that point in time based on what we know is -- is
6 what we do. So, yeah, we -- we use what we have at
7 that point in time when we submit our GRA.

8 MR. BYRON WILLIAMS: So, sir, just to
9 reiterate my question, and perhaps you misheard it.
10 But my suggestion to you was, given that mandate to
11 break even, and given that special relationship you
12 hold with ratepayers, it's incumbent upon you to give
13 your best advice to the Public Utilities Board in terms
14 of what you believe it would take to break even for the
15 2015/'16 year.

16 Can you -- do you agree with that
17 proposition?

18 MR. DAN GUIMOND: Within the guidelines
19 established by the Regulator.

20 MR. BYRON WILLIAMS: So leaving aside
21 questions related to the RSR, and focussing
22 specifically on the objective of breaking even for the
23 2015/'16 fiscal year, it would be accurate to say that
24 you are suggesting MPI needs a rate increase, a general
25 rate increase, of 3.5 percent to break even.

1 MR. DAN GUIMOND: No.

2

3 (BRIEF PAUSE)

4

5 MR. BYRON WILLIAMS: So is it your best
6 advice to the Public Utilities Board, sir, that you
7 could have a general rate increase of less than 3.5
8 percent and break even?

9 MR. DAN GUIMOND: What we did -- and
10 this is very important, and I'd -- I'd like to be able
11 to go to the PreAsk of -- MPI PreAsk.005, page 1. I'm
12 sorry, it's the attachment 1. It's called PUB/MPI
13 PreAsk.005b attachment. Could we have that on the -- on
14 the monitor? And can we go to the line where you have
15 net income? The net income line, please? Yeah, there
16 we go.

17 So my position is that when we ran the
18 numbers when we were submitting our rate app, the rate
19 indicator was two point four (2.4). And we followed,
20 to the best of our -- our abilities and following the
21 guidelines of -- of the Regulator regarding interest
22 rate in terms of the models to use, the indicator was
23 at 2.4 percent. And that's what we put in. And then
24 we put in a 1 percent to rebuild the RSR. That's what
25 we did, and that was all the information, the best

1 information we had at that point in time.

2 The only thing I'm saying is that I
3 don't agree that interest rates are going to go up. So
4 as of the end of September, when you re-run the
5 numbers, you're at close to -- if we go to -- if we go
6 to -- is that page -- can we go to page 2? If you go
7 to the bottom -- income there. You can see that the
8 interest rate -- in other words, if we were to resubmit
9 our rate app today and using the interest rate that --
10 that we used back in February or whenever we were
11 working the numbers, we're now at a rate indicator of
12 3.6 percent. And if we were to redo this again, with
13 what we know now, we would submit it at 3.6 percent.

14 We -- and it's very possible that --
15 that the interest rate will go up, or not, or whatever.
16 I don't think they're going to go up. So what I'm
17 suggesting, and that's the only thing I'm doing here,
18 is that the Regulator reassesses their position on what
19 the interest rate we're going to -- are going to do,
20 and then decide what -- what would be the appropriate
21 number.

22 And I'm suggesting that what we know
23 today, and because it's -- it's speculation on my part
24 as to whether they're going to stay like that or go up,
25 that the Regulator may want to take that into

1 consideration and decide if they want to amend our rate
2 app to 3.4 percent, as an example, but it's a
3 suggestion.

4 MR. BYRON WILLIAMS: Sir --

5 MR. DAN GUIMOND: It's not -- I'm not -
6 - I am not amending the rate app. And the only thing
7 I'm doing is providing a suggestion, a way of maybe
8 providing evidence, so to speak, to have the Regulator
9 maybe reassess their position on the interest rate;
10 that's it.

11 MR. BYRON WILLIAMS: Okay. And just so
12 I'm clear, and let's make sure we're leaving aside any
13 questions about rebuilding the RSR, is it your best
14 advice to the Public Utilities Board today that MPI
15 should be receiving a 3.6 percent rate increase?

16 MR. DAN GUIMOND: No. No, I think the
17 -- the -- I think they have to make up their own mind
18 as to what they want to do with the assumption on the
19 interest rate. I mean, it was very clear in last
20 year's order, in my opinion, in terms of what was to be
21 used in the forecasting model.

22 MR. BYRON WILLIAMS: Sir, would it be
23 accurate to say that it is your opinion that without a
24 rate increase of 3.6 percent, the Corporation is
25 unlikely to break even?

1

2

(BRIEF PAUSE)

3

4

MR. DAN GUIMOND: You know what, the
5 problem is I can't say that for sure because if the
6 interest rate goes up, who knows what's going to
7 happen.

8

MR. BYRON WILLIAMS: So would it be
9 best to characterize your opinion as, Who knows?

10

MR. DAN GUIMOND: No. I'm looking at
11 this as -- as a business decision. And you have to
12 look at all the facts that are available to you and you
13 have to make a judgment call.

14

MR. BYRON WILLIAMS: Now, does your
15 assumption of 3.6 percent assume that interest rates
16 remain constant out to February of 2016, sir?

17

18

(BRIEF PAUSE)

19

20

MR. DAN GUIMOND: The same methodology
21 was used in terms of -- of the forecast, but it was run
22 as a more recent date. It's because the interest rate
23 actually went down, right.

24

MR. BYRON WILLIAMS: So, sir -- sir,
25 just so I understand, were you using the standard

1 interest rate methodology?

2 MR. DAN GUIMOND: Yes.

3 MR. REGIS GOSSELIN: Mr. Guimond, just
4 to clarify in my -- my mind, the 3.6 percent, this --
5 the numbers that we're seeing here are based on 3.4
6 percent to the rates --

7 MR. DAN GUIMOND: Yeah.

8 MR. REGIS GOSSELIN: -- to -- to --
9 pardon me, to the actual rates, not the rate rider.
10 The three point six (3.6) comes from where? Is it --
11 is it based on the fact that that second year is a loss
12 year, the -- the 2016 -- I'm sorry, 2017 is a loss
13 year? Is that --

14 MR. DAN GUIMOND: Yeah, we -- we ran it
15 at -- on three point four (3.4). But if you take the
16 two zero five (2.05) and the negative five nine-three-
17 three (5.933) and you -- you have a negative of one
18 point nine (1.9), so it gives you another point two
19 (.2), so maybe you should be at three point six (3.6)
20 versus three point four (3.4).

21 MR. REGIS GOSSELIN: Okay.

22

23 (BRIEF PAUSE)

24

25 CONTINUED BY MR. BYRON WILLIAMS:

1 MR. BYRON WILLIAMS: We'll reflect upon
2 that, sir. We probably don't need to refer to it, but,
3 Diana, if you can have CAC-1-17 around. And, Mr.
4 Guimond, I don't want to redo too much of what you did
5 with Ms. Grammond, but I have to ask a few questions.

6 It would be fair to say you were fore --
7 at this time last year at this GRA, MPI was not
8 forecasting a \$69 million loss, correct?

9 MR. DAN GUIMOND: That's correct.

10 MR. BYRON WILLIAMS: And as we reflect
11 upon the change in forecast over the last year, a major
12 change was the 104.5 million adverse variation in net
13 claims incurred as compared to this time last year,
14 correct?

15 MR. DAN GUIMOND: That's correct.

16 MR. BYRON WILLIAMS: And a significant
17 element of that negative \$100 million variance was the
18 fact that the Corporation increased the loss reserves
19 for prior years' claims, agreed?

20 MR. DAN GUIMOND: Yes.

21

22 (BRIEF PAUSE)

23

24 MR. BYRON WILLIAMS: And -- Mr.

25 Guimond, do you need a couple minutes? Okay. And at a

1 high level, sir, you're aware that in terms of
2 investigating where the loss reserves needed to be
3 raised, the chief actuary identified changes in
4 development patterns and -- and case reserves, and
5 decided to conduct a full review of all open injury
6 claims.

7 You're aware of that, sir?

8 MR. DAN GUIMOND: Yes.

9

10 (BRIEF PAUSE)

11

12 MR. BYRON WILLIAMS: I apologize. I'm
13 pushing the button, but I'm having limited success.
14 And, sir, this review that the Corporation undertook of
15 all open injury claims was for the purpose of ensuring
16 compliance with existing reserving guidelines, and that
17 case reserves were adequate to reflect loss exposure.

18 You're aware of that at a high level,
19 sir?

20 MR. DAN GUIMOND: At a high level.

21 MR. BYRON WILLIAMS: Yes, and we'll
22 certainly drill into some of the specifics with Mr. --
23 Mr. Johnston. But without getting into those
24 specifics, sir, you're aware that the Corporation
25 concluded that in many cases, case reserves were not

1 adequate, correct?

2 MR. DAN GUIMOND: Yes.

3 MR. BYRON WILLIAMS: And this, sir, was
4 a primary cause of \$26 million of that adverse
5 development, agreed?

6 MR. DAN GUIMOND: Yes.

7 MR. BYRON WILLIAMS: And, sir, you'll
8 recall that the purpose of this review was to ensure
9 compliance with existing reserving guidelines, and that
10 case reserves were adequate, agreed?

11 MR. DAN GUIMOND: Yes.

12 MR. BYRON WILLIAMS: And, sir, given
13 the findings that case reserves were not adequate,
14 would it be fair to say that the Corporation identified
15 non-compliance with existing reserving guidelines?

16 MR. DAN GUIMOND: I'm not sure I would
17 agree with non-compliance. Compliance, to me, infer
18 you're doing something intentionally.

19 MR. BYRON WILLIAMS: Given the finding
20 that case reserves were not adequate, would it be fair
21 to say that the Corporation identified, whether
22 intentionally or not, a failure to comply with existing
23 reserving guidelines?

24 MR. DAN GUIMOND: No.

25 MR. BYRON WILLIAMS: So it just

1 happened by accident?

2 MR. DAN GUIMOND: No.

3 MR. BYRON WILLIAMS: So your evidence
4 is, sir, that the -- the factors leading to a finding
5 that case reserves were inadequate did not in any way
6 reflect a failure to comply with existing reserving
7 guidelines?

8 MR. DAN GUIMOND: No, because when we
9 implemented BI.3, we had a huge introduction of
10 technology. A lot of changes in terms of policy and
11 procedures. We trained people. We -- we tried to make
12 sure that they understand what it is they need to do.
13 And anytime you change people's world, it's important
14 to go back and double-check to make sure they
15 understood the training, they understood how it has to
16 be done, and when it has to be done.

17 And I think it's doing audits like that
18 and review and helping the staff to make sure they do
19 follow the policy and procedures. But our -- the --
20 the result of the findings is that nobody was doing
21 things intentionally. It's just a question of -- of a
22 lot of changes real fast with a lot of turnover, and
23 you need to be able to go back from a management
24 perspective to make sure people got it right, that
25 they're doing the right things.

1 And I think it's -- it's -- the -- the
2 fact that we were on -- did the review and make sure
3 that -- that people understood all these changes worked
4 out. But to suggest that people were non-compliant or
5 doing things intentionally wrong, I'm sorry, but I -- I
6 can't accept that.

7 MR. BYRON WILLIAMS: You may have
8 misheard my last question, sir. And so let me -- you -
9 - whether intentionally or not, what I believe you're
10 telling us is that there was a time of great
11 transition. And in that time of great transmi --
12 transmission (sic) mistakes were inadvertently made.

13 And to correct those mistakes required a
14 material amendment to -- to the case reserves, agreed?

15

16 (BRIEF PAUSE)

17

18 MR. DAN GUIMOND: I think at the end of
19 the day we caught up with the lag in -- in what we
20 identified.

21 MR. BYRON WILLIAMS: Do you recall my
22 question, sir? I suggested, sir, just to -- you -- you
23 may not have heard my question, so.

24 I suggested to you it was a time of
25 great transition and that in the course of that great

1 transition mistakes were made. And to correct those
2 mistakes required a material change in case reserves.

3 Did I capture the mood correctly, sir?

4 MR. DAN GUIMOND: No. No. What
5 happened is that when we looked at it, we had to catch
6 up and we had to help them to understand how to catch
7 up and do it. And it was not -- it was not erroneous
8 information, or -- or a mistake or -- or what you'd
9 call a mistake. It was more catching up and make sure
10 they were -- they understood what they needed to do by
11 when.

12 MR. BYRON WILLIAMS: And so as a
13 consequence of catching up, reserves had to be
14 increased?

15 MR. DAN GUIMOND: Yes.

16 MR. BYRON WILLIAMS: Sir, looking at
17 that variance from budget of 104.5 million in net
18 claims incurred, recognizing that your original
19 forecast was 737 million, that would suggest a negative
20 variation from budget of 13.57 percent, subject to
21 check?

22 MR. DAN GUIMOND: Subject to check.

23 MR. BYRON WILLIAMS: So, sir, I -- I
24 want to stick with the -- some challenges with your
25 reserves again, and I -- I want to bring you to a -- to

1 another challenge you may have had with the new claims
2 management system.

3 And do you pronounce that FINEOS, sir,
4 or FINE -- FINEOS? How do you say that?

5 MR. DAN GUIMOND: The technol -- the --
6 the software that we use is called FINEOS.

7 MR. BYRON WILLIAMS: Okay. And, sir,
8 in addition to the lag issue, as you described it,
9 would it be fair to say that you experienced a
10 different challenge with your reserving practices
11 related to how the new claims management system was
12 functioning? Let me be more specific, Mr. Guimond.

13 Did you discover that the new claims
14 management system was improperly handling the auto
15 reserving and auto closing of new claims, resulting in
16 excess reserves for certain benefits?

17 MR. DAN GUIMOND: I'll -- I'll have to
18 -- to get back to you on that one.

19

20 (BRIEF PAUSE)

21

22 MR. DAN GUIMOND: When we implemented
23 the system we had to put in a fix fairly quickly after
24 implementation, yes.

25 MR. BYRON WILLIAMS: What happened,

1 sir, was it was im -- improperly handling the auto
2 reserving and auto closing of new claims, resulting in
3 excess reserves for certain benefits; agreed?

4 MR. DAN GUIMOND: Yeah, that's correct.

5 MR. BYRON WILLIAMS: In essence, it was
6 double reserving?

7 MR. DAN GUIMOND: I don't -- I don't
8 know how big it was. I don't remember. It was a few
9 years -- quite a few years ago, so maybe Luke can
10 answer that when you get there, or Mr. Johnston, I
11 should say.

12 MR. BYRON WILLIAMS: Sir, subject to --
13 to check, you'll agree this was reported in the
14 actuarial report in 2013?

15 MR. DAN GUIMOND: Subject to check.

16 MR. BYRON WILLIAMS: And you define
17 2013 as quite a few years ago?

18 MR. DAN GUIMOND: Considering that we
19 start working on whatever we do quite a few years
20 before that, yeah. It's -- there's a lot of stuff that
21 goes by from '13 to almost '15.

22 MR. BYRON WILLIAMS: And, sir, I -- I
23 just want to -- to get my head around this and to make
24 sure we're clear. In essence, we've been talking about
25 two (2) distinct challenges with your reserves, agreed,

1 your case reserves?

2 MR. DAN GUIMOND: In terms of rolling
3 out a large initiative, those are -- are two (2) things
4 we had to deal with.

5

6 (BRIEF PAUSE)

7

8 MR. DAN GUIMOND: The issue you're
9 mentioning was rectified in 2012 and I believe
10 identified in 2011 versus the 2013 you were talking
11 about.

12

13 (BRIEF PAUSE)

14

15 MR. DAN GUIMOND: Okay. Okay, so the -
16 - what I said is that the issue with the auto reserving
17 was rectified in November 2012 and was identified
18 earlier than that.

19 MR. BYRON WILLIAMS: And just so I'm --
20 2012, in your view, is quite a few years ago. Is that
21 right?

22 MR. DAN GUIMOND: In terms of -- of
23 remembering details, yes.

24 MR. BYRON WILLIAMS: Fair enough. And
25 you realize, sir, when I gave you the 2013 reference,

1 you understand I was reporting -- re -- referring to
2 your actuarial reports.

3 Do you understand that, sir?

4 MR. DAN GUIMOND: No, I didn't know
5 that that's what you had in your mind.

6 MR. BYRON WILLIAMS: It's not only what
7 I had in my mind, sir, it's what I said. You're not
8 suggesting I was trying to misspeak to you, were you?

9 MR. DAN GUIMOND: No.

10 MR. BYRON WILLIAMS: So just going back
11 to the big picture. In the last few years, we've had
12 two (2) distinct issues in terms of your case reserves.

13 Would that be fair?

14 MR. DAN GUIMOND: Yes.

15 MR. BYRON WILLIAMS: And in the one (1)
16 case, the one (1) that was corrected in 2012, we had
17 the issue of double reserving, which would have re --
18 redult -- resulted in reserves being too high.

19 Would that be correct, sir?

20 MR. DAN GUIMOND: The reserve would
21 have been overstated, yes.

22 MR. BYRON WILLIAMS: And in the second
23 case, we have the issue of the, in quotation marks,
24 "lag" in updating reserves. And in that case, that was
25 resulting in a under reporting of reserves, in -- in

1 the Corporation's opinion?

2 MR. DAN GUIMOND: Under reporting of
3 case reserves, yes.

4 MR. BYRON WILLIAMS: Thank you, and I
5 should've been more precise.

6 And am I correct to you in suggesting
7 that the double reserving challenge of FINEOS was not
8 identified in the pre-application testing of the
9 product?

10 MR. DAN GUIMOND: One (1) of them, the
11 first one -- the -- the system was actually functioning
12 per -- per specification.

13 MR. BYRON WILLIAMS: Sir --

14 MR. DAN GUIMOND: -- so that we --

15 MR. BYRON WILLIAMS: -- sir, I just
16 want to be -- just -- because I was asking about the
17 double reserving challenges of FINEOS. So that would
18 be the -- the second issue we were talking about.

19 So in terms of that, my question to you
20 is: It would be correct to suggest that that was not
21 captured in the pre-application testing of FINEOS?

22 MR. DAN GUIMOND: I get the impression
23 that you're mixing how people behave versus system
24 functionality, so that's why I'm -- I'm struggling to
25 answer your question because we're apple -- talking

1 apples and oranges.

2 MR. BYRON WILLIAMS: I -- I think only
3 one of us is doing that, sir.

4 We've agreed that a challenge with the
5 new claims management system was im -- the improper
6 handling of the auto reserving and auto closing of new
7 claims, correct?

8 MR. DAN GUIMOND: The -- the auto
9 reserving and auto closing are the same issue; that's
10 the -- the first one that I believe you're talking
11 about. And then there's the other one about the lag.

12 So auto reserving and closing is the
13 first issue, and the other one is the lag. The auto
14 reserving and closing issue is a -- was a system issue.
15 The lag is a people issue.

16 MR. BYRON WILLIAMS: I understand that,
17 sir. And so my question is: In terms of the systems'
18 issue, is it correct to suggest that that was not
19 captured in pre-application testing?

20

21 (BRIEF PAUSE)

22

23 MR. DAN GUIMOND: No, I don't -- I
24 don't agree with it because the system was functioning
25 per specification in the sense of it was reserving the

1 way it was -- it was supposed to, and -- and with the
2 auto closing, it's just that for the medical -- for the
3 -- how it work with the number of -- of sessions you're
4 allowed, for example, with chiro -- chiropractics, it
5 was -- it was always auto reserving per specification
6 the maximum number of -- of time you could see a -- go
7 a chir -- but people weren't -- weren't going the
8 maximum amount of time.

9 So we realized after implementation we
10 said, Oh, you know, we need to change the
11 specification. And that's why the system was fixed in
12 that November 2012 because we realized we were putting
13 too much money in -- into the reserves.

14 MR. BYRON WILLIAMS: And, sir, leaving
15 aside the FINEOS issue now, going back to the more
16 recent lag issue, it's correct to say that that was
17 identified by the chief actuary?

18

19 (BRIEF PAUSE)

20

21 MR. DAN GUIMOND: Yes, it was the chief
22 actuary that identified that trend.

23 MR. BYRON WILLIAMS: So good for Mr.
24 Johnston, but it'd be fair to say it was not identified
25 by those reviewing the monthly reporting on PIPP, sir?

1 MR. DAN GUIMOND: Yes.

2

3 (BRIEF PAUSE)

4

5 MR. BYRON WILLIAMS: Diana -- and thank
6 you, Mr. Guimond, for that. Diana, I wonder if I could
7 ask you to turn to page 3 of Mr. Guimond's pre-filed
8 testimony? And Madam Chair, I wonder if I might be --
9 actually, just one (1) second.

10

11 (BRIEF PAUSE)

12

13 MR. BYRON WILLIAMS: Looks like we both
14 need a hydration break, Mr. Guimond. If we could
15 scroll down to the bottom of this page.

16 Mr. Guimond, you recall that in this
17 part of your te -- your evidence you were talking and
18 suggesting that -- that there was common ground between
19 Manitoba Public Insurance and the Public Utilities
20 Board in terms of having a clearly defined process for
21 setting rates publicly.

22 Agreed?

23 MR. DAN GUIMOND: Is there a particular
24 section you want me to see here, or on the screen?

25 MR. BYRON WILLIAMS: Do you see the

1 last bullet, sir, on that page?

2 MR. DAN GUIMOND: "Have a clearly
3 defined process for..." yeah. Yes.

4 MR. BYRON WILLIAMS: And my -- my
5 memory is failing me, sir. Apart from your appearance
6 during this General Rate Application have -- have you
7 ever served on a witness panel for MPI during a rate
8 hearing?

9 MR. DAN GUIMOND: Once.

10 MR. BYRON WILLIAMS: And apart -- okay.
11 And thank you for that one (1) appearance.

12 And would it be fair to say as well that
13 you have never served on an expert tribunal such as the
14 Public Utilities Board seized with setting just and
15 reasonable rates?

16 MR. DAN GUIMOND: I've -- I've never
17 went through a process like this before. It's my first
18 time.

19 MR. BYRON WILLIAMS: On either side of
20 the table?

21 MR. DAN GUIMOND: On either side of the
22 table.

23 MR. BYRON WILLIAMS: And what my client
24 is trying to understand, sir, and -- is in terms of at
25 the time you wrote this evi -- evidence regarding the

1 objective of having a clearly defined process for
2 setting rates publicly, were you expressing an opinion
3 that the Public Utilities Board lacked a clearly
4 defined process for setting rates?

5

6 (BRIEF PAUSE)

7

8 MR. DAN GUIMOND: When I wrote this it
9 was my understanding of the mutual objectives that we
10 have.

11 MR. BYRON WILLIAMS: That's fair
12 enough, sir. And just so I'm clear, you were not
13 suggesting that the Public Utilities Board did not have
14 a clearly defined process for setting rates?

15 MR. DAN GUIMOND: No.

16 MR. BYRON WILLIAMS: And, sir, I -- I
17 know you're a busy fellow, but you're aware that there
18 -- there have been some procedural disputes in the
19 course of this ri -- hearing which led to the issue of
20 Board Order 98/'14.

21 Agreed?

22 MR. DAN GUIMOND: Yes.

23 MR. BYRON WILLIAMS: And, sir, you've
24 no doubt been briefed on that Order?

25 MR. DAN GUIMOND: Yes, during the

1 summer or when it came out. Or whenever it came out I
2 read it, yes.

3 MR. BYRON WILLIAMS: And, sir, just in
4 case you need to refresh your memory I'm going to ask
5 Diana to pull up Board Order 98/'14, page 28.

6

7 (BRIEF PAUSE)

8

9 MR. BYRON WILLIAMS: Mr. Guimond, you
10 see here that the Board is expressing its key elements
11 of its rate-setting role in this section of its -- of
12 its Order.

13 Do you see that, sir?

14 MR. DAN GUIMOND: Yes.

15 MR. BYRON WILLIAMS: And can you
16 indicate whether MPI is in general agreement with the
17 elements as set out here?

18 MS. KATHY KALINOWSKY: Sorry, I'm just
19 going to take over here and just add to the Board that
20 the position of the Corporation on these particular
21 items were expressed at the motion of -- that was
22 brought by the Consumer's Association. And the
23 position of -- we dealt with each one (1) of those
24 points. And the position of the Corporation still has
25 not changed.

1 MR. BYRON WILLIAMS: Thank you.

2

3 CONTINUED BY MR. BYRON WILLIAMS:

4 MR. BYRON WILLIAMS: Now, Mr. Guimond,
5 I'm going to turn for a couple of moments to road
6 safety. I'll let you know that My Learned Friend, Mr.
7 Monnin, has some more questions. He wants to talk
8 about the -- the construct of -- for road safety, but
9 I'll have a few questions, which I hopefully do not
10 duplicate his.

11 But in your -- in your oral evidence
12 yesterday, sir, I believed you -- you used words to the
13 effect that -- that MPI will follow the mandate for
14 road safety and abide by the law.

15 Do you recall using words to that
16 effect, sir?

17 MR. DAN GUIMOND: Yes, that our mandate
18 was described in the MPIC Act. And I believe Ms.
19 Kalinowsky went through that last year in her
20 concluding remarks.

21 MR. BYRON WILLIAMS: That's very
22 interesting, sir, and I thank you for it. Madam Chair,
23 I think we had distributed CAC Exhibit 12, which is an
24 excerpt from the Legislative Assembly of Manitoba, the
25 standing committee on Crown corps. I won't -- I won't

1 be coming to it right away, but I will be in a couple
2 moments.

3

4

(BRIEF PAUSE)

5

6

MR. BYRON WILLIAMS: And, Diana, if you
7 could pull up Section 68 -- 6(2)(h) of the MPI Act.

8

9

(BRIEF PAUSE)

10

11

MR. BYRON WILLIAMS: And, Mr. Guimond,
12 I -- I want to be clear that I'm not asking your legal
13 opinion on anything. But, sir, you're aware that the
14 MPI Act has been amended? You're aware of that, sir?

15

16

(BRIEF PAUSE)

17

18

MR. DAN GUIMOND: Yes.

19

MR. BYRON WILLIAMS: And focussing on
20 Section 6(2)(h), you'll agree with me that it -- it now
21 reads, and just focussing on the ba -- last four (4)
22 lines, it speaks to:

23

"Pro -- promoting programs relating

24

to health, rehabilitation, safety,

25

and the reduction of risk in respect

1 of any branch or any class of
2 insurance in which the Corporation is
3 engaged."

4 Is that correct, sir?

5 MR. DAN GUIMOND: Yes.

6 MR. BYRON WILLIAMS: And without asking
7 you any legal opinion, sir, you'll agree with me that
8 was -- what was removed from the Act under Section
9 6(2)(h) were the words 'research' and 'educational',
10 agreed?

11 MR. DAN GUIMOND: Subject to check.

12 MR. BYRON WILLIAMS: And I probably
13 misspoke. I think I should have said 'research' or
14 'educational'. But subject to check, I appreciate
15 that. I wonder if you could turn to page 12 -- excuse
16 me, page 53 of CAC Exhibit 12.

17

18 (BRIEF PAUSE)

19

20 MR. BYRON WILLIAMS: And I'm referring
21 you to -- on the left-hand side, sir, the second full
22 paragraph. So scroll down just a bit, Diana, please, a
23 bit more.

24 And, Mr. Guimond, you -- you will recall
25 that this conversation took place during the standing

1 committee on -- on public utilities and -- excuse me,
2 the standing committee on Crown corporations.

3 You recall that, sir?

4 MR. DAN GUIMOND: Yes.

5 MR. BYRON WILLIAMS: And directing your
6 attention again to the quote on the left-hand side.

7 You'll see here with have Minister Swan saying:

8 "The legislation will also help MPI
9 to be more proactive in helping
10 prevent accidents that have a cost
11 for all."

12 Do you see that statement, sir?

13

14 (BRIEF PAUSE)

15

16 MR. DAN GUIMOND: Yes.

17 MR. BYRON WILLIAMS: Again, not asking

18 you for a legal opinion, sir, but I'm asking you
19 whether it is the understanding of Manitoba Public
20 Insurance that its mandate of road safety has changed
21 and that it's no longer restricted to research or
22 educational programming?

23

24 (BRIEF PAUSE)

25

1 MR. DAN GUIMOND: For me, this is more
2 about loss prevention than road safety, but that's my
3 opinion.

4

5 (BRIEF PAUSE)

6

7 MR. BYRON WILLIAMS: Sir, there's --
8 there's no doubt that the legislation was changed,
9 agreed?

10 MR. DAN GUIMOND: I agree.

11 MR. BYRON WILLIAMS: And you've got
12 your Minister certainly suggesting that you're going to
13 be able to be more proactive in helping to perfect --
14 prevent accidents, agreed?

15 MR. DAN GUIMOND: Which in -- yes, and
16 in my opinion is loss prevention.

17 MR. BYRON WILLIAMS: Why don't you
18 define 'loss prevention' for us, sir?

19

20 (BRIEF PAUSE)

21

22 MR. DAN GUIMOND: I think that might be
23 something that we submitted on that --

24 MR. BYRON WILLIAMS: There's an IR --

25 MR. DAN GUIMOND: Yeah, I figured you

1 knew. We'll -- we'll find it.

2 MR. BYRON WILLIAMS: We actually went
3 through it yesterday, sir. So let -- does Manitoba
4 Public Insurance anticipate that the legislative
5 changes will lead to a more proactive intervention by
6 the Corporation in activities aimed at prevent --
7 preventing accidents?

8 MR. DAN GUIMOND: Yes.

9 MR. BYRON WILLIAMS: And leaving aside
10 activities with regard to driver's education, in what,
11 if any, other areas is MPI exploring being more
12 proactive in accidents and in focussing on preventing
13 accidents that have a cost to us all?

14 MR. DAN GUIMOND: Like, for example, if
15 you go through the loss ratios of the -- the different
16 insurance users. You look at taxi, for example.
17 They're -- they're pretty -- they're pretty high.

18 I'm hoping with the analytics we're
19 putting in -- for example, if most of the damage on
20 taxi, let's say it's -- it's rear-enders or things of
21 that nature -- is there a possibility to put -- retrofit
22 a car with collision avoidance technology. So those --
23 that would -- that would be one thing that would come
24 to mind.

25 MR. BYRON WILLIAMS: And again -- Mr.

1 Guimond, I apologize. My vision is failing. I can
2 never tell whether my light's on or -- or not. Apart
3 from taxis, and at a high level, are there any other
4 examples that you can give us that the Corporation is
5 currently exploring?

6 MR. DAN GUIMOND: I think it -- it goes
7 back to yesterday, what I was saying about the loss
8 prevention program and having road safety roll under
9 it. And I heard what Mr. Gosselin was saying yesterday
10 about wanting to have maybe an idea of what we mean by
11 those things. And yesterday we debriefed, and we'll
12 have something to you before the end of the hearings.
13 And so I'd rather wait until we submit that to the --
14 to the Regulator to maybe answer that question.

15 MR. BYRON WILLIAMS: And you can look
16 to my colleague -- or My Learned Friend -- excuse me --
17 Ms. Kalinowsky.

18 But, sir, is there an undertaking on the
19 record currently for the Corporation to clarify
20 potential activities in loss prevention and road
21 safety?

22 MR. DAN GUIMOND: No, more -- more like
23 what -- what I'm committing to is more like an outline
24 of what we mean by the use of loss prevention and how
25 road safety would work into it. And -- and what I'm

1 getting at in terms of what we would report on starting
2 next year, and maybe the kind of activities. So that -
3 - that's what I'm -- I'm saying.

4 But in terms of having all the details
5 or all the information, no. But enough to -- to have a
6 good idea of -- of what we mean.

7 MS. KATHY KALINOWSKY: So, no, there is
8 currently not an undertaking to do that. However, if
9 you'd like, we could give an undertaking --

10 MR. BYRON WILLIAMS: That would be --

11 MS. KATHY KALINOWSKY: -- as per Mr.
12 Guimond's testimony right now.

13 MR. BYRON WILLIAMS: Yes, and -- and,
14 Mr. Guimond -- does the court reporter have that
15 undertaking?

16 THE COURT REPORTER: No.

17 MR. BYRON WILLIAMS: I'm not sure I
18 can, but let -- let me see if -- let me see if I can.

19

20 (BRIEF PAUSE)

21

22 MR. BYRON WILLIAMS: Mr. Gui --
23 Guimond, I understand that your undertaking is with
24 regard to the Corporation's offer to present, subject
25 to the PUB's affirmation in the next hearing, a

1 scorecard with regard to outcomes in terms of loss
2 prevention and road safety.

3 What you are undertaking to do is
4 provide a preliminary outline which would give guidance
5 to the Corpora -- to the -- to the regulator in terms
6 of the elements of this scorecard and the subject
7 matters that it would canvass.

8 MR. DAN GUIMOND: Agreed.

9

10 --- UNDERTAKING NO. 6: Corporation to provide a
11 preliminary outline which
12 would give guidance to the
13 regulator in terms of the
14 elements of this scorecard
15 (a scorecard with regard to
16 outcomes in terms of loss
17 prevention and road safety)
18 and the subject matters
19 that it would canvass

20

21 (BRIEF PAUSE)

22

23 CONTINUED BY MR. BYRON WILLIAMS:

24 MR. BYRON WILLIAMS: Mr. Guimond, I --
25 I'm confident you don't need to turn here, but if

1 you're looking for a reference it's your pre-filed
2 testimony, page 15.

3 You do recall, sir, in the disc -- in
4 your discussion of potential cost saving measures you
5 suggested among other it -- items a committee of senior
6 managers formed to identify, investigate, and further
7 cut discretionary spending in areas such as travel,
8 conferences, meetings, sponsorships, consulting.

9 Agreed?

10 MR. DAN GUIMOND: Yes.

11 MR. BYRON WILLIAMS: And, sir, you
12 might wish to -- to speak up, because I suspect both
13 you and I are fading away as...

14 And without wishing to belabour the
15 conversation that took place at the standing committee,
16 you'll recall you did have a chat about this committee
17 there?

18 MR. DAN GUIMOND: Yes.

19 MR. BYRON WILLIAMS: And you did
20 indicate, sir, that a terms of reference had been
21 issued for this group of ma -- senior managers.

22 Is that correct?

23 MR. DAN GUIMOND: Yes.

24 MR. BYRON WILLIAMS: And I wonder if by
25 way of undertaking you could undertake to provide the

1 terms of reference to -- to this proceeding?

2 MR. DAN GUIMOND: Yes.

3

4 --- UNDERTAKING NO. 7: Corporation to provide
5 terms of reference from the
6 standing committee

7

8 CONTINUED BY MR. BYRON WILLIAMS:

9 MR. BYRON WILLIAMS: Now, would it be
10 correct, sir, to suggest to you that that committee of
11 senior managers has not yet reported back to executive
12 management committee of Manitoba Public Insurance?

13 MR. DAN GUIMOND: Yes.

14 MR. BYRON WILLIAMS: And it would be
15 fair to suggest that you don't expect their report
16 until November?

17

18 (BRIEF PAUSE)

19

20 MR. DAN GUIMOND: I think I mentioned
21 it somewhere in the standing committee, so we're just
22 trying to find where I said it and I --

23 MR. BYRON WILLIAMS: Well, I know the
24 page, sir.

25 MR. DAN GUIMOND: -- you probably know,

1 yeah.

2 MR. BYRON WILLIAMS: Yeah. And so,
3 sir, what I'm asking is it still --

4 MR. DAN GUIMOND: Around November,
5 yeah.

6 MR. BYRON WILLIAMS: Yeah.

7 MR. DAN GUIMOND: Late -- late
8 November.

9 MR. BYRON WILLIAMS: Okay. And so at
10 this point in time it's fair to say that you're not
11 certain what the outcome of this committee's
12 deliberations will be?

13 MR. DAN GUIMOND: That's right.

14 MR. BYRON WILLIAMS: You're not
15 certain, sir, of the potential magnitude of the
16 savings?

17 MR. DAN GUIMOND: That's correct.

18 MR. BYRON WILLIAMS: And would it be
19 accurate to say that you have not built any potential
20 savings from -- into your forecast for the 2014/'15
21 year?

22

23 (BRIEF PAUSE)

24

25 MR. DAN GUIMOND: So just to make sure,

1 when you say, "'14/'15," you mean end of fiscal year
2 February 28, 2015, or do you mean the next --

3 MR. BYRON WILLIAMS: I'll get to next
4 year in a --

5 MR. DAN GUIMOND: Okay. So in -- in
6 terms of this fiscal year, no, there's nothing -- well,
7 to the end of this fiscal year, like we are seeing the
8 starting of some of the savings but -- of -- of the
9 quick things we did but, no. And -- no.

10 MR. BYRON WILLIAMS: Okay. And in
11 terms of your projection for the test year, the
12 2015/'16 year, would it be accurate to suggest that you
13 have not built into that forecast any projected savings
14 from the deliberations of this committee that has not
15 yet reported?

16

17 (BRIEF PAUSE)

18

19 MR. DAN GUIMOND: No, we have not. And
20 whatever it will be, I'm hoping to use it to offset the
21 \$30 million in -- in costs increase that we're going to
22 see over the next five (5) years.

23 MR. BYRON WILLIAMS: I don't want to
24 get my client all excited here, Mr. Guimond.

25 Are you suggesting that you expect the

1 committee recommendations to be in -- something in the
2 range of \$30 million?

3 MR. DAN GUIMOND: No, it would be --

4 MR. BYRON WILLIAMS: I was just hoping.

5 MR. DAN GUIMOND: -- it would be
6 awesome, but no. What I'm saying is, all the things
7 we're doing to reduce costs will be used to offset the
8 increase in physical damage.

9 MR. BYRON WILLIAMS: Okay. Sir, and --
10 and if the -- if the -- Diana could call up CAC 1-55.

11 Mr. Guimond, you'll recall that another
12 element of your cost containment efforts is the
13 indeterminate hiring freeze, agreed? If -- if you're
14 looking for --

15 MR. DAN GUIMOND: Did you say permanent
16 or --

17 MR. BYRON WILLIAMS: I hope I --

18 MR. DAN GUIMOND: A freeze as of now
19 anyway, if that's what you're asking, for -- for staff
20 that are not frontline.

21 MR. BYRON WILLIAMS: Yes, an
22 indeterminate -- a hiring freeze for an indeterminate
23 period of time. That's correct?

24 MR. DAN GUIMOND: At this point in
25 time, yes, for -- for staff that are not frontline.

1 MR. BYRON WILLIAMS: Okay. Now, sir,
2 in front of you is an Information Request from the
3 First Round, CAC 1-55. And, sir, you'll -- you'll
4 recall or accept, subject to check, that this was an
5 Information Request that the Corporation originally
6 declined to answer? Do you recall that?

7 MR. DAN GUIMOND: I can't recall.

8 MR. BYRON WILLIAMS: I'll ask you to
9 accept that, subject to check, and turn to Order
10 98/'14, page 112, if your counsel wants to check.

11 MR. DAN GUIMOND: Okay.

12 MR. BYRON WILLIAMS: And if we could
13 just scroll down the page a little bit, Mr. Guimond,
14 you'll see what this Information Request is attempting
15 to do is look at the number of consultants, and the
16 consulting fees incurred for the actuals for 2012/'13,
17 and '13/'14, as well as the budget for 2014/'15.

18 Is that correct?

19 Do you understand that, sir?

20 MR. DAN GUIMOND: Yes.

21 MR. BYRON WILLIAMS: And, Diana -- and
22 it's just be -- I'll ask you to pull up CAC 1-14 from
23 the previous year, but Gui -- Mr. Guimond, you'll see
24 that you asked us in terms of the 2012/'13 year to
25 refer back to an Information Request from last year.

1 Do you see that, sir, on the left-hand
2 side?

3 MR. DAN GUIMOND: Yes.

4 MR. BYRON WILLIAMS: So, Diana, if you
5 could just pull up 1-14 CAC from last year.

6

7 (BRIEF PAUSE)

8

9 MR. BYRON WILLIAMS: And just scroll
10 down on the page. Perfect. Thank you.

11 And Mr. Guimond, we'll just say for the
12 -- the 2012 actuals were one hundred and fourteen (114)
13 to one hundred and forty-seven (147) in terms of the
14 estimated number of consultants.

15 Do you see that, sir?

16 MR. DAN GUIMOND: I see, "Actual," on
17 the screen. You used the term 'estimating', so I'm not
18 seeing...

19 MR. BYRON WILLIAMS: Sir, let me
20 rephrase the question then.

21 The Corporation's evidence was that for
22 the -- the actual results for 2012/'13, the number of
23 consultants was one hundred and fourteen (114) through
24 one forty-seven (147)?

25 MR. DAN GUIMOND: Yeah.

1 MR. BYRON WILLIAMS: And the consulting
2 fees incurred were in the range of 18.3 million?

3 MR. DAN GUIMOND: Yes.

4 MR. BYRON WILLIAMS: And bear with me,
5 sir, as we move over to the budget for 2013/'14.
6 You'll agree that the number of consultants was
7 forecast to be between one hundred (100) and one
8 hundred and thirty (130), correct?

9 MR. DAN GUIMOND: Yes.

10 MR. BYRON WILLIAMS: With the budget
11 for consulting fees incurred in the range of 28.1
12 million, agreed?

13 MR. DAN GUIMOND: For '13/'14? Yes.

14 MR. BYRON WILLIAMS: And then, Diana,
15 if we could just scroll back to CAC-1-55. Excuse me,
16 1-55. Yes, thank you.

17 So -- Mr. Guimond, would you prefer a
18 paper copy?

19 (BRIEF PAUSE)

20

21 MR. BYRON WILLIAMS: I want that back
22 though. Photocopying is expensive.

23

24 (BRIEF PAUSE)

25

1 MR. BYRON WILLIAMS: Mr. Guimond, just
2 let me get to the -- the actuals for 2013/'14. Would
3 it be fair to say at \$29.4 million they were about 1.3
4 million over the budget presented in -- in the previous
5 Information Request?

6 MR. DAN GUIMOND: Yes.

7 MR. BYRON WILLIAMS: And then, sir, if
8 we look for the budget to 2014/'15, you'll agree with
9 me -- excuse me, you'll agree that the number of
10 consultants is again estimated to be between one
11 hundred (100) and one hundred and forty (140), correct?

12 MR. DAN GUIMOND: Yes.

13 MR. BYRON WILLIAMS: And with the
14 estimated consulting fees incurred in the range of 30.6
15 or \$30.7 million, agreed?

16 MR. DAN GUIMOND: Yes.

17

18 (BRIEF PAUSE)

19

20 MR. BYRON WILLIAMS: So, Mr. Guimond,
21 what our -- my client is trying to understand -- to
22 back up, would it be fair to say that if we were to
23 compare the actuals for the 2012/'13 year versus the
24 budget for 2014/'15, there would be about a \$12 million
25 difference?

1 MR. DAN GUIMOND: Yes.

2 MR. BYRON WILLIAMS: And, Mr. Guimond,
3 what my client has -- has asked me to explore is
4 whether the hiring freeze extends to external
5 consultants?

6 MR. DAN GUIMOND: The external consul -
7 - consultants are linked to our strategic initiative in
8 terms of milestone delivery. And that's -- that's what
9 sets the requirements for the -- the resources that we
10 need.

11 MR. BYRON WILLIAMS: So in terms of the
12 straightened financial circumstances that the
13 Corporation finds it in in the 2014/'15 year, would I
14 be correct in sugge -- or would it be correct to
15 suggest to you that the budget here for external
16 consultants has not changed?

17

18 (BRIEF PAUSE)

19

20 MR. DAN GUIMOND: Yeah, we won't change
21 the budget.

22

23 (BRIEF PAUSE)

24

25 MR. BYRON WILLIAMS: Mr. Guimond, you

1 can check -- accept this subject to check, or you can
2 refer to CAC First Round 154(a).

3 But, sir, would you agree subject to
4 check that the operating expenses for the Corporation
5 in the '13/'14 year being the year ending in February
6 of 2014, were about sixty-seven (67), almost \$68
7 million.

8 Does that sound about right, sir, for
9 Basic?

10 MR. DAN GUIMOND: Sounds about right.

11 MR. BYRON WILLIAMS: And would it be
12 fair to say that the project -- forecast operating
13 expenses for the current year, being 2014/'15, are
14 forecast to be 73.6 million in your application?

15 MR. DAN GUIMOND: Sounds about right.

16 MR. BYRON WILLIAMS: Hoping to inspire
17 some confidence in my math skills, sir, would I be
18 correct in suggesting to you that year over year that's
19 about a \$5.6 million increase? You'll accept that
20 subject to check?

21 MR. DAN GUIMOND: Subject to check,
22 yeah.

23 MR. BYRON WILLIAMS: And, sir, you'd
24 agree that would be about an 8 per --

25 MR. DAN GUIMOND: Subject to check.

1 MR. BYRON WILLIAMS: I gave you an
2 extra two point two (2.2), so.

3

4 (BRIEF PAUSE)

5

6 MR. BYRON WILLIAMS: Mr. Guimond,
7 you've -- you've expressed on a number of occasions
8 over the last couple of days some discomfort with the
9 interest rate forecast your Corporation's currently --
10 currently relying upon.

11 Without asking you to elaborate, I'll
12 ask you to confirm that.

13 MR. DAN GUIMOND: Yes, I'm concerned
14 with the interest rate assumptions that we're using in
15 the forecasting model. Yes.

16 MR. BYRON WILLIAMS: And I'm confident
17 I know this answer, sir, but I'll -- but I'll ask.

18 Given your discomfort with the interest
19 rate forecasting, did you seek external expertise?
20 Someone with an expertise in finance, for example, to
21 assist you in revising your model for projecting
22 interest rates?

23

24 (BRIEF PAUSE)

25

1 MR. DAN GUIMOND: I'm going to try and
2 -- and answer your -- your question, assuming that if I
3 heard you, you're -- you're asking me if I'm going to
4 take -- maybe hire some experts and so on to try and
5 think what -- what the interest rate is going to be.
6 And --

7 MR. BYRON WILLIAMS: And just -- just
8 so I'm clear, because I -- what I'm asking you, sir --
9 and my question should have been better. In -- in the
10 time period between the Board order in the last year's
11 general rate application and today, did you seek
12 external expertise to assist your Corporation in
13 refining your interest rate forecast? That's what I'm
14 asking.

15 MR. DAN GUIMOND: No.

16 MR. BYRON WILLIAMS: And in the time
17 between the Board order in the last general rate
18 application and your application for this applica --
19 for this proceeding, sir, did MPI examine evidence
20 provided by the Consumers' Association of Canada before
21 the Public Utilities Board, in terms of interest rate
22 forecasting either with regard to Centra, or with
23 regard to Manitoba Hydro?

24

25 (BRIEF PAUSE)

1 MR. DAN GUIMOND: I'm told that they
2 would -- would have looked at it.

3 MR. BYRON WILLIAMS: I didn't hear
4 you, sir. They did or they didn't?

5 MR. DAN GUIMOND: They did.

6 MR. BYRON WILLIAMS: And did Manitoba
7 Public Insurance make any efforts to -- to speak with
8 the Consumers' Association outside the rate hearing in
9 terms of identifying what, if any, common ground there
10 might be in terms of interest rate forecasts?

11 MR. DAN GUIMOND: Not to my knowledge.

12 THE CHAIRPERSON: Mr. Williams, are
13 you going to continue on that line of questioning or
14 should we take a five (5), ten (10) minute break, or
15 did you want to finish something? I wasn't sure.

16 MR. BYRON WILLIAMS: Sometimes I'm not
17 sure either, Madam Chair. But I think now's a fine
18 time for a break. I'll -- I'll reflect upon whether I
19 want to pursue any more on this particular angle.

20 THE CHAIRPERSON: Okay, thank you. So
21 maybe we'll take ten (10) minutes. And we'll come back
22 at five (5) to 3:00. Thank you.

23

24 --- Upon recessing at 2:44 p.m.

25 --- Upon resuming at 2:58 p.m.

1 THE CHAIRPERSON: Welcome back. I
2 think we're ready to -- I guess we're ready to go.
3 Okay, good. Thank you. Mr. Williams, are you ready to
4 continue with your cross-exam?

5 MR. BYRON WILLIAMS: Yes.

6

7 CONTINUED BY MR. BYRON WILLIAMS:

8 MR. BYRON WILLIAMS: Thank you and
9 good afternoon again. Mr. Guimond, without asking you
10 to elaborate, I would ask you to recall your offer
11 yesterday to give the pen to the PUB actuary to
12 finalize the assumptions regarding the RSR.

13 Do you remember making that generous
14 offer, sir?

15 MR. DAN GUIMOND: Yes. And quite a
16 few people have come up with various versions of
17 'giving the pen'.

18 MR. BYRON WILLIAMS: I want to assure
19 you, sir, that my mind did not go in that -- that
20 direction. You did make the proviso though that in
21 giving the pen to the PUB actuary, you would still
22 reserve the right to Mr. Johnston and your external
23 actuary to have sign off on the results, agreed?

24 MR. DAN GUIMOND: Yes. If I -- if I
25 recall the -- it was regarding the adverse scenario.

1 That if the Board's actuary wanted to -- to change some
2 of the assumptions of the adverse scenario, that as
3 long as our internal actuar -- in our external actuary
4 we'd be able to sign off, then that would be okay.

5 MR. BYRON WILLIAMS: And -- and I
6 thank you for that, sir. In terms of handing over the
7 pen for the -- some of the assumptions, our client just
8 wants to under -- understand your -- your process
9 proposal.

10 So after empowering poor Mr. Pelly with
11 your pen, would you then suggest that he be called to
12 present the results of his penmanship in an open and
13 transparent proceeding where his assumptions could be
14 tested by cross-examination?

15 MR. DAN GUIMOND: I don't feel I
16 understand enough about the -- the protocols of the PUB
17 to -- to comment on that.

18 MR. BYRON WILLIAMS: Well, let's just
19 see, sir -- what -- what my client's trying to get --

20 MR. DAN GUIMOND: Maybe Mr. Gosselin
21 could answer that question in terms of what the rules
22 are. I -- I don't know what they are.

23 MR. BYRON WILLIAMS: Well -- well, my
24 question, sir, is: Is this contemplated as some sort
25 of private arrangement between MPI and the PUB, or do

1 you see this as something that would have to be in the
2 public and -- and tested in the public similar to what
3 we do in these proceedings?

4 MR. DAN GUIMOND: I don't see a change
5 in the process. I mean, I know that the regu -- the
6 Regulator uses the actuary to get some -- some advice.
7 I -- I don't know how it works. But the only thing I'm
8 saying is, if -- if Mr. Pelly provided advice to the
9 Board, or -- or how it works, that he would like to see
10 some changes to the adverse scenario, that we would be
11 okay with that.

12 So to me, I'm not modifying the
13 process, and it's -- it's the same thing. It's just
14 that if -- if the -- if the actuary had some
15 recommendation or wanted to make some -- some change, I
16 -- in my mind, we're following the same process.

17 MR. BYRON WILLIAMS: So in your mind,
18 sir, any process in which Mr. Pelly gave advice to the
19 Board relating to changes in assumptions, would it be
20 fair to say you would expect that to be in the public?

21 MR. DAN GUIMOND: I think whatever we
22 put in the public right now regarding the DCAT and the
23 adverse scenario and everything and all the
24 assumptions, that they would all be there.

25 MR. BYRON WILLIAMS: And then in

1 effect, am I correct in suggesting that you would still
2 be reserving the veto for the Corporation in terms of
3 sign off on any recommendation from Mr. Pelly's pen?

4 MR. DAN GUIMOND: In the actuary
5 opinion, yeah.

6 MR. BYRON WILLIAMS: I wonder if we can
7 turn to page 13 from yesterday's PowerPoint?

8

9 (BRIEF PAUSE)

10

11 MR. BYRON WILLIAMS: Now, Mr. Guimond,
12 in -- in the context of the RSR, do you recall using
13 words to the effect that, We really have to immunize
14 our customers from that volatility?

15 MR. DAN GUIMOND: Yes. Financial
16 volatility.

17 MR. BYRON WILLIAMS: And in terms of
18 volatility, sir, do you define that as variations from
19 forecast?

20

21 (BRIEF PAUSE)

22

23 MR. DAN GUIMOND: To me, it would -- it
24 would mean unforeseen events. And it is a forecast, so
25 if the forecast turns out to -- to not materialize

1 exactly the way it is, then -- then it might include
2 some of that, as well.

3 MR. BYRON WILLIAMS: Well, let's just
4 be clear on that, Mr. Guimond, and let's use the
5 variation from forecasts of net claims incurred from
6 last year's GRA. You -- you recall we had a discussion
7 about that previously, sir?

8 MR. DAN GUIMOND: I remember reading
9 about that, yeah.

10 MR. BYRON WILLIAMS: So...

11

12 (BRIEF PAUSE)

13

14 MR. BYRON WILLIAMS: So, sir, if we
15 think of that \$100 million variation, one (1) element
16 of that would be an extreme winter, agreed? I think
17 it's the overview, sir, pages 7 through 9, if you're
18 looking for some references.

19 MR. DAN GUIMOND: Yes.

20

21 (BRIEF PAUSE)

22

23 MR. DAN GUIMOND: Yes.

24 MR. BYRON WILLIAMS: So, sir, in terms
25 of that -- in terms of that volatility of that you see

1 the -- what we have to immunize consumers from, that
2 would be restricted to the \$16 million effects of the
3 extreme winter. Is that correct?

4 MR. DAN GUIMOND: From my perspective,
5 it's unforeseen events plus things that happen that --
6 that you didn't foresee. So I wouldn't limit it to the
7 \$16 million.

8 MR. BYRON WILLIAMS: Well, do you see
9 the RSR is -- using that as an example, is protecting
10 us from all \$104 million, sir?

11 MR. DAN GUIMOND: That could be an
12 example, yes.

13 MR. BYRON WILLIAMS: So when you use
14 the word 'volatility', sir, you're really referring to
15 variations from forecast.

16 MR. DAN GUIMOND: Just to be clear, I'm
17 starting to learn, I'm going to go to page 7 of my
18 testimony, that the purpose of the RSR is to:

19 "...remains to protect motorists from
20 rate increases made necessary by
21 unexpected losses arising from non-
22 recurring events or factors."

23 That's my position.

24 MR. BYRON WILLIAMS: So, sir, in terms
25 of the volatility then, it's only those elements that

1 you're seeking to protect against.

2 MR. DAN GUIMOND: Per this definition,
3 yes.

4 MR. BYRON WILLIAMS: And to go back to
5 the example of the \$104 million variation, would I be
6 correct in suggesting that you wish to amend your
7 previous answer, and restrict it to protecting against
8 the \$16 million extreme winter event.

9 MR. DAN GUIMOND: To make it consistent
10 with the definition that I provided.

11 MR. BYRON WILLIAMS: Thank you. Going
12 back to the PowerPoint slide 13. Mr. Guimond, whether
13 or not you get 194 million as the lower range and the
14 upper range is 323 million, let's dispense with the
15 numbers. What I want to focus on is if the -- assuming
16 that the Corporation gets a amount within the RSR
17 target range, whatever those numbers are, sir. My
18 question to you is let's assume we reach the -- the --
19 this target range.

20 Would I be correct in suggesting to you
21 that the funds within that target range should not be
22 used for any purpose other than protecting against
23 unforeseen extreme events?

24

25 (BRIEF PAUSE)

1 MR. DAN GUIMOND: Would you be able to
2 repeat the question, please?

3 MR. BYRON WILLIAMS: How about I try it
4 better? Mr. Guimond, let's notionally take a -- an RSR
5 range, approved range of 180 to \$220 million.

6 Is it your understanding of the RSR that
7 if -- if you've achieved that target the money in the
8 RSR should only be used to protect against unforeseen
9 extreme events?

10 MR. DAN GUIMOND: I'm going to defer
11 back to the definition that I provided.

12 MR. BYRON WILLIAMS: So, sir, for
13 example you'll recall in the previous decade that funds
14 were taken from the RSR for special investments of the
15 Corporation.

16 Would it be your position that money in
17 the RSR should not be used for any special investments
18 of the Corporation?

19 MR. DAN GUIMOND: I don't recall saying
20 that.

21 MR. BYRON WILLIAMS: Well, I'm asking
22 you.

23 MR. DAN GUIMOND: So you're asking me
24 if some of the RSR money should be used for other --
25 for -- like, for example, what -- with the -- with the

1 -- the auto theft initiative?

2 MR. BYRON WILLIAMS: That's a -- sir,
3 it's --

4 MR. DAN GUIMOND: That would be an
5 example if that's what you're getting at?

6 MR. BYRON WILLIAMS: Yes.

7

8 (BRIEF PAUSE)

9

10 MR. DAN GUIMOND: If you go back to the
11 RSR being rate stabilization and the definition that we
12 provided that -- I think -- I don't know where you're
13 going with all this, so you're going to have to help me
14 out to understand what you're trying to do here. My
15 understanding is that this -- this -- these processes
16 have agreed to the definition of the RSR.

17 MR. BYRON WILLIAMS: Well, let's --
18 let's --

19 MR. DAN GUIMOND: And we're not
20 changing it.

21 MR. BYRON WILLIAMS: -- let's accept
22 that definition, sir. What I'm asking you, if -- if we
23 achieve an RSR level, in your opinion is it appropriate
24 to draw down the RSR level to invest in capital
25 projects for the Corporation?

1 (BRIEF PAUSE)

2

3 MR. DAN GUIMOND: If it would be above
4 the MCT amount and we did it under auto theft
5 initiative, I -- I don't see why we wouldn't use some
6 of the money in the RSR.

7 MR. BYRON WILLIAMS: Okay. So let's
8 move it down below the upper range and within the
9 range, sir. Is it appropriate to draw down the RSR
10 within that range for capital programs of the
11 Corporation?

12

13 (BRIEF PAUSE)

14

15 MR. DAN GUIMOND: You know what, I'm
16 going to do is I'm going to let you deal with Ms.
17 Reichert with all this. I -- I think you're trying to
18 get to -- to do something here. And I'm fairly new, so
19 I'm going to let Ms. Reichert handle whatever rabbit
20 hole you're going into.

21 MR. BYRON WILLIAMS: I thought we had
22 crystal balls. I weren't sure we -- we had rabbit
23 holes, sir.

24 But you're the policy spokesperson for
25 the Corporation, agreed?

1 MR. DAN GUIMOND: Yes.

2 MR. BYRON WILLIAMS: And you can
3 understand the concern of consumers that reserves at a
4 certain level may pro -- promote a desire by the
5 Corporation to avoid putting costs into the rate base
6 and to subsidize imprudent expenditures through their
7 reserve.

8 You can understand that policy concern
9 from consumers?

10 MR. DAN GUIMOND: Yes.

11 MR. BYRON WILLIAMS: And so on behalf
12 of my client, I'm asking you for what safeguards there
13 are for consumers that the next time an IT project
14 comes along that catches the fancy of the Corporation,
15 it won't be funded out of funds designated for a
16 specific purpose?

17

18 (BRIEF PAUSE)

19

20 MR. DAN GUIMOND: The only thing I can
21 say is that the RSR is to be used as agreed to in terms
22 of definition as been agreed here for many, many years
23 and that, if, for whatever reason, in the future there
24 would be something that would be done differently or
25 hypothetically or whatever, I think it'll -- it'll be

1 handled at that point in time. But -- but the RSR is
2 per what -- what the definition is.

3

4 (BRIEF PAUSE)

5

6 MR. DAN GUIMOND: It's a bit like what
7 the Regulator agreed to with the auto theft initiative.
8 And -- and I don't -- I don't see why -- so I'm not too
9 sure where you're going and I'd rather leave it for Ms.
10 Reichert to -- to handle that.

11 MR. BYRON WILLIAMS: Who --

12 MR. DAN GUIMOND: But the defini --
13 from a policy proce -- if you want to hear from a
14 policy perspective, the definition of the RSR and the
15 use of the RSR is per the definition that I provided.
16 And then when there are things that are done, like the
17 -- like the anti-theft initiative and the immobilizer,
18 then it will be transparent. It'll be brought here and
19 the Regulator will -- will rule.

20 MR. BYRON WILLIAMS: We'll leave this
21 after one (1) question, sir. So that's all the
22 assurance you can give my client?

23 Is that all the assurance you will give
24 my client, sir?

25 MR. DAN GUIMOND: That's the -- that's

1 the definition of what the RSR is, yeah.

2 MR. BYRON WILLIAMS: I wonder if the --
3 Diana can turn to CAC Exhibit 2-8, please.

4

5 (BRIEF PAUSE)

6

7 MR. BYRON WILLIAMS: 2-8. I'm sorry,
8 Diana. Sorry, I meant to say Information Request CAC
9 2-8.

10

11 (BRIEF PAUSE)

12

13 MR. BYRON WILLIAMS: I think we've got
14 a computer freeze here. Mr. Guimond, just by preamble,
15 you recall a con -- conversation you had with Chair --
16 Chairperson Gosselin this morning in terms of why rates
17 between Regina and Winnipeg were displaying a gap.

18 You recall that conversation? You
19 talked with Mr. Gosselin this morning about that.

20 MR. DAN GUIMOND: Well, I think we were
21 -- we were talking about the -- the difference in -- in
22 the rates, and he was asking about what's different, if
23 I recall, a little bit, yeah.

24 MR. BYRON WILLIAMS: And your evidence
25 was the biggest difference is the deductible and the

1 fact that in Manitoba it's a five hundred dollar (\$500)
2 deductable, and in Saskatchewan it's a seven hundred
3 dollar (\$700) deductable. That was your evidence, sir?

4 MR. DAN GUIMOND: That was one of the
5 significant differences, yes.

6 MR. BYRON WILLIAMS: And you described
7 it as the biggest difference this morning?

8 MR. DAN GUIMOND: I said it was a major
9 difference. I'm -- I'm sure there's a lot of other
10 differences, so I just wanted to use that one because
11 it -- it's easy to -- to see the -- a clear difference
12 in coverage.

13 MR. BYRON WILLIAMS: Okay. And just so
14 -- if we can scroll down, that's -- Mr. Guimond, and --
15 and you'll correct me if I'm misdirecting you on here,
16 but if -- if -- scroll down a little bit more, Diana.
17 Scroll down to the next page. Sorry. And this shows,
18 sir, for -- scroll down just a little bit more, Diana.
19 That's fine. Thank you. I apologize, up a little --
20 perfect.

21 For collision and accident year
22 2013/'14, the claims incurred at twelve (12) months
23 under five hundred (500) and between five hundred (500)
24 and seven fifty (750), as well as other layers. Is
25 that correct, sir?

1 MR. DAN GUIMOND: I can't see the --

2 MR. BYRON WILLIAMS: Oh, scroll up just
3 a little bit more. I apologize.

4 MR. DAN GUIMOND: Yeah. So your
5 question?

6 MR. BYRON WILLIAMS: What this shows is
7 the development of total collision for acc -- the
8 accident year 2013/'14 at twelve (12) months, agreed?

9 MR. DAN GUIMOND: The total -- the
10 total collision for accidents, yes.

11 MR. BYRON WILLIAMS: And we see the --
12 at twelve (12) months for under five hundred (500)
13 development of 3.4 million in claims incurred; agreed?

14 MR. DAN GUIMOND: Yes.

15 MR. BYRON WILLIAMS: And at claims
16 incurred between five hundred (500) and seven hundred
17 and fifty dollars (\$750) we see development of 5.5
18 million.

19 Would that be fair, sir?

20 MR. DAN GUIMOND: Yes.

21 MR. BYRON WILLIAMS: And if we wanted
22 more insight into the impacts for the -- the program in
23 terms of other important coverages, I guess we would
24 also look to comprehensive in terms of its development
25 at twelve (12) months in terms of -- sir, would that be

1 fair?

2 MR. DAN GUIMOND: Yes.

3 MR. BYRON WILLIAMS: So do these
4 figures give some sense of the -- in your judgment,
5 sir, of the -- the costs being incurred for the
6 Corporation related to a deductible at -- at five (5) -
7 - at five hundred (500) versus seven fifty (750)? Does
8 that give some insight, sir?

9 MR. DAN GUIMOND: To help understand,
10 yes.

11 MR. BYRON WILLIAMS: Just a couple of
12 short snappers before we finish off.

13 At slide 3 of your PowerPoint
14 presentation from yesterday, Mr. Guimond -- and we
15 probably don't need to turn there but, sir, you'll
16 again recall a discussion with the Chairperson this
17 morning in terms of distributed estimating.

18 You recall that?

19 MR. DAN GUIMOND: Yes.

20 MR. BYRON WILLIAMS: And while my
21 client is here, at a high level I wonder if you can
22 explain how the distributed estimating process would
23 differ from your current estimating process.

24 MR. DAN GUIMOND: The major difference
25 is that for an accident where the vehicle is driveable,

1 they may go directly to a repair shop of their choice
2 to get their vehicle repaired. They don't have to call
3 the call centre and they can just have their claims
4 processed through the -- the repair centre of their
5 choice.

6 MR. BYRON WILLIAMS: So, sir, is it
7 just the di -- difference of a call to the call centre,
8 or is there additional differences, such as -- as a
9 visit to the service centre?

10 MR. DAN GUIMOND: It would skip the
11 estimating visit that currently occurs at the service
12 centre.

13 MR. BYRON WILLIAMS: And just to help
14 my client understand this, in terms of checks and
15 balances, how would -- how would the distri --
16 distributed estimating approach provide a -- a check in
17 terms of an MPI review of the repair shop's estimate?

18 MR. DAN GUIMOND: Oh, that's -- through
19 analytics it's going to be very important to have key
20 performance indicators for the shops. The
21 accreditation for the shops is going to change also in
22 terms of performance expectations. And for the -- it's
23 very possible that we may have personnel on site for
24 quality assurance perspective and monitoring.

25 So that's very preliminary information

1 I'm providing here, and it's subject to doing the
2 pilots and making sure that we have proof of the
3 concept to make sure that we don't have leakage.

4 MR. BYRON WILLIAMS: And by leakage,
5 sir, you're referring to the risk that the estimates --
6 one (1) risk being that estimates could be higher than
7 they would otherwise be with the check of a visit to
8 the service centre?

9 MR. DAN GUIMOND: In -- in today's
10 world, we -- we know that we've been able to manage the
11 leaking by doing the estimate, like through the -- the
12 service centre. I mean, that's an important process
13 that we have right now.

14 Because the cars are changing and they
15 have to be pulled apart to -- to do the estimate. It -
16 - it -- we have to change the way of how we're going to
17 do -- and that's why I referred to the new quality
18 assurance program, new auditing, new key performance
19 indicator, and so on to not have leakage.

20 So we're going to have to do some
21 pilots, and we're going to have to do some quantitative
22 analysis to -- to make sure that how we change the
23 monitoring and the processes to prevent leakage work.
24 But there will be a significant change on that, yes.

25 MR. BYRON WILLIAMS: And so assuming

1 the pilots work out, what, if any, role will the
2 estimating function at the existing service centres
3 play?

4 MR. DAN GUIMOND: There's some of them
5 that are still going to be at the service centres for
6 total losses, non-driveables, write-offs, and so on.
7 And then it's very possible that our estimators -- and
8 I'm -- this is very conceptual here and -- and
9 preliminary information. But we -- we expect to put
10 our estimators on -- on site in the shops to -- to be
11 able to -- to be able to -- to provide that quality
12 assurance process and prevent leakage.

13 So, for example, forty (40) shops do 80
14 percent of our business. So that gives you an idea in
15 terms of how you can control the -- the leakage. It's
16 not like -- I know we have three hundred and five (305)
17 shops, but forty (40) shops do about 80 percent of our
18 business. So it'll be possible to -- to make sure we
19 keep control of the leakage.

20 MR. BYRON WILLIAMS: So in the event
21 you move the adjusters on site, you're speaking about
22 the forty (40) shops, not the three hundred and five
23 (305) shops?

24 MR. DAN GUIMOND: Yes, because the
25 other ones -- because of volume. Going back a little

1 bit to our discussion this morning, they'll be fixing
2 headlamps, maybe bumpers, scratches. Maybe somebody
3 takes a knife to a car, you know, repaint them and so
4 on. But -- so they'll be able to stay in business by
5 doing that kind of work. But where the heavy duty
6 stuff comes in and where you control your leakage will
7 probably be around those shops, yeah.

8 MR. BYRON WILLIAMS: And in terms of
9 the en -- will there be any reorientation of the
10 existing service centres in -- like, there's a -- a big
11 physical location there which will be less intensively
12 used, sir.

13 So what -- what's the vision for the
14 service centres?

15 MR. DAN GUIMOND: In terms of brick and
16 mortars, our service centres right now do everything
17 that the Corporation does in the sense that that's
18 where people go for road tests. That's where they go
19 for their driver licence sometimes. That's why they --
20 they do different things.

21 And when you look at what they're doing
22 also from -- from vehicles that are non-driveables,
23 people that are -- have recovered cars and so on, so --
24 but they will definitely -- we'll definitely have to do
25 an analysis on -- on brick and mortars.

1 MR. BYRON WILLIAMS: Mr. Guimond, I --
2 I hope we have a chance to chat again a bit later in
3 this hearing. I appreciate the time. And I appreciate
4 the panel's time, as well. Thank you.

5 THE CHAIRPERSON: Thank you very much,
6 Mr. Williams.

7 Mr. Oakes, are you ready to do cross-
8 exam at this time?

9 MR. RAYMOND OAKES: Yes, Madam
10 Chairperson. As a housekeeping thing from -- at the
11 outset, I'd like to distribute an exhibit.

12 MR. DAN GUIMOND: Sorry, is it -- Ms. --

13 THE CHAIRPERSON: Yes, I'm sorry, Mr.
14 Guimond.

15 MR. DAN GUIMOND: Yeah, I -- I'm just
16 wondering if I could get a two (2) minute break,
17 please.

18 THE CHAIRPERSON: Yes, certainly, while
19 we're waiting for distribution. Not a problem.

20 MR. DAN GUIMOND: Okay. Thank you.

21

22 (BRIEF PAUSE)

23

24 MR. RAYMOND OAKES: And, of course,
25 this is an article from yesterday's paper, the Winnipeg

1 Free Press.

2 THE CHAIRPERSON: Excuse me. You know
3 what, Mr. Oakes, Mr. Guimond had to leave just for a
4 minute or two (2), so we'll just wait until he returns.
5 Thank you.

6

7 (BRIEF PAUSE)

8

9 THE CHAIRPERSON: Okay, thank you very
10 much. Sorry, Mr. Oakes, you may continue with your
11 cross-examination.

12 MR. RAYMOND OAKES: Thank you then. I
13 understand that the Board secretary is prepared to mark
14 that as the next CMMG Exhibit.

15 And, Mr. Guimond, I want to get just two
16 (2) quick things --

17 MR. KURT SIMONSEN: That'll be number
18 3.

19 MR. RAYMOND OAKES: CMMG Exhibit 3
20 then, the article from yesterday's Free Press, October
21 22nd, 2014.

22

23 --- EXHIBIT NO. CMMG-3: Article in the Winnipeg
24 Free Press October 2nd,
25 2014

1 CROSS-EXAMINATION BY MR. RAYMOND OAKES:

2 MR. RAYMOND OAKES: Mr. Guimond, I'm
3 hoping to get two (2) quick bullets out of the way.
4 And the -- in speaking about the winter of last year,
5 and I understand the -- also, the winter before, it's
6 not the Corporation's understanding or contention that
7 the winter experience has been a factor driving poor
8 claims experience for motorcycles.

9 Is that correct?

10 MR. DAN GUIMOND: For motorcycle,
11 that's correct, yeah.

12 MR. RAYMOND OAKES: And, also, another
13 easy one. It isn't the technological advances in
14 motorcycles that's causing increased repair costs and
15 being a driver for the motorcycle's claims experience.

16 Is that correct?

17 MR. DAN GUIMOND: No, it's not correct.

18 MR. RAYMOND OAKES: I'm going to refer
19 you, if I can, to just the summary, and it's in the
20 second line of columns. It says:

21 "MPI has said the main reason for the
22 rate request was the high number of
23 fender benders last winter due to
24 poor driving conditions and the
25 higher cost of fixing damaged newer

1 vehicles."

2 Does the Corporation adopt that? Is
3 that correct, sir?

4

5 (BRIEF PAUSE)

6

7 MR. DAN GUIMOND: Yeah. In the
8 interests of -- I just want to go back to what I said
9 that -- that the breakdown of our rate increase is per
10 the waterfall diagram. That's the best way of --

11 MR. RAYMOND OAKES: I'm sorry, I didn't
12 hear that, sir.

13 MR. DAN GUIMOND: The best way to
14 answer that question is -- is what I said yesterday in
15 terms of the breakdown as to the reason for a rate
16 increase is per the waterfall diagram.

17 MR. RAYMOND OAKES: And then looking --
18 going to the right there's a column there right next to
19 that very handsome picture of yourself. It says:

20 "Guimond al -- also said MPI had
21 toyed with asking the PUB for a
22 higher rate hike, so 2 percent of the
23 overall rate increase could go into
24 rebuilding the reserve, but thought
25 better of a 4.4 percent rate in --

1 request as that would be too steep an
2 increase for vehicle owners."

3 Does the Corporation adopt that
4 explanation?

5

6 (BRIEF PAUSE)

7

8 MR. DAN GUIMOND: Yes, I -- I agree
9 that we -- we thought that it would be too high of an
10 interest rate -- or a rate.

11 MR. RAYMOND OAKES: So 4.4 percent
12 would too steep an increase for vehicle owners.

13 Is that correct, sir?

14 MR. DAN GUIMOND: With what we know
15 right now, yes.

16 MR. RAYMOND OAKES: And when you say
17 'vehicle owners' what you're really referring to is the
18 three-quarter (3/4) -- or the two-thirds (2/3) of a
19 million private passenger insured.

20 Is that correct?

21 MR. DAN GUIMOND: No.

22 MR. RAYMOND OAKES: Well, who -- who is
23 pay -- who --

24 MR. DAN GUIMOND: Well, I -- it -- it
25 depends -- like, from my perspective I think of insured

1 units, right? So it's -- it's a unit we insure. It --
2 it -- I guess for the media vehicle owners it -- it
3 includes all the -- all the vehicles we insure, right,
4 under Basic.

5 MR. RAYMOND OAKES: Well, I --

6 MR. DAN GUIMOND: If you mean by
7 'vehicle' you don't want to include a motorcycle, then
8 -- then I -- that's what I want to be clear on. It
9 includes everything.

10 MR. RAYMOND OAKES: You're not asking
11 the motorcyclists for a 4.4 percent rate request, are
12 you, sir?

13 MR. DAN GUIMOND: No, it's a decrease.

14 MR. RAYMOND OAKES: Okay.

15 MR. DAN GUIMOND: But what I'm saying
16 is that in general when I talk about vehicle owners, I
17 mean, I'm not -- you know, I'm -- I'm not distinction
18 (sic) between a truck or a -- a ve -- or a -- a
19 passenger vehicle. I don't know how you interpret the
20 word 'vehicle owner', but it includes all of these
21 things.

22 MR. RAYMOND OAKES: The majority of the
23 people that would be asked to pay that rate would be
24 private passenger vehicles.

25 Is that correct, sir?

1 MR. DAN GUIMOND: Yes.

2 MR. RAYMOND OAKES: Okay. If I can ask
3 the Board's secretary, Diana's the assistant, to put up
4 CMMG interrogatory 1-5, please. And if we could scroll
5 down a little bit.

6 Now, Mr. Guimond, the -- the top of that
7 chart, and this is the Insurance Year, Rate
8 Requirement, Loss Ratio, and Increase Sought and
9 Increase Approved for motorcyclists. And you'll see at
10 the top of that chart starting with the first year,
11 2004/'05, you'll see that MPI applied in that year for
12 an increase of 19.93 percent.

13 Is that correct, sir?

14

15 (BRIEF PAUSE)

16

17 MR. DAN GUIMOND: Yes, that's correct.

18 MR. RAYMOND OAKES: And, ultimately,
19 14.82 percent was approved.

20 MR. DAN GUIMOND: That's correct.

21 MR. RAYMOND OAKES: Following year,
22 2005/'06, the Corporation applied for 15.01 percent?

23 MR. DAN GUIMOND: Yes.

24 MR. RAYMOND OAKES: And the year after
25 that they applied for a 12.7 percent increase.

1 MR. DAN GUIMOND: Yes.

2 MR. RAYMOND OAKES: The increases that
3 followed were single digit but ranging between 7.21
4 percent and 8.36 percent the next three (3) years.

5 MR. DAN GUIMOND: That's correct.

6 MR. RAYMOND OAKES: Can you tell me,
7 sir, why the Corporation is so concerned about a rate
8 increase of 4.4 percent for private passenger vehicles
9 but has none of the same compunction about asking for
10 increases for motorcyclists of some 19.93 percent?

11

12 (BRIEF PAUSE)

13

14 MR. DAN GUIMOND: So the -- the answer
15 is -- to your question is that in -- in my opinion in
16 today's --well, first of all, it has to be -- the rates
17 that you need -- that you think you need that -- that
18 the actuary calculate, but I do think that in today's
19 world with the inflation where it is, and so on, that
20 anything above 2 percent more than inflation is a
21 problem. And that's just my own belief at this point
22 in time.

23 MR. RAYMOND OAKES: So based on your
24 own belief you would not be asking motorcyclists in the
25 future for anything over about 3 or 4 percent.

1 MR. DAN GUIMOND: I'm talking about the
2 overall general -- general increase. I mean, inside
3 the portfolio it may -- it may vary, right, so we can't
4 talk about -- there has to be a distinction between an
5 overall rate increase for Basic in terms of the
6 portfolio that you underwrite, and then the impact that
7 has inside the portfolio at -- at the particular
8 vehicles that you're talking about -- or class, or use,
9 or depending on -- on where your loss ratios are.

10 MR. RAYMOND OAKES: Would you agree
11 with me, sir, that there's a huge disparity between
12 what the Corporation has considered too steep for
13 private passengers versus what they have considered --

14 MR. DAN GUIMOND: Yeah.

15 MR. RAYMOND OAKES: -- steep enough for
16 motorcyclists?

17 MR. DAN GUIMOND: I just want to
18 clarify my language -- I'm seeing where you're going
19 with this -- is that for me it's at -- at the overall
20 Basic pool. So I just want to clarify that.

21 And the other thing that I have heard,
22 and maybe we can take an undertaking, because I've
23 heard you say quite a few occasions, you know, that
24 you've been turning rocks and finding money -- bags of
25 money that -- that were refunded. And I'd like to put

1 into the record, Mr. Gosselin, the -- in 1994 when PIPP
2 was introduced they were -- there was a firm, and our
3 actuaries, and also the Regulator's actuary that was
4 hired because there was no historical data on PIPP.

5 When we -- when we introduced PIPP we
6 did not know -- it was an analytical construct in terms
7 of determining the premium. And it was many years
8 later that the external actuaries were able to release
9 the money, and felt comfortable to have the statistical
10 information to know exactly what the premium for PIPP
11 should be.

12 And the -- on average they were just
13 twelve dollars (\$12) off per policy. So I think it's
14 important that we put that in -- per year, right.
15 Twelve dollars (\$12) per policy per year. And I think
16 like when you're guessing on something like that back
17 in 1994, I think it's really important to put that on
18 the record.

19 And maybe it'll help to -- to alleviate
20 some of your thoughts regarding the Company's -- how it
21 came about to -- to get to the refund regarding the --
22 the release of the BI money.

23 MR. RAYMOND OAKES: Well --

24 MR. DAN GUIMOND: I think that's
25 important in terms of -- of intellectual honesty in

1 terms of when we introduce the Personal Insurance
2 Protection Plan and how -- how we had to more or less
3 work with the actuaries to determine what their premium
4 would be.

5 And the fact that they were twelve
6 dollars (\$12) per policy per year on the plus side, I
7 thank God it wasn't on the negative side. But I think
8 from a -- from a insurance perspective it's important
9 we put that in the record because I -- I -- you know, I
10 -- I -- I mean, your -- your characterization of the
11 situation is somewhat concerning to me a little bit.

12 MR. RAYMOND OAKES: Well, Mr. Guimond,
13 your sidestepping of the question is concerning to me.

14 But while you've jumped to a totally
15 different topic about reserving, are you trying to tell
16 me that it took from 1994 until recently to ascertain
17 the correct amount of bodily injury reserves on no-
18 fault insurance for motorcyclists?

19 MR. DAN GUIMOND: Yeah, we'll -- we'll
20 put that into the undertaking. Maybe, Kathy, you can
21 help me do that? And we're going to explain exactly
22 how we got to that release on the BI side, which
23 created a lot of the -- the refunds. And I think it's
24 important to put that in the record, so we'll explain
25 that. And we'll show that -- that, based on that, the

1 rates that we were asking for from a natural
2 perspective were -- were sound.

3 MR. RAYMOND OAKES: Well, I'm not
4 looking for any undertaking. I was asking a question
5 which you haven't yet responded to, so I'll get back to
6 that.

7 But just in terms of the statement that
8 you came up with, you will agree with me that in 2011
9 the Corporation was ordered to release \$336 million, 45
10 percent of its premiums, by virtue of its massive
11 misstatement of the case reserves?

12 MR. DAN GUIMOND: No, I don't agree
13 with that at all.

14 MR. RAYMOND OAKES: Tell me which part.

15 MR. DAN GUIMOND: When we provide the
16 information, you'll see the calculations. It was
17 twelve (12) policies -- twelve dollars (\$12) per policy
18 on an annual basis. And we'll put the math. And when
19 the math's in here, then we can have the discussion.

20 MR. RAYMOND OAKES: Okay, well, let's
21 go back to the question I was asking you. And the
22 question is: How is a 4.4 percent rate increase too
23 steep for private passenger operators, but somehow the
24 Corporation felt okay with 19.93 percent for
25 motorcyclists?

1

2

(BRIEF PAUSE)

3

4

MR. DAN GUIMOND: You're taking a
5 statement that I'm making in today's world and -- and
6 contrasting it to -- I think you're at 2008 or
7 whatever. But if you look at today, you're at minus
8 6.5 percent.

9

MR. RAYMOND OAKES: Well, when I asked
10 --

11

MR. DAN GUIMOND: It's consistent in
12 terms of my thought process.

13

MR. RAYMOND OAKES: When I asked you
14 the question about this year, you went back to 1994.
15 How is that consistent, sir?

16

MR. DAN GUIMOND: I think you presented
17 that slide. I'm just saying my 4.4 percent applied to
18 today's environment, and you're at six point five (6.5)
19 reduction.

20

MR. RAYMOND OAKES: Well, we'll
21 certainly get to that point, as well. So the
22 conclusion that we would draw from -- certainly.

23

MR. REGIS GOSSELIN: Sorry, for a
24 second. I hate to interrupt you, but I -- I heard an
25 undertaking. And I want to make sure that it's

1 recorded appropriately because I'd like to see the
2 information. I wonder if you could undertake -- if you
3 could express the undertaking, please.

4 MS. KATHY KALINOWSKY: Kind of unusual
5 to do an undertaking when it wasn't requested by
6 counsel, of -- of course. But we'll be able to provide
7 a table which indicates the calculation of the PIPP
8 collections amounted to twelve dollars (\$12) per policy
9 per year since 1994 up until the release -- the final
10 rele -- final major release.

11 MR. REGIS GOSSELIN: Thank you.

12

13 --- UNDERTAKING NO. 8: MPI to provide a table
14 which indicates the
15 calculation of the PIPP
16 collections amounted to
17 twelve dollars (\$12) per
18 policy per year since 1994
19 up until the final major
20 release

21

22 CONTINUED BY MR. RAYMOND OAKES:

23 MR. RAYMOND OAKES: Mr. Guimond, we --
24 do see that the conclusion the motorcyclists draw is
25 that the Corporation has never had any concern about

1 immunizing motorcyclists from financial volubility --
2 volatility, sorry?

3

4

(BRIEF PAUSE)

5

6 MR. DAN GUIMOND: I'll try to restate
7 what I -- I said earlier, but for me it's the overall
8 increase for Basic. Inside of Basic there are -- are -
9 - based -- based on how we determine the rates, people
10 have to pay their fair share. So my comment at that
11 percentage is overall the Basic -- at the -- at the
12 overall pool level. So that's what I mean by that.

13 MR. RAYMOND OAKES: Mr. Guimond, with
14 respect to the motorcycle claims experience, you would
15 agree that the majority of the premium that you're
16 seeking from motorcyclists each year comes from the
17 PIPP loss experience?

18 MR. DAN GUIMOND: That's correct.

19 MR. RAYMOND OAKES: So when you made
20 your comment earlier today that PIPP is a gift, would
21 you think that the motorcyclist paying increases of 15
22 percent a year for a good part of a decade, that they'd
23 appreciate that characterization?

24 MR. DAN GUIMOND: I -- I still think
25 the coverage is amazing.

1 MR. RAYMOND OAKES: Is that amazingly
2 expensive? Is that your response?

3 MR. DAN GUIMOND: No. And if you can
4 buy unlimited medical expense for motorcycle anywhere
5 else except Saskatchewan and Manitoba, good luck for
6 that price.

7 MR. RAYMOND OAKES: Now, the
8 Corporation has pointed to the last two (2) winters as
9 being poor driving conditions, and that being a driver
10 of the need for rate increases, and we've talked about
11 that already.

12 Would you say that two (2) years'
13 experience can give rise to a concern of the
14 Corporation over a trend?

15

16 (BRIEF PAUSE)

17

18 MR. DAN GUIMOND: It -- it depends, and
19 I -- I think if you're going to get more into that you
20 -- you'll have to let Ms. Reichert and Mr. Johnston go
21 over that with you.

22 MR. RAYMOND OAKES: Well, just before
23 we do that, because of course I'll be splitting my
24 cross-examination and doing that sometime in November,
25 but if you look at CMMG 1-5 that's up on your screen,

1 and if you look at years 2011 and '12, and following
2 you'll see loss ratios of 54.98 percent, 40 percent,
3 and then 62.6 percent. Do you see that, sir?

4 MR. DAN GUIMOND: Yes, I do.

5 MR. RAYMOND OAKES: Okay. And when you
6 look at those three (3) years, you have a loss ratio
7 that is very favourable to the Corporation.

8 Would you agree with that, sir?

9 MR. DAN GUIMOND: It's when the rates
10 are going down, so...

11 MR. RAYMOND OAKES: So that would be
12 favourable?

13

14 (BRIEF PAUSE)

15

16 MR. DAN GUIMOND: Yeah. If you have a
17 good experience, the rates will go down.

18 MR. RAYMOND OAKES: Right. And if you
19 have three (3) years of that good experience, and
20 perhaps a fourth year of that good experience, that's a
21 trend that the Corporation to -- should look to in
22 setting its rates.

23 Is that correct?

24

25 (BRIEF PAUSE)

1 MR. DAN GUIMOND: So rates have
2 decreased by 29 percent since 2011.

3 MR. RAYMOND OAKES: Okay. Let's talk
4 about those decreases since you're so anxious to show
5 off the Corporation's decreases that it's applied for.

6 You'll aware -- you're aware that in
7 this application the required rate for motorcyclists is
8 7.3 percent decrease?

9

10 (BRIEF PAUSE)

11

12 MR. DAN GUIMOND: Subject to check.

13 MR. RAYMOND OAKES: All right. And the
14 --

15 MR. DAN GUIMOND: Yes.

16 MR. RAYMOND OAKES: Thank you. And the
17 Corporation is only applying for a decrease of 6.6
18 percent. Is that correct, sir?

19 MR. DAN GUIMOND: Yes.

20 MR. RAYMOND OAKES: Okay. So I ask you
21 if there isn't a different staircase for increases as
22 opposed to decreases? When it's -- the rate is going
23 up, we have increases capped at 15 percent. When it
24 decreases, we can't even receive the full 7.3 percent
25 required rate decrease.

1 Can you -- you explain that, please?

2 MR. DAN GUIMOND: You know, I'm going
3 to defer this to Mr. Johnston.

4 MR. RAYMOND OAKES: All right. I guess
5 I'll be forced to wait a couple of weeks for that
6 answer.

7 MR. DAN GUIMOND: The only thing I can
8 say is, as a corporation, for a eight hundred and
9 seventeen dollar (\$817) annual premium for the coverage
10 that we provide, I can put on the record that you're
11 not going to be able to buy that in North America,
12 except in Saskatchewan.

13 So that's -- if you want to talk about
14 value, or ability to ride a motorcycle affordably and
15 be protected, you -- you just won't be able to buy that
16 anywhere in North America, except in Manitoba or
17 Saskatchewan, for that kind of -- for the coverage.

18 MR. RAYMOND OAKES: Well, I did want to
19 ask you about that, and I asked you for examples of the
20 cost of coverage amongst the various insurers across
21 Western Canada. And you told me that the Corporation
22 couldn't produce any responses in that regard.

23 Do you recall that, sir?

24 MR. DAN GUIMOND: Yes, but nobody else
25 can provide PIPP.

1 MR. RAYMOND OAKES: Well, unless you
2 give us numbers, how could we know that?

3 MR. DAN GUIMOND: Because I just know
4 that there's no insurer that provides unlimited medical
5 expenses.

6 MR. RAYMOND OAKES: Your example of the
7 rate that you just gave, you'll agree with me that most
8 motorcyclists pay considerably more than that rate?
9 That that average that you gave includes mopeds,
10 scooters?

11 MR. DAN GUIMOND: Yes, my
12 understanding, if there's like bikes that are -- like
13 the high-speed bikes, the -- that -- that they'll pay -
14 - they'll pay more, yes.

15 MR. RAYMOND OAKES: And if they're
16 touring bikes -- the majority of full-fledged
17 motorcycles pay considerably more than the sum that you
18 gave as an example.

19 MR. DAN GUIMOND: I'll -- I'll leave --
20 I'll let Luke -- I mean, Mr. Johnston handle that.

21 MR. RAYMOND OAKES: Okay. You're not
22 answering that either. You give an example, but you
23 won't defend the example.

24 MR. DAN GUIMOND: I'm just saying that
25 you can go anywhere in North America and try to get a

1 quote lower than eight hundred and seventeen (817).

2 MR. RAYMOND OAKES: I'm going to switch
3 gears shortly. I don't have very much more time today,
4 and there's a considerable amount of material in the
5 standing committee legislative assembly.

6 But perhaps before we close for the day,
7 just looking at this exhibit of CAC, your Minister Swan
8 talked about how distracted driving was such a
9 priority, and it was extremely dangerous driving
10 behaviour resulting in losses. But when the -- CMMG
11 asked the interrogatory of the Corporation as for
12 numbers to quantify the losses attributable to
13 distracted driving, the Corporation said it has no
14 information in that respect.

15 Can you explain that?

16

17 (BRIEF PAUSE)

18

19 MR. DAN GUIMOND: Yeah. The messaging
20 we're providing right now is that 20 percent of our
21 fatalities are the result of distracted driving. We
22 know that because each time there's a fatality there's
23 an investigation done. The police are involved and so
24 on. So we have a -- we are able to have that in our
25 data banks.

1 When it comes to the -- all of our
2 losses associated with distracted driving we can't
3 quantify that. And -- and that's what we're trying to
4 say. Because there's a lot of -- like, people won't --
5 won't self-declare if they had an accident and they
6 say, Well, I -- I was on my phone when I rear-ended
7 this person. They -- so we don't have the data.

8 So hopefully we'll be able to improve
9 data collection somehow. But right now we -- we don't
10 know the whole picture, and that's what's -- that's
11 what we're trying to say in terms of our ability to
12 provide information regarding that. The people, you
13 know, they're -- they're not going to tell us. I mean,
14 it's -- it's just the way we capture information that -
15 - that a lot of it we're blind to it.

16 MR. RAYMOND OAKES: The --

17 MR. DAN GUIMOND: And it's not possible
18 to capture the information because people won't tell
19 us.

20 MR. RAYMOND OAKES: There are police
21 records, of course, that will indicate whether there
22 was any observed distracted driving prior to the
23 accident?

24 MR. DAN GUIMOND: Yeah, they -- they do
25 investigations and they do look at the phones in terms

1 of timing of emails or whether they're on the telephone
2 having a phone conversation or something at that time.
3 So that's how we're able to get some of the information
4 regarding distracted driving. But the Corporation is
5 unable to quantify all of our losses regarding
6 distracted driving.

7 MR. RAYMOND OAKES: And as a numbers
8 man for the Corporation, you would agree with me that
9 unless you can quantify something you really can't
10 design programs to deal with it.

11 MR. DAN GUIMOND: No. We -- we do have
12 a distracted driving campaign. We just pr -- provided
13 our simulators and -- and we're going to keep working
14 at it. So we are addressing -- it's just like buckle
15 up, or wear your helmet, or that stuff. We're -- we're
16 going to have to work at it with the -- with the
17 population and -- and make them aware of how serious
18 that is and -- and go into behaviour modification.

19 Hopefully as time goes by people won't -
20 - they'll -- they'll behave the same way in the way
21 they buckle up today. And it's going to take some
22 time.

23 MR. RAYMOND OAKES: Madam Chair, I -- I
24 see that it's four o'clock. I have a number of issues.
25 Did you want me to stand down and commence again in the

1 morning?

2 THE CHAIRPERSON: I don't know what the
3 will of the -- I'll just check with the panel. Do you
4 want to -- it -- we could -- we're okay.

5 Is everybody across the room okay to
6 stay for a few minutes till Mr. Oakes finishes?

7 MR. DAN GUIMOND: Yeah, we're okay to
8 stay.

9 THE CHAIRPERSON: Okay. Thank you.

10 MS. CANDACE GRAMMOND: Madam Chair, if
11 I might just have a word. I'm -- I'm fine to stay as
12 well. I just wanted to state so everyone can think
13 about it. Obviously, when Mr. Oakes is done there are
14 still other Intervenors that will have an opportunity
15 to cross-examine Mr. Guimond. So I don't know if that
16 can all be completed today or not.

17 So the parties are going to need to
18 think about that and we'll let Mr. Oakes go and then
19 have a discussion about when the cross of the other
20 Intervenors will be done, whether it will yet be today
21 or if Mr. Guimond will have to return tomorrow.

22 THE CHAIRPERSON: Okay. Thank you. M.
23 Monnin?

24 MR. CHRISTIAN MONNIN: Yes, very --
25 being mindful of the time, I regretfully do have to

1 leave very shortly. I'm working under the impression
2 that we will be continuing the cross-examination of Mr.
3 Guimond tomorrow. I know that Mr. Frost still has a
4 fair bit of cross-examination to start and -- and
5 continue, and -- and Mr. Oakes as well. Myself, I --
6 I'm ballparking around twenty (20) minutes to half an
7 hour. But that's a ballpark and we never know exactly
8 where that's going to go.

9 THE CHAIRPERSON: Okay. Thank you. M.
10 Guimond, are you available to come tomorrow?

11 MR. DAN GUIMOND: Yes.

12 THE CHAIRPERSON: Okay. Thank you. So
13 we'll -- we'll continue with Mr. Oakes and then we'll
14 do -- cross-examine with the other Intervenors
15 tomorrow. Okay. Thank you.

16 MR. RAYMOND OAKES: Thank you, Madam
17 Chair.

18

19 CONTINUED BY MR. RAYMOND OAKES:

20 MR. RAYMOND OAKES: I just want to ask
21 some questions about the RSR, and just a general one
22 (1) to start with, M. Guimond.

23 Would you agree with me that no inc --
24 that an incoming president would be concerned that
25 during their tenure that there never be a catastrophic

1 loss that is beyond the reserves of the Corporation to
2 meet and deal with?

3 MR. DAN GUIMOND: As president and CEO
4 you never wish for a catastrophic loss. Yeah.

5 MR. RAYMOND OAKES: And especially on
6 your watch?

7 MR. DAN GUIMOND: I think it applies to
8 anybody who has that job.

9 MR. RAYMOND OAKES: Okay. And you'll
10 agree with me that there would be a number of ways to
11 meet a catastrophic loss that was bo -- beyond the
12 immediate cash reserves of the Corporation.

13 Would you agree with that statement?

14 MR. DAN GUIMOND: I don't know.

15 MR. RAYMOND OAKES: All right. But
16 there -- there would certainly be other alternatives,
17 for example, you're backstopped by the Province of
18 Manitoba. Is that not correct?

19 MR. DAN GUIMOND: Well, depending on
20 the cas -- catastrophe that you're talking about. I
21 mean, I've got 60 percent of the fleet in Winnipeg. I
22 mean, if the meteor was to land into Winnipeg, you
23 know, who knows. I mean, I -- I don't know what you
24 mean catastrophic loss.

25 MR. RAYMOND OAKES: Oh, I'm not like

1 Mr. Williams, going to ask you if 'who knows' is your
2 answer. But you'll agree with me that the Corporation
3 has significant real estate holdings?

4 MR. DAN GUIMOND: We have some.

5 MR. RAYMOND OAKES: All right. Well,
6 let's put a number on that. It's difficult because, of
7 course, in the financial statements we only see the
8 book value, the depreciated value. Perhaps in your
9 discussions with Mr. Reichert you can give us the value
10 -- of the fair market value of that real estate that
11 the Corporation owns?

12 MR. DAN GUIMOND: Do you mean in our
13 investment portfolio --

14 MR. RAYMOND OAKES: No.

15 MR. DAN GUIMOND: -- or do you mean of
16 our buildings --

17 MR. RAYMOND OAKES: Your buildings.

18 MR. DAN GUIMOND: -- or all of it? Our
19 buildings.

20

21 (BRIEF PAUSE)

22

23 MR. DAN GUIMOND: Approximately 122
24 million at book value.

25 MR. RAYMOND OAKES: Well, I -- I was

1 asking for the fair market value.

2 MR. DAN GUIMOND: We don't reflect fair
3 market value, so I -- I don't know the answer.

4 MR. RAYMOND OAKES: Are you saying that
5 no one in the Corporation knows the fair market value
6 of the real estate that you own?

7 MR. DAN GUIMOND: No.

8 MR. RAYMOND OAKES: Not even a guess?

9 MR. DAN GUIMOND: We haven't done
10 appraisals of all of our service centres, so, I mean,
11 where -- I mean, we don't spend money doing that.

12 MR. RAYMOND OAKES: How about just a
13 comparison opinion of value?

14 MR. DAN GUIMOND: Not without an
15 appraisal, no.

16 MR. RAYMOND OAKES: I didn't ask you
17 that, sir.

18 MR. DAN GUIMOND: No.

19 MR. RAYMOND OAKES: No one in the
20 Corporation has any opinion as to the value of its real
21 estate?

22 MR. DAN GUIMOND: We're not going to
23 enter a number in this environment without doing the --
24 unless we're -- we do the appraisals.

25 MR. RAYMOND OAKES: And do you

1 regularly this Board similarly of what the value of the
2 extension services are?

3 MR. DAN GUIMOND: Through our -- our
4 financial statements, yes.

5 MR. RAYMOND OAKES: All right. And
6 would you -- in that respect, you made a offer to hand
7 over the pen, if you will, with respect to certain
8 elements of the DCAT testing. What about with respect
9 to the control of those extension reserves?

10 MR. DAN GUIMOND: That's definitely a
11 no.

12 MR. RAYMOND OAKES: All right. Didn't
13 want to think about that. In terms of the -- there was
14 a policy at one point of a vacancy allowance of a
15 hundred full-time positions to remain vacant.

16 Is that still in existence?

17 MR. DAN GUIMOND: It's actually
18 documented in Volume II under the expense section.

19 MR. RAYMOND OAKES: Okay. And that's
20 exclusive of contractors or consultants that you have
21 contracts with or estimators that you bring in from SGI
22 and all those people.

23 Is that correct?

24 MR. DAN GUIMOND: Yes.

25 MR. RAYMOND OAKES: Okay. And when we

1 asked an interrogatory asking if the Corporation had
2 independent contractors the Corporation said, no, they
3 didn't have any independent contractors but they had
4 contractual consultants.

5 Can you explain that difference, please?

6 MR. DAN GUIMOND: The Corporation has
7 consultants, and not contract employees, so.

8 MR. RAYMOND OAKES: So it -- it only
9 employees consultants. Is that what you're saying?

10 MR. DAN GUIMOND: What I'm saying is
11 that we -- we just have consultants. That's what I'm
12 saying.

13 MR. RAYMOND OAKES: Okay. Mr. Guimond,
14 there's an understanding, or a concern amongst my
15 constituent members about the Corporation's appetite
16 for new technologies. And we note that in your
17 testimony you like to speak about autonomist vehicles,
18 predictive analytics, collision avoidance, the
19 digitized economy, photo imaging, and remote
20 estimating.

21 Would you agree with me that all of
22 these new technologies are very capital intensive?

23 MR. DAN GUIMOND: Not -- not all of it,
24 but some of them, yeah.

25 MR. RAYMOND OAKES: All right. For

1 example, the photo imaging and remote estimating, I
2 understand that MPI is going to be buying all of this
3 equipment required for the body shops. Is that
4 anticipated at this time?

5 MR. DAN GUIMOND: We want to do a pilot
6 before we commit to that.

7 MR. RAYMOND OAKES: Okay. And you'll
8 agree with me that one way to contain premiums would be
9 to obviously reduce expenditures in those areas, as
10 well?

11 MR. DAN GUIMOND: No.

12 MR. RAYMOND OAKES: Okay. A dollar
13 spent on new initiatives is the same as a dollar spent
14 on claims costs?

15 MR. DAN GUIMOND: The money we spent on
16 initiatives is what put the \$60 million to the bottom
17 line.

18 MR. RAYMOND OAKES: Okay. I'm going to
19 ask you, sir, just with reference to the standing
20 committee report as a whole, and perhaps you could give
21 me this by way of undertaking because I'm asking for
22 this one.

23 And that would be, if the Corporation
24 did not spend money on -- and I'm going to give you a
25 list and then ask for what the saving to the

1 Corporation would be, perhaps -- and the first would be
2 out of the country travel to exotic locations like
3 Columbia. The second would be no monies spent with
4 police departments. No donation of buildings. No
5 charitable giving. No sponsorships, including Jets,
6 ballet, all the rest of it. And no contracts to those
7 providing services.

8 If you could undertake, please, to tell
9 me what the overall reduction in the operating
10 expenses. There's one other. It would be the don --
11 donations or sponsorships with Health Sciences Centre,
12 as well.

13

14 (BRIEF PAUSE)

15

16 MS. KATHY KALINOWSKY: I'm just
17 struggling a little bit with the contract for services.
18 Is that something like -- we have -- would say
19 janitorial services that come in and clean the service
20 centres and clean the offices.

21 What are you looking at --

22 MR. RAYMOND OAKES: No, I --

23 MS. KATHY KALINOWSKY: -- contract
24 services?

25 MR. RAYMOND OAKES: -- I'm only looking

1 for those contracts in which there's no delivery of
2 services under -- no work done under the contract.

3

4 (BRIEF PAUSE)

5

6 MS. KATHY KALINOWSKY: We can provide
7 the undertaking.

8

9 --- UNDERTAKING NO. 9: MPI to provide the overall
10 reduction in the operating
11 expenses for contract
12 services

13

14 MR. RAYMOND OAKES: All right. On that
15 basis, I'm going to close my cross-examination of this
16 witness. Thank you.

17 THE CHAIRPERSON: Okay. Thank you very
18 much, Mr. Oakes. That will conclude our hearings for
19 today, and we'll resume at 9:00 a.m. tomorrow morning,
20 and give an opportunity to our other Intervenors to
21 present -- or to cross-examination. And thank you very
22 -- very much, M. Guimond, for agreeing to attend
23 tomorrow.

24

25 --- Upon adjourning at 4:12 p.m.

1

2 Certified Correct,

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6 _____

7 Cheryl Lavigne, Ms.

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