

MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)
GENERAL RATE APPLICATION
2016/17 INSURANCE YEAR

Before Board Panel:

Karen Botting - Board Chairperson
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 14, 2015

Pages 1046 to 1285



“When You Talk - We Listen!”



APPEARANCES

1
2
3 Candace Grammond) Board Counsel
4 Kathleen McCandless)
5
6 Kathy Kalinowsky) MPI
7
8 Byron Williams) CAC (Manitoba)
9
10 Raymond Oakes) CMMG
11
12 Liz Kulyk (np)) CAA Manitoba
13
14 Christian Monnin) Bike Winnipeg
15
16
17
18
19
20
21
22
23
24
25

	TABLE OF CONTENTS	
		Page No.
1		
2		
3	List of Exhibits	1049
4	Undertakings	1051
5		
6	MPI PANEL 1 CONTINUED:	
7	DAN GUIMOND, Previously Sworn	
8	HEATHER REICHERT, Previously Affirmed	
9	LUKE JOHNSTON, Previously Affirmed	
10		
11	Continued Cross-Examination	
12	by Mr. Byron Williams	1056
13	Cross-examination by Mr. Raymond Oakes	1120
14	Cross-examination by Mr. Christian Monnin	1218
15		
16		
17	Certificate of Transcript	1285
18		
19		
20		
21		
22		
23		
24		
25		

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	CAC-8	Excerpt from Board Order 154/'98	1054
4	CAC-9	Excerpt from Board Order 93/'97	1055
5	CAC-10	Excerpt from the most recent	
6		traffic collision statistics	
7		report	1055
8	CMMG-6	1550 reasonableness of results	1120
9	CMMG-7	Response to Undertaking 58	1120
10	CMMG-8	2015 Rate Application	1120
11	MPI-29	Fixed Income Asset Returns	
12		document	1169
13	MPI-30	At-Fault Collision Frequency by	
14		DSR Level chart	1169
15	MPI-31	CMMG Pre-Ask 2	1169
16	MPI-32	CMMG Pre-Ask 3	1169
17	MPI-33	CMMG Pre-Ask 5	1170
18	MPI-34	CMMG Pre-Ask 6	1170
19	MPI-35	CMMG Pre-Ask 7	1170
20	MPI-36	CMMG Pre-Ask 8	1170
21	MPI-37	Response to Undertaking 5	1170
22	MPI-38	Response to Undertaking 19	1171
23	MPI-39	Response to Undertaking 21	1171
24	MPI-40	Response to Undertaking 21	
25		addition	1171

1	LIST OF EXHIBITS (Con't)		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	BW-4	Book of documents	1284
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

LIST OF UNDERTAKINGS		
NO.	DESCRIPTION	PAGE NO.
23	MPI to produce an updated graph of five (5) years of actual experience	1065
24	MPI to provide a table similar to that provided in Board Order 89/'09 comparing DSR level at the beginning of the year versus the at-fault claims frequency	1071
25	MPI to produce the 2014 information that the Corporation has about the relative proportion of rural people using seatbelts versus urban	1098
26	MPI to file a copy of the High School Driver Education Project roadmap and business Case	1103
27	MPI to provide a comparison of the methodology employed in the internal MPI study versus the Northport longitudinal study	1106
28	MPI to provide breakdown of those in institutions and at home versus non-institutions	1116

	LIST OF UNDERTAKINGS (Con't)		
2	NO.	DESCRIPTION	PAGE NO.
3	29	MPI to provide link to website	
4		re: Australian model	1117
5	30	MPI to calculate what the rate	
6		requirement would be for non-	
7		serious losses using a five	
8		(5) year average versus a ten	
9		(10) year average	1165
10	31	MPI to indicate, terms of insuring	
11		Manitobans and providing	
12		compensation for their losses due	
13		to automobile accidents, did MPI	
14		carry out its mandate in the years	
15		2004/'05, 2005/'06, and 2013/'14,	
16		2014/'15	1182
17	32	MPI to indicate the considerations	
18		the Corporation takes into account	
19		in order to categorize an item as	
20		an unknown or an error	1222
21	33	MPI to indicate Transport Canada's	
22		estimate of the social cost of a	
23		collision that causes a single	
24		fatality	1250
25			

1	LIST OF UNDERTAKINGS (Con't)		
2	NO.	DESCRIPTION	PAGE NO.
3	34	MPI to indicate how much money was spent to review the current road safety portfolio	1279
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

1 --- Upon resuming at 9:02 a.m.

2

3 THE CHAIRPERSON: Good morning,
4 everyone. Today is Wednesday, and we'll be --
5 continue our hearings, and we'll ask Mr. Williams to,
6 please, enter his exhibits into the record for us
7 first before we begin with the cross-examination?

8

9 (BRIEF PAUSE)

10

11 MR. BYRON WILLIAMS: Madam Chair, and
12 members of the panel. The first document we'd like to
13 mark as CAC Exhibit 8 is an amalgamation of excerpts
14 from different Board orders. In the top right-hand
15 you should see an excerpt from Dec -- the December
16 1st, 1998, Order 154/'98. So we would ask that that
17 be marked as CAC-8.

18

19 --- EXHIBIT NO. CAC-8: Excerpt from Board Order
20 154/'98

21

22 MR. BYRON WILLIAMS: AS CAC-9 we would
23 ask that the excerpt from Board Order 93/'97 be
24 marked.

25

1 --- EXHIBIT NO. CAC-9: Excerpt from Board Order
2 93/'97

3

4 MR. BYRON WILLIAMS: And then we heard
5 some conversation yesterday about the most recent
6 traffic collision statistics report. That excerpt
7 we'd ask to be marked as CAC-10, please.

8

9 --- EXHIBIT NO. CAC-10: Excerpt from the most
10 recent traffic collision
11 statistics report

12

13 THE CHAIRPERSON: Thank you, Mr.
14 Williams.

15 MR. BYRON WILLIAMS: And just for
16 Manitoba Public Insurance, driver safety rating we'll
17 deal with first, and then some RSR issues, and then
18 some road safety issues. Ms. Reichert, I -- I don't
19 think we'll have anything on investments, so.

20

21 MPI PANEL 1 CONTINUED:

22 DAN GUIMOND, Previously Sworn

23 HEATHER REICHERT, Previously Affirmed

24 LUKE JOHNSTON, Previously Affirmed

25

1 CONTINUED CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

2 MR. BYRON WILLIAMS: And I -- Mr.
3 Johnston, you -- you had a -- some conversation with
4 Ms. Grammond in terms of the driver safety rating
5 program, and it's -- it's earned some plaudits in this
6 hearing in -- in the sense that it's -- it's getting
7 some credit for the reduction in collision frequent --
8 frequency. Would that be fair?

9 MR. LUKE JOHNSTON: From our analysis,
10 it -- it does appear that DSR is -- is having a
11 positive effect of -- of some kind.

12 MR. BYRON WILLIAMS: And MPI has
13 observed that over time there's been a decline in
14 collision frequency in both -- most months since DSR
15 was introduced.

16 MR. LUKE JOHNSTON: Yeah. We -- one
17 of the reasons we think DSR is -- is doing something
18 is because we focus on the summer months where
19 historical frequency is very stable. Obviously,
20 winter, you've seen the two (2) different win -- very
21 different winters, so it's hard to -- to tell in those
22 months. But in the summer, we've seen consistent
23 declines since DSR was introduced.

24 MR. BYRON WILLIAMS: And from the
25 Corporat -- perspective of the Corporation, those

1 summer months are -- are important in that they're the
2 months in which the disproportionate amount of more
3 serious injuries as well as fatalities occur, agreed?

4 MR. LUKE JOHNSTON: It's not something
5 I referenced, but it is true that highway driving,
6 driving to the lake, those -- those types of things
7 generate high speeds. And about two-thirds of the
8 serious losses are in -- in rural. So say there was a
9 really bad summer where no one was going to the lake,
10 you might expect less serious losses in such a year.

11 MR. BYRON WILLIAMS: That's the
12 argument I make when I want to avoid going to the
13 lake, Mr. Johnston -- unsuccessfully, I -- I might
14 add.

15 If we could turn to Board Order 89/09,
16 Diana, please, page 40.

17

18 (BRIEF PAUSE)

19

20 MR. BYRON WILLIAMS: Sorry, Diana, I
21 might have -- yeah. Thank you. And page 40, please.

22

23 (BRIEF PAUSE)

24

25 MR. BYRON WILLIAMS: Super. And --

1 and that's right there. Just pull up to that graph,
2 please.

3 And you -- Mr. Johnston, in your
4 discussion with Ms. Grammond, you -- you talked about
5 the DSR hearing. And you mentioned some of the
6 modelling that the Corporation had done for the
7 purposes of that hearing.

8 And am I correct in suggesting to you
9 that the Corporation sought to do some retrospective
10 modelling in terms of testing historical at-fault
11 claims frequency experience as stratified by the
12 proposed DSR levels?

13 MR. LUKE JOHNSTON: That's true.
14 Probably the -- the best evidence we had in terms of
15 how DSR would work in the future is we essentially
16 went back to -- I -- I believe it was the 2000 or 2001
17 year and pretended that we implemented DSR, and had it
18 apply as we expected to apply it for the next five (5)
19 years based on actual data.

20 Obviously, the -- the flaw with that is
21 that people driving at that time really didn't have
22 DSR, but -- but at least from a retrospective view,
23 you could see if the risk levels people were moving to
24 and -- and such were statistically valid.

25 So this chart here is an attempt to --

1 to show that, based on the movements that were picked
2 and the historical experience, that you have that
3 upward sloping line where risk increases depending on
4 where you're placed on the DSR scale.

5 MR. BYRON WILLIAMS: Thank you. And
6 if I could just stop you there for a moment, on the
7 'Y' axis here we have the at-fault claims frequency
8 from -- going in -- moving up that -- that axis, with
9 the -- towards the bottom, the less frequent at-fault
10 claims, agreed?

11 MR. LUKE JOHNSTON: I don't think so,
12 but I'll -- I'll just say what I believe it to be, or
13 I know it to be. So the bottom is the DSR level at
14 the beginning of the year.

15 MR. BYRON WILLIAMS: Oh, I mis -- I
16 misspoke then, Mr. Johnston. Okay. Let's try that
17 again. At the bottom of this graph, what you've set
18 out is the -- the DSR level. On the extreme right,
19 you've set out kind of the -- the bottom in terms of
20 minus twenty (20) over, to the left-hand side, the --
21 the upper level being fifteen (15), agreed?

22 MR. LUKE JOHNSTON: Agreed.

23 MR. BYRON WILLIAMS: And where I
24 misspoke clearly, on the left-hand side of the graph,
25 you have the at-fault claims frequency, agreed?

1 MR. LUKE JOHNSTON: Agreed.

2 MR. BYRON WILLIAMS: And what we're
3 seeing here is, if we start in the bottom left-hand
4 corner, is for DSR Level 15, there expected frequency
5 based upon this model would be 3 percent, roughly.

6 Is that right, sir?

7 MR. LUKE JOHNSTON: Yeah, we find the
8 -- even the best drivers, the ones that haven't had
9 claims for fifteen (15) plus years, still have at-
10 fault frequencies of about 2 1/2 to 3 percent.

11 MR. BYRON WILLIAMS: And if you moved
12 along that -- the bottom or 'Y' axis to the DSR Level
13 2, one would see them a -- a bit above a -- a 10
14 percent claims frequency expected?

15 MR. LUKE JOHNSTON: That's right.

16 MR. BYRON WILLIAMS: And moving way
17 out to the negative twenty (20), there you see the
18 over 30 percent in terms of expected at-fault claims
19 frequency, agreed?

20 MR. LUKE JOHNSTON: Correct.

21 MR. BYRON WILLIAMS: And in terms of
22 this analysis, Mr. Johnston, what it assisted to do,
23 first of all, is give a sense of the relative risk
24 that each DSR level had as compared to other DSR
25 levels.

1 That's one (1) thing it does, sir,
2 agreed?

3 MR. LUKE JOHNSTON: That's correct
4 And -- and you want it to be upward sloping. You
5 don't want to -- someone to be higher risk in a -- in
6 a more favourable DSR level, just so -- this was just
7 to really show that we -- our expectation was that
8 this would -- would work.

9 MR. BYRON WILLIAMS: And this type of
10 analysis also might give insight into whether there is
11 enough DSR levels as well?

12 MR. LUKE JOHNSTON: Yeah, that's --
13 that's a good question. We needed a -- a starting
14 point. And we -- again we tried to implement this
15 with the least amount of disruption to people as
16 possible. So the pre-DSR there was -- there was also
17 twenty (20) demerit levels. And DSR really introduced
18 more merit levels than -- than before.

19 MR. BYRON WILLIAMS: And to the ex --
20 at least this analysis suggested there was merit to
21 more merit levels in that, for example, the DSR Level
22 10 at over a 5 percent at-fault claims frequency is
23 higher than the expected results for DSR 15 based upon
24 this model, agreed?

25 MR. LUKE JOHNSTON: That's right. It

1 -- it continues to decline in -- in this model and in
2 reality, based on actual results, up to DSR 15. We
3 haven't -- we haven't explored beyond that.

4 MR. BYRON WILLIAMS: Okay. Thank you.
5 Just, Diana, if we could turn to page 41 of this Board
6 order, right towards the bottom of that page. And,
7 Mr. Johnston, just directing your attention to the
8 last paragraph on this page, and then we'll flow onto
9 the next page. You see that the Public Utilities
10 Board is making some commentary about relative rate
11 adequacy not being uniform across the -- the DSR
12 level. And if we move to the next page, raising some
13 concerns that the highest rate is -- highest rated
14 drivers might be cross-subsidizing the lower rated
15 drivers.

16 Do you see that, sir?

17 MR. LUKE JOHNSTON: Yes, I do.

18 MR. BYRON WILLIAMS: And just going to
19 the second last paragraph on that page. The
20 Corporation -- right there is perfect, Diana -- was
21 planning to and is committing to monitoring the
22 experiences that -- with a view towards applying for
23 future rate changes consistent with the actuarial
24 evidence, agreed, sir?

25 MR. LUKE JOHNSTON: If you finish the

1 sentence, yes. "On a directional basis" was really
2 the -- I don't know if this quote is from myself or
3 Ms. McLaren, but at the DSR hearing we made it pretty
4 clear that there is the -- the actuarial evidence in
5 terms of the risk and to, like, the chart that you saw
6 there. But it wasn't our intent to set actuarially
7 sound rates at each DSR level at that time. And Mr.
8 Guimond has spoke a little bit about our intent for
9 the -- the future in that regard.

10 MR. BYRON WILLIAMS: Ye -- yes, and --
11 and thank you for just making sure that I -- I said on
12 a -- I didn't say 'on a directional basis', but thank
13 you for that. Now, at page 610 of the transcript,
14 lines 8 to 15 -- page 610. Yes, thank you.

15

16 (BRIEF PAUSE)

17

18 MR. BYRON WILLIAMS: You had a discuss
19 -- discussion with Ms. Grammond in terms of DSR and so
20 obviously we have the data so we can update the data,
21 compare that to our initial expectations, and show how
22 it's developed through time.

23 I'm paraphrasing, Mr. Johnston, but
24 that's the -- the sense of the -- your comments on
25 those first three (3) lines?

1 MR. LUKE JOHNSTON: Yes, that's true.
2 We have all the data and more that we had when we did
3 the DSR application.

4 MR. BYRON WILLIAMS: And, sir, by
5 updating the data do you mean reproducing the type of
6 analysis that was provided for the PUB in -- in that
7 earlier hearing or -- or what do you mean by that,
8 sir?

9 MR. LUKE JOHNSTON: Well, obviously
10 everything in the DSR application was forecast, so we
11 have five (5) years of actual. So we have tracked
12 particularly the graph that you -- that you've showed
13 on the screen with the risk by DSR level. We've been
14 tracking that to make sure that those expectations are
15 playing out.

16 And I talked a little bit about how
17 drivers and demerit levels were doing better than --
18 than the retrospective model predicted. But in terms
19 of my comments here, what I'm -- what I meant was that
20 we now have actual data on the actual behaviour of --
21 and costs of -- of people at each DSR level.

22 MR. BYRON WILLIAMS: And when you
23 update it, Mr. Johnston, do you do it once a year, or
24 -- or how often do you do it?

25 MR. LUKE JOHNSTON: Right now we -- we

1 do it once a year. Basically, our -- our revenue
2 section talks a little bit about it, but it doesn't do
3 it full justice. Obviously, it would be a much longer
4 document. But we -- we look at the actual results,
5 particularly the movement of drivers, because we're
6 trying to make a forecast of that. So once a year is
7 -- is accurate.

8 MR. BYRON WILLIAMS: And so would
9 there be a graph similar to what was produced for the
10 Board in '09 produced by the Corporation each year?

11 MR. LUKE JOHNSTON: I was just trying
12 to think if there already was one (1) on the rate
13 application. But there -- there is definitely an
14 updated graph of five (5) years of actual experience
15 produced in the same manner as the one (1) you -- you
16 looked at a few minutes ago.

17 MR. BYRON WILLIAMS: And, Mr.
18 Johnston, there may be one (1). I was looking for it
19 and -- and I didn't see it, but that doesn't mean I --
20 in the event that it's not in the rate application,
21 would you undertake to provide that, sir?

22 MR. LUKE JOHNSTON: Sure.

23

24 --- UNDERTAKING NO. 23: MPI to produce an updated
25 graph of five (5) years of

1 actual experience

2

3 CONTINUED BY MR. BYRON WILLIAMS:

4 MR. BYRON WILLIAMS: If -- Diana, if
5 you could turn to revenues from the 2016 rate
6 application, page 22. And I'm looking for the table
7 in the middle of the page.

8 Yeah, scroll down just a little bit.

9 Mr. Johnston, I -- I'm directing your
10 attention to the table titled, "Fiscal Year Earned
11 Driver Units by DSR Level."

12 Do you see that, sir?

13 MR. LUKE JOHNSTON: Yes, I was just
14 making sure this was this year's application. Yes, I
15 see it.

16 MR. BYRON WILLIAMS: Okay. And just -
17 - we see that in 2014/'15 the actuals out of a
18 population of eight hundred and thirty-three thousand
19 (833,000) we had about a -- a hundred and eighty
20 thousand (180,000) in DSR Level 15?

21 MR. LUKE JOHNSTON: Correct.

22 MR. BYRON WILLIAMS: And going across
23 out to your projections for 2017/'18, we see that
24 that's projected to increase to two hundred and
25 seventy-two thousand point -- two -- two hundred and

1 seventy-two thousand (272,000) roughly, as compared to
2 a total of eight hundred and seventy-eight thousand
3 (878,000).

4 Is that fair, sir?

5 MR. LUKE JOHNSTON: That's correct.

6 MR. BYRON WILLIAMS: So that
7 population at DSR Level 15 has been rising over time,
8 sir -- or is projected to, excuse me?

9 MR. LUKE JOHNSTON: It has. One (1)
10 of the reasons I -- I spoke of has to do with initial
11 placement of drivers on the scale. So a -- a very
12 large group was placed at DSR 10 and I believe
13 2016/'17 is the year that that large cohort makes it
14 to DSR 15. So obviously they didn't all make it, some
15 of them had accidents, but a large group of them
16 reached that level.

17 And then you can see in '17/'18 it does
18 goes from 30.3 percent of the population to 31, but we
19 expect it to stabilize a bit more out at that level.
20 But of course we're watching it.

21 We -- we definitely haven't reached a
22 stabilization point yet, but we're starting to
23 converge. The growth rates in each DSR level seems to
24 be slowing down, and we'll see where that ends up.
25 But it hasn't -- hasn't converged yet.

1 MR. BYRON WILLIAMS: Now, am I right
2 in interpreting this information to suggest that in --
3 in 2014/'15 the DSR Level 15 accounted for about 21.6
4 percent of the population?

5 MR. LUKE JOHNSTON: Correct, yeah --

6 MR. BYRON WILLIAMS: And --

7 MR. LUKE JOHNSTON: -- for the --

8 MR. BYRON WILLIAMS: -- and you're
9 projecting it to be out to 31.1 percent by 2017/'18,
10 sir?

11 MR. LUKE JOHNSTON: That's right. And
12 that would be much closer to our steady state kind of
13 expectations once -- like I said, once the DSR-10
14 initially placed customers kind of flow through the
15 five (5) year cycle.

16 MR. BYRON WILLIAMS: And just -- if we
17 were to look at the -- that -- so by 2017/'18 you're
18 projecting that one DSR level will account for 31
19 percent of -- of the population. Right, sir?
20 Correct, sir?

21 MR. LUKE JOHNSTON: Okay. Yeah, I
22 understand your point. Yes, there are a very large
23 cohort of excellent drivers. We've seen that today
24 and in the past, so that continues to be the case in
25 this model.

1 MR. BYRON WILLIAMS: And indeed at --
2 your projections for '17/'18, that one (1) level,
3 there'll be more drivers there than in the group in
4 the -- the DSR levels 10 through 14, agreed?

5 MR. LUKE JOHNSTON: Agreed. And that
6 -- that makes sense in the -- in the sense that --
7 this may be where you're going, but DSR-15 is -- is
8 capped, right. You get there, you stop. So anyone
9 ten (10) to fourteen (14), assuming they're driving
10 all year, is constantly moving. They got to go up or
11 they got to go down, if -- if they're drive -- drive
12 the whole year.

13 So that -- those categories are -- are
14 more fluid. Once they get to fifteen (15), based on
15 the current model, they -- they stop.

16 MR. BYRON WILLIAMS: And DSR level 15
17 is a -- is in comparison to the rest of the levels,
18 that's a highly aggregated group, sir?

19 MR. LUKE JOHNSTON: Highly aggregated?

20

21 MR. BYRON WILLIAMS: You're mixing
22 together a very large population of drivers
23 potentially with different levels of risk, sir.
24 They're all good drivers.

25 MR. LUKE JOHNSTON: I don't know the

1 answer to -- to that question. At -- at some point
2 you would assume that risk plateaus at some minimum
3 level, so whether there's much more risk reduction
4 that could occur if you expanded it to twenty (20).

5 So let's say today they're hoovering --
6 the DSR-15 is hoovering at around 2.5 percent claims
7 frequency, would a DSR-20 like drop that down to 1
8 percent. Or -- I -- I don't know the answer to that
9 but there has to be some floor, you would -- you would
10 think there. It's not going to fall to zero, or at
11 least I wouldn't expect it to.

12 MR. BYRON WILLIAMS: And if we could
13 just go back to Order number 89/'09, page 40, for just
14 one (1) second, please.

15

16 (BRIEF PAUSE)

17

18 MR. BYRON WILLIAMS: And just scroll
19 down just a little bit.

20 Mr. Johnston, and -- and I understand
21 your point about a plateau being reached but -- and
22 certainly we're just look -- at your retrospective
23 modelling, but you were actually showing between DSR
24 level 13 and DS -- DSR level 15 at that point in time
25 a bit of a stepper incline.

1 Would that be fair, sir?

2 MR. LUKE JOHNSTON: Yeah. It looks
3 like DSR-13 is maybe 4.9 percent and 15 might be 3
4 percent. It'll be helpful for -- for you to see the
5 undertaking to -- I don't know the -- off the top of
6 my head what that ratio is in -- in actual results,
7 but we'll provide you that in the undertaking.

8 MR. BYRON WILLIAMS: Okay. Thank you
9 for that. And just to confirm the nature of the
10 undertaking, it is to provide a table similar to that
11 provided in Board Order 89/'09 comparing DSR level at
12 the beginning of the year versus the at -- the at-
13 fault claims frequency.

14 Is that satisfactory, Mr. Johnston?

15 MR. LUKE JOHNSTON: Yes.

16

17 --- UNDERTAKING NO. 24: MPI to provide a table
18 similar to that provided in
19 Board Order 89/'09
20 comparing DSR level at the
21 beginning of the year
22 versus the at-fault claims
23 frequency

24

25 CONTINUED BY MR. BYRON WILLIAMS:

1 MR. BYRON WILLIAMS: If I could ask --
2 I'm turning to the RSR. I'm going to start with Mr.
3 Johnston, but certainly folks from -- other folks from
4 MPI can feel free to pop in.

5 Mr. Johnston, I'll ask you to pull up
6 CAC Exhibit 8. And we should have just handed one out
7 to you this morning, sir, if you don't have one.
8 Yeah.

9 And, Mr. Johnston, just to familiarize
10 you with this document, just so you -- I just -- I'll
11 ask you to agree that it's a -- a series of excerpts
12 from different Board orders, with a focus on the
13 particular RSR methodology discussed in the particular
14 year.

15 Will you accept that, subject to check,
16 sir?

17 MR. LUKE JOHNSTON: Yes. I've scanned
18 through it and I agree.

19 MR. BYRON WILLIAMS: And what I'm just
20 trying to do, Mr. Johnston, is -- is to help you help
21 my clients and the Board understand some of the
22 different approaches that -- that MPI has discussed in
23 the context of this hearing -- this hearing process.

24 And if we could scroll up -- down this
25 page. Thank you, Diana.

1 This is back in 1998, Mr. -- Mr.
2 Johnston. And you can see at this time what the Board
3 is discussing is what ultimately came to be known as
4 the "risk analysis."

5 Does -- does that sound accurate, sir?

6 MR. LUKE JOHNSTON: My recollection,
7 based on how it's described, would be that's where it
8 was leading, the -- the risk analysis, yes.

9 MR. BYRON WILLIAMS: And I'm going to
10 ask Diana if you could turn to the third page in this
11 document, which is the page 37 from Board Order
12 177/'99. Yes.

13 And, Mr. Johnston, if I'm moving too
14 fast, you'll -- you'll stop me or correct me.

15 And, Diana, scroll down just a little
16 bit. Perfect right there.

17 And, Mr. Johnston, again, we're in
18 1999, and -- and you can see the Public Utilities
19 Board is again discussing the risk analysis with an
20 added component being considered at the -- on page 38,
21 being the value-at-risk study.

22 Do you see that, sir?

23 MR. LUKE JOHNSTON: Yes, I do.

24 MR. BYRON WILLIAMS: And that was an
25 effort to gauge -- get some sense of investment risk

1 that was facing the Corporation.

2 You'd agree with that?

3 MR. LUKE JOHNSTON: Yeah. As is true
4 today and was back then, we -- I think all parties
5 were trying to get to a more risk-based measure. The
6 previous quote mentioned a proposed move away from the
7 premiums written based approach and -- and more to the
8 actual risk factors involved. And this was one of the
9 early efforts to assess investment risk in isolation,
10 but -- but assess it or what -- or do a more thorough
11 risk assessment.

12 MR. BYRON WILLIAMS: And I'm going to
13 jump ahead all the way to 2001 Order 179/'01, page 51.
14 A couple more pages, please. Yes, thank you, Diana.

15 And, Mr. Johnston, here you -- that's
16 perfect right there. Here you see the Public
17 Utilities Board referring, I'll suggest to you, for
18 the first time to the MCT being introduced as a factor
19 to possibly consider in terms of the RSR target.

20 Do you accept that, subject to check,
21 sir?

22 MR. LUKE JOHNSTON: Yes. This is --
23 now we're moving more into industry standard. MCT
24 would be -- would be an example of that. And I see a
25 reference, yes.

1 MR. BYRON WILLIAMS: And if we move on
2 to Order 173/'03, page 50, at the bottom of this page,
3 Mr. Johnston -- who I just wanted to call Mr. Palmer
4 again, and I'm very sorry about that -- but there was
5 only a thought.

6 Mr. Johnston, we see the -- what I'll
7 suggest to you is the -- one (1) of the early
8 references to the DCAT analysis being presented by the
9 -- by -- or considered by Manitoba Public Insurance.
10 And at this point in time, Mr. Johnston, it's not that
11 the DCAT was presented, but I'll suggest to you this
12 was when the first discussion about the use of the
13 DCAT came to the attention of the Board.

14 Would that be fair, subject to check?

15 MR. LUKE JOHNSTON: Yeah, I just
16 wanted to read -- read the -- the statements there. I
17 -- I can't remember the year, but the -- at one (1)
18 point the DCAT did come, and it was initially done
19 externally by Ernst & -- Ernst & Young, is my
20 recollection.

21

22 (BRIEF PAUSE)

23

24 MR. BYRON WILLIAMS: And if we move to
25 Board Order 150/'05, I'll suggest to you -- and -- and

1 scroll down to the last couple of paragraphs -- that
2 in this particular hearing the proposal of Manitoba
3 Public Insurance was to use the 50 percent of MCT as
4 the minimum for the RSR range.

5 Does that ring a bell, sir?

6 MR. LUKE JOHNSTON: Yes, I see that.

7 MR. BYRON WILLIAMS: Okay. And I
8 could take you through all of these, but I'm not going
9 to un -- unless you want me to stop. But I'd like to
10 move up to 157/'12, sir.

11

12 (BRIEF PAUSE)

13

14 MR. BYRON WILLIAMS: And, Mr.
15 Johnston, in our discussion, I'll -- I'll try and
16 summarize for you, we've seen a di -- a consideration
17 of the risk analysis, including VAR, a consideration
18 of written premiums, a consideration of some form of
19 the MC -- MCT. And I'm going to suggest to you that
20 about 2012 the Board started to hone in on the DCAT as
21 a mechanism to se -- to set the -- the lower and upper
22 bounds for the RSR.

23 Is that consistent with your
24 recollection, sir?

25 MR. LUKE JOHNSTON: In terms of the

1 Board orders and technical conferences and -- and
2 Board wording, that would be my understanding.

3 MR. BYRON WILLIAMS: And then would it
4 be fair to say that in 2014 the Corporation chose to
5 present a -- a consideration of the DCAT as the lower
6 bound, with the suggestion of the hundred percent MCT
7 as the upper bound of the RSR target?

8 MR. LUKE JOHNSTON: That's correct.

9 MR. BYRON WILLIAMS: Okay. And, Mr.
10 Johnston, I've tried to take you through this quickly,
11 and -- and I appreciate your consideration. If -- if
12 you feel that somehow there's a part of the story
13 that's -- that's missing, I'll -- I'll leave it
14 totally open to you to -- to come back.

15 Is -- is that understood?

16 MR. LUKE JOHNSTON: No, that's fair.
17 It's been a journey for sure through the RSR over the
18 years so it's good for the -- the Board to have a --
19 some history on that, because not everybody was here.

20 MR. BYRON WILLIAMS: Was that a shot
21 at my age, Mr. Johnston?

22 MR. LUKE JOHNSTON: Oh, no. I think
23 I've been here for the whole process, so.

24 MR. BYRON WILLIAMS: You must have
25 been so young when it started. I guess Mr. Oakes has

1 been here the longest. We settled that on the first
2 day.

3 If we could turn to the RSR discussion
4 paper, Kopstein Report to 2015, and in particular page
5 18.

6

7 (BRIEF PAUSE)

8

9 MR. BYRON WILLIAMS: Ms. Reichert, are
10 -- are you taking the gears here? Are you taking the
11 lead here, or...

12 MS. HEATHER REICHERT: I'm leading.

13 MR. BYRON WILLIAMS: Okay. This
14 reference from the RSR discussion paper, page 18
15 captures the -- or presents the RSR rebates in terms
16 of their level as well as the year in which they --
17 they occurred.

18 Is that correct?

19 MR. LUKE JOHNSTON: Correct.

20 MR. BYRON WILLIAMS: And we -- we see
21 that in 2001 we had the first RSR rebate well in
22 excess of \$50 million, agreed?

23 MR. LUKE JOHNSTON: That's correct.

24 MR. BYRON WILLIAMS: And subject to
25 check, would it be accurate to describe that as a --

1 MR. LUKE JOHNSTON: Sixteen point six
2 (16.6) percent.

3 Is that what you're looking for?

4 MR. BYRON WILLIAMS: Sixteen point six
5 (16.6) percent, yes.

6 MR. LUKE JOHNSTON: Yes.

7 MR. BYRON WILLIAMS: I'm just trying
8 to get the citation in -- okay. So -- thank you, Mr.
9 Johnston. And then we have the '06 rebate in excess
10 of \$50 million, agreed?

11 MR. LUKE JOHNSTON: Agreed.

12 MR. BYRON WILLIAMS: The '07 rebate in
13 excess of \$50 million as well, correct?

14 MR. LUKE JOHNSTON: Correct.

15 MR. BYRON WILLIAMS: And the '08
16 rebate in -- in excess of \$50 million, correct?

17 MR. LUKE JOHNSTON: That's correct.

18 MR. BYRON WILLIAMS: And then we have
19 the -- the large -- the big one (1) in 2011 being in
20 excess of \$300 million?

21 MR. LUKE JOHNSTON: That's right.

22 MR. BYRON WILLIAMS: And am I correct
23 in suggesting that the rebate mechanism itself has
24 traditionally been a cheque written to ratepayers?

25 MR. LUKE JOHNSTON: That's correct. I

1 think -- I'm testing my memory here, but I believe in
2 '01 we returned the money directly through their
3 renewal. And so when customers came back the next
4 year it looks like got their -- the opposite of a 16.6
5 percent rate decrease, and that didn't -- so you know
6 how they're -- I don't look at my insurance stuff in
7 much detail. I just see that it went up from the
8 previous year. So that approach wasn't seen as
9 optimal in terms of recog -- having the customers
10 recognize that this is a rebate versus a rate.

11 So going forward my recollection,
12 again, is that it's -- we've always mailed out a -- a
13 rebate and there's a cost to that. So you want to
14 make sure you're -- you're mailing out something
15 reasonably significant. Like you -- I don't think
16 you'd do it on the \$5 million over the upper target,
17 because it would cost probably about a million dollars
18 to -- to mail it out. But that -- that's my
19 recollection.

20 MR. BYRON WILLIAMS: And thank you for
21 that. And -- and the point you're making is that
22 while there was some confusion in 2001, the approach
23 taken by the Corporation in subsequent years was to
24 directly mail out a rebate cheque, agreed?

25 MR. LUKE JOHNSTON: Yes, and I believe

1 it may have been even directed by the Board to -- to
2 do that for that -- for that reason.

3 MR. BYRON WILLIAMS: Okay. And
4 there's no suggestion by the Corporation that looking
5 at the '06 through '09 years that three (3) years of
6 RSR rebates followed by no RSR rebate in 2009
7 triggered any calls for privatization? The
8 Corporation's not suggesting that?

9 MR. LUKE JOHNSTON: Not suggesting
10 that, no.

11 MR. BYRON WILLIAMS: Manitoba
12 consumers were not storming the barricades of MPI
13 calling for it's privatization as a result of RSR
14 rebates?

15

16 (BRIEF PAUSE)

17

18 MR. DAN GUIMOND: No, the catalyst for
19 privatization, what I said would be rates that would
20 change year over year. People wouldn't understand
21 that, that one (1) year you get a rebate, the next
22 year you get a -- an increase. They -- they don't
23 want that.

24 And also, they won't accept a rate
25 shock. If you have a rate shock I think that could be

1 a catalyst to privatization, because if you go way
2 back the reason we came to the -- started to go to the
3 PUB in 1989 was to create rules and so on that would
4 never repeat what happened in -- in the late 80s.
5 That's -- that's why we're here.

6 And so if we were to create conditions
7 where we were perceived again at not following
8 industry standard, or -- or falling into the bear trap
9 of thinking we're special and we're going to do things
10 different than the rest of the world, then we would
11 have a rate shock, then that would be a catalyst for
12 privatization.

13 MR. BYRON WILLIAMS: So just so I'm
14 clear, sir, you're not linking rebates in any way to a
15 call for privatization?

16 MR. DAN GUIMOND: No, the feedback
17 that we got from our customers regarding rebates is if
18 you're going to give me money back, make darn sure I
19 don't get a rate increase in the future. Keep the
20 money, but don't -- don't ask me for a rate increase -
21 -

22 MR. BYRON WILLIAMS: Okay.

23 MR. DAN GUIMOND: -- if you're going
24 to give me money back. If you give me money back
25 that's okay, but don't come back for a rate increase.

1 MR. BYRON WILLIAMS: And -- and just
2 so I'm clear, Mr. Guimond, some consumers might even
3 go farther than saying, It's just okay to get a
4 rebate. They might even be pleased about that. Would
5 that be fair, sir?

6 MR. DAN GUIMOND: It'd have to be a
7 good explanation. Like they understand some times the
8 stock market can go crazy. You know, you'll -- you'll
9 make a tonne of money. Like you can lose a lot of
10 money, and it might put you over the upper RSR but it
11 shouldn't be -- it -- it can't be -- there's got to be
12 a reason.

13 It's just like -- customers understood
14 we had two (2) bad years of -- of claims, winters,
15 that caused the rate increase in the situation we're
16 in, unforeseen events. If it's linked to unforeseen
17 events, okay, but not because we're overcharging them.

18 MR. BYRON WILLIAMS: Okay.

19 MR. DAN GUIMOND: So they'll accept
20 that we do things within industry standard and we're -
21 - we're following rules, and then if there's an
22 anomaly if you can explain it, okay.

23 MR. BYRON WILLIAMS: Now, if we could
24 turn to Exhibit CAC-9, which is an excerpt from Order
25 number 93/'97 and, Diana, to Roman number page II.

1 (BRIEF PAUSE)

2

3 MR. BYRON WILLIAMS: And focusing on
4 the third paragraph -- that's perfect, Diana. In a
5 minute I'll ask you to scroll down.

6 The Corporation can see that in that
7 particular hearing there had been a request for a
8 continuation of a 4 percent RSR reserve load plus an
9 additional 2 percent RSR load. You can see that that
10 was the nature of the Corporation's request, agreed?

11 MR. LUKE JOHNSTON: Agreed.

12 MR. BYRON WILLIAMS: And just moving a
13 bit farther down that paragraph, you'll see that --
14 and agree that the Board provided a 4 percent -- a
15 continuation of the 4 percent load plus an additional
16 1 percent, agreed?

17 MR. LUKE JOHNSTON: Agreed, and this
18 is helpful because you can see some of the -- the
19 rationale around the -- the management action that we
20 have in the -- in the DCAT. This type of experience
21 is -- is kind of where -- we're using as precedent for
22 -- for some of our rules in -- in the DCAT in terms of
23 how surcharges or RSR rebuilding fees will be applied.

24 MR. BYRON WILLIAMS: And if we could
25 just scroll down that page a little bit more you'll

1 see, Mr. Johnston, that in addition to the
2 continuation of the 4 percent RS load and the
3 additional 1 percent RS load, there was another
4 component of the rate increase related to experience-
5 based adjustments averaging 1 percent overall, agreed?

6 MR. LUKE JOHNSTON: Agreed. And again
7 today and -- and in the past I would assume the Board
8 would continue to want to have break-even rates
9 excluding the surcharge. No point of having a
10 surcharge if you're going to lose money on your basic
11 rates. Like that kind of defeats the purpose, so that
12 would be my assumption. That we -- excluding the
13 surcharge premiums, we likely needed 1 percent to
14 break even, but that's just my assumption. I -- I
15 haven't read through this recently.

16 MR. BYRON WILLIAMS: Okay. And -- and
17 just in terms of that specific item, the experience-
18 based adjustment, while it average 1 percent overall
19 you'll see and agree that it -- it ranged from minus
20 fifteen (15) to plus fifteen (15) for certain
21 vehicles, agreed?

22 MR. LUKE JOHNSTON: Agreed, and
23 experience-based adjustments continue to -- to sit
24 within that range.

25 MR. BYRON WILLIAMS: So in essence we

1 have the Board approving here a 4 percent continuation
2 of the load, a 1 percent additional load, plus another
3 1 percent related to the experience-based adjustment.
4 Would that be fair, sir?

5 MR. LUKE JOHNSTON: From reading this,
6 yes. So for a customer in that year, relative to
7 their previous years premiums, it would be an
8 additional 1 percent for their RSR rebuilding fee, and
9 another 1 percent for rate increase.

10 So roughly a 2 percent additional onto
11 what they're already paying, and I recognize that the
12 4 percent is in there, too, but relative to the
13 pervious year it's an additional two (2).

14 MR. BYRON WILLIAMS: And when you say,
15 "for a customer", you're speaking of a customer on
16 average, agreed?

17 MR. LUKE JOHNSTON: Absolutely, yes.
18 Al -- always -- whenever you're talking about the
19 overall rate change, yeah, you're definitely talking
20 on average.

21 MR. BYRON WILLIAMS: And if we move to
22 Roman Numeral III, you'll see here the Public
23 Utilities Board explaining that the following are some
24 of the significant premium increases and decreases
25 that various vehicle owners will experience as a

1 result of this decision.

2 Do you see that reference, sir?

3 MR. LUKE JOHNSTON: I do, and
4 similarly, there -- today, I believe we still provide
5 the top fifty (50) and bottom fifty (50) rate change
6 is the biggest. So there's always going to be
7 customers on the edges, un -- unfortunately, and that
8 was also true back in -- at this time.

9 MR. BYRON WILLIAMS: And so what
10 they're flagging, just as a couple of examples, are a
11 fourteen point seven (14.7) increase, or major
12 increase, as they call it, for the owners of 1966 --
13 1996 Chevy Blazers All-Purposes. That's just one (1)
14 of the examples, sir.

15 MR. LUKE JOHNSTON: Yeah. And I have
16 to be a little bit cautious. I -- I can't remember
17 all the rules that were in place at this time. So,
18 just as an example, the second column in says, "Rate
19 Group Upgrade." Today we have a rule that you can
20 only go up one (1) rate group at a time.

21 Some of those changes are -- are
22 relatively large. So eighty-three dollars (\$83) seems
23 like a pretty big jump for one (1) rate group. I'd
24 have to look and see if -- you know, some things may
25 have changed, but no question there's always customers

1 that have a larger rate dislocation.

2 MR. BYRON WILLIAMS: And if we could
3 move to Roman Numeral IV for just one (1) second. In
4 addition to individual customers who had significant
5 dislocation, would it also be fair to say that certain
6 groups or insurance uses also had significant
7 dislocation, sir, drawing your attention to Mr.
8 Oakes's clients, for example?

9 MR. LUKE JOHNSTON: Yes, that's --
10 that's true. Motorcycles went through an extended
11 period of fairly large rate increases to -- to bring
12 the rate to an adequate level. And again, that
13 continues to be the case. We -- our -- our hope at
14 this stage in the life cycle of the Basic program that
15 we've collected more and more data and become more and
16 more stable.

17 But, like then and now, if -- if
18 experience changes, so we'll use your motorcycle
19 example, if their behaviour improves, their serious
20 losses go down, the rates go down. And that's what's
21 -- that's what's been happening for them recently.

22 So dislocation, you know, it's not
23 necessarily desirable, but behaviour changes. So
24 we've -- we've just talked about it on DSR and we've
25 talked about it on motorcycles. And we'll continue to

1 try to set rates as accurately as possible to the
2 experience of the classes.

3 MR. BYRON WILLIAMS: And in this
4 particular year for the motorcycles, there was
5 improved change of almost 14 percent, agreed?

6 MR. LUKE JOHNSTON: Correct. Correct.

7 MR. BYRON WILLIAMS: And, Mr.
8 Johnston, if we think of this period of the 1990s, you
9 would agree that the experience of RSR surcharges and
10 CLEAR adjustments was not just restricted to the 1997
11 year?

12 MR. LUKE JOHNSTON: I think I believe
13 your
14 question is: Were there other years with RSR
15 rebuilding fees, and -- and do we always have CLEAR
16 and rate-group adjustments and -- and major class
17 changes? That's -- that's true. Was that your
18 question?

19 MR. BYRON WILLIAMS: Yeah. And I'm
20 going a little bit farther, and I'll -- I can -- I can
21 take you to the references, but otherwise I'll ask you
22 to accept, subject to check, that in this particular
23 time period, consumers were experiencing both RSR
24 surcharge pressures and -- and CLEAR effects as well
25 that were fairly material.

1 MR. LUKE JOHNSTON: That's true.
2 There's several years where RSR rebuilding fee was
3 used, and the rate-making methodology continued to
4 produce the usual rate indications which vary plus or
5 minus. Some examples you provided.

6 MR. BYRON WILLIAMS: And the -- the
7 Corporation wasn't privatized after -- after -- in the
8 late '90s or in the early 2000s, sir?

9 MR. LUKE JOHNSTON: No, it wasn't.

10 MR. BYRON WILLIAMS: Diana, if I can
11 ask you to turn to CAC/MPI-1-57?

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: And to page 2 of
16 that response. Mr. Guimond, I -- I suspect this is
17 for you, and it -- I'll suggest to you that it
18 provides a bit of a breakdown of road safety expenses,
19 Basic's share, from the time period of 2010/'11
20 through to the forecast of 2016/'17.

21 Would that be your understanding, sir?

22 MR. DAN GUIMOND: Yes.

23 MR. BYRON WILLIAMS: And if we look at
24 the -- just to -- to ground us a little bit, focusing
25 on the first line, "Driver Education and Improvement,"

1 we see some growth in -- in that very important
2 category from around 3 million to about 3.6 million
3 forecast for '16/'17.

4 Would that be fair, sir?

5 MR. DAN GUIMOND: Yes.

6 MR. BYRON WILLIAMS: And moving down
7 one (1) line we see impaired driving prevention
8 strategies moving from an actual in 2010/'11 of around
9 four hundred and forty-five thousand (445,000) out to
10 about a forecast amount of 1.2 million in '16/'17,
11 agreed?

12 MR. DAN GUIMOND: Agreed.

13 MR. BYRON WILLIAMS: And speed
14 management strategies moving from an actual in
15 2010/'11 of three hundred and ninety-one thousand
16 (391,000) to about four hundred and eleven thousand
17 (411,000) forecast for '16/'17, agreed?

18 MR. DAN GUIMOND: Agreed.

19 MR. BYRON WILLIAMS: And then occupant
20 safety education strategies moving downward a bit from
21 four hundred and twenty-three thousand (423,000) in
22 2010/'11, out to a forecast of one hundred and thirty-
23 six thousand (136,000) in '16/'17.

24 Would that be right?

25 MR. DAN GUIMOND: Yes.

1 MR. BYRON WILLIAMS: And finally, just
2 towards the bottom of that line -- I'll leave the
3 other -- I'll focus on cell phone distracted driving
4 advertising, where we see some growth, I'll suggest to
5 you, in -- in that expenditure over time with a
6 2016/'17 forecast of five hundred and sixty-six
7 thousand (566,000).

8 You'll accept that, sir?

9 MR. DAN GUIMOND: Yes.

10 MR. BYRON WILLIAMS: Now, Mr. Guimond,
11 you were very kind to point out to us the most recent
12 traffic statistics -- traffic collision statistics
13 report. And I've provided you with a brief excerpt,
14 which is marked as CAC Exhibit 10. Which I suspect
15 you've got memorized. And, Diana, I'm -- I'm starting
16 at the executive summary Roman Numeral IV. And that's
17 perfect just there. and, Mr. Guimond, this document
18 is -- is prepared by Manitoba Public Insurance.

19 Am I -- am I correct?

20

21 (BRIEF PAUSE)

22

23 MR. DAN GUIMOND: Yes.

24 MR. BYRON WILLIAMS: Okay. And
25 directing your attention to the second paragraph,

1 starting "Traffic collisions and urban locations."
2 And because it's lengthy I'll just give you a second
3 to look at it.

4

5 (BRIEF PAUSE)

6

7 MR. BYRON WILLIAMS: Would it be fair
8 to say, Mr. Guimond -- and if I'm rushing you, just
9 slow me down. But would it be fair to say that one
10 (1) conclusion from this paragraph is that the
11 majority of the collisions res -- resulting in
12 casualties take place in Winnipeg.

13 Would that be fair, sir?

14 MR. DAN GUIMOND: Yes.

15 MR. BYRON WILLIAMS: This paragraph
16 also suggests that collisions in rural locations
17 account for, at least in the most recent year, 72
18 percent of people killed and nearly 41 percent of
19 people seriously injured.

20 Would that be a fair pres --
21 representation of that statement?

22 MR. DAN GUIMOND: Yes.

23 MR. BYRON WILLIAMS: And if we look
24 over the last four (4) or five (5) years, prior to the
25 most recent year, we'll see that same relationship

1 holding with a disproportionate percentage of the
2 persons killed in traffic collisions and of the
3 persons seriously injured in traffic collisions coming
4 from rural Manitoba, agreed?

5 MR. DAN GUIMOND: Agreed.

6 MR. BYRON WILLIAMS: And, Diana, if we
7 could scroll down just a couple of -- just perfect,
8 there. Actually, scroll down just a bit more. And,
9 Mr. Guimond, I want to, that's nice there, direct your
10 attention on the screen to the second full paragraph.

11 And what -- what it -- it suggests --
12 or I'll suggest to you that it's -- it's indicating is
13 first of all that in terms of occupant restraints --
14 in terms of overall collisions, most vehicle occupant
15 victims were -- were wearing some sort of safety
16 equipment, or were reported as wearing safety
17 equipment, agreed?

18 MR. DAN GUIMOND: Agreed.

19 MR. BYRON WILLIAMS: It's also fair to
20 say that when we get to the percentage of those killed
21 and seriously injured, 35 percent of the people killed
22 and 8 percent of the people seriously injured are
23 recorded as not wearing or using the available safety
24 equipment at the time of the collision, agreed?

25 MR. DAN GUIMOND: Agreed.

1 MR. BYRON WILLIAMS: And similarly, we
2 see in the next paragraph that 78 percent of the
3 people ejected and killed were not using the available
4 safety equipment at the time of the collision, agreed?

5 MR. DAN GUIMOND: Agreed.

6 MR. BYRON WILLIAMS: And similarly, 50
7 percent of the people ejected and seriously injured
8 were not using the available safety equipment?

9 MR. DAN GUIMOND: Fifty-seven (57)
10 percent, yes.

11 MR. BYRON WILLIAMS: Okay. Sorry, I
12 had misspoken. Thank you for correcting me. Turning
13 to Roman Numeral V, the -- the very top paragraph,
14 this paragraph documents the -- the disproportionate
15 likelihood of young drivers to be involved in traffic
16 collisions as compared to old -- older drivers.

17 Would that be fair, Mr. Guimond?

18 MR. DAN GUIMOND: Yes.

19 MR. BYRON WILLIAMS: Okay. Now,
20 Diana, if I could get you to turn to page 94 of this
21 exhibit. And direct your attention -- a bit farther
22 down. That's fine there. It's the last paragraph
23 above Figure 5.8 I -- I wish to draw to your
24 attention, Mr. Guimond.

25 And MPI is suggesting -- or I'll --

1 I'll ask con -- to confirm that -- that victims not --
2 in 2014 victims not using safety equipment are thirty-
3 three (33) times more likely to be killed and five (5)
4 times more likely to be serious -- seriously injured
5 in a traffic collision than those who use the proper
6 safety equipment.

7 Is that a fair characterization of that
8 statement?

9 MR. DAN GUIMOND: Yes.

10 MR. BYRON WILLIAMS: And again, this
11 relationship has -- has held true, generally, over the
12 last five (5) years prior to the 2014 report, agreed?

13 MR. DAN GUIMOND: Agreed.

14 MR. BYRON WILLIAMS: Mr. Guimond, I --
15 I haven't seen statement -- or evidence to that effect
16 on this hearing, but would it be fair to suggest that
17 in terms of seatbelt usage, rural persons still trail
18 urban persons in terms of employing seatbelts?

19 MR. DAN GUIMOND: Yes, but apparently
20 the delta is getting smaller and smaller, but correct.

21 MR. BYRON WILLIAMS: And does Manitoba
22 Public Insurance have a -- 2015 information in terms
23 of rural and urban seatbelt usage, Mr. Guimond,
24 that...

25 MR. DAN GUIMOND: No, we don't.

1 MR. BYRON WILLIAMS: Is the -- the
2 most recent information you have in terms of the
3 urban/rural splits from 2014?

4 MR. DAN GUIMOND: Yes.

5 MR. BYRON WILLIAMS: Could the
6 Corporation by way of undertaking provide a brief
7 summary of the conclusions in terms of the rural and
8 urban seatbelt usage, sir?

9 MR. DAN GUIMOND: Sorry, I'm not sure
10 you mean -- what you mean by "conclusions" or --

11 MR. BYRON WILLIAMS: Yeah, and -- and
12 the question was -- no, you're -- you're right, the
13 question was poorly asked. You were talking about the
14 relative proportion of rural folks using seatbelts
15 versus urban. I -- we'd like the -- the 2014
16 information that the Corporation has.

17 MR. DAN GUIMOND: So -- so just to
18 make sure I understand the request, you just want to
19 see that the trend is getting smaller?

20 MR. BYRON WILLIAMS: Yeah. Well, I'd
21 like to actually see the -- the data.

22 MR. DAN GUIMOND: Yeah, okay. No
23 problem.

24 MR. BYRON WILLIAMS: Okay.

25 MR. DAN GUIMOND: Yeah.

1 --- UNDERTAKING NO. 25: MPI to produce the 2014
2 information that the
3 Corporation has about the
4 relative proportion of
5 rural people using
6 seatbelts versus urban

7

8 CONTINUED BY MR. BYRON WILLIAMS:

9 MR. BYRON WILLIAMS: Mr. Guimond, does
10 the information from the 2014 report in terms of the
11 fatalities associated with the failure to use occupant
12 restraint raise concerns for Manitoba Public
13 Insurance?

14 MR. DAN GUIMOND: Yeah -- yes,
15 everything that leads to fatal -- fatality raises
16 concerns for MPI.

17 MR. BYRON WILLIAMS: And -- and just
18 going back to CAC-1-57 just for a second, it would be
19 fair to say, sir, that the investment in occupant
20 safety education strategies appears to -- to be
21 diminishing over time?

22 MR. DAN GUIMOND: Yes.

23 MR. BYRON WILLIAMS: And in terms of
24 the allocation of expenditures to this and other road
25 safety priorities, can -- can you help my clients to

1 understand why the occupant safety education
2 strategies are declining, or appear to be declining
3 over time, sir?

4 MR. DAN GUIMOND: I think it -- it
5 goes back to what I was saying last year, and maybe if
6 we look at Volume III -- you know, when I step back
7 and I looked at everything that's going on, and I -- I
8 mentioned yesterday I talked to all the stakeholders.
9 I talked to a lot of people. I listened to what
10 people said. I think it was important to create a
11 framework for the loss prevention. You know, we -- we
12 put that into our Rate App this year. We created the
13 two (2) committees. We created the road safety
14 document that's in Volume III.

15 And I just want to make sure I -- I
16 referenced the right one here, please. One moment.

17

18 (BRIEF PAUSE)

19

20 MR. DAN GUIMOND: If we look at
21 section AI.13, you can see the appendix there where
22 we've created the high school driver education program
23 or development methodology, and the operational plan.
24 We've created now the committees, and so on. So I
25 think on a -- on a go-forward perspective, because we

1 have the committees and we have the framework in terms
2 of what things will bubble up that will be important
3 in -- to focus on, so that's -- I step back in terms
4 of me assuming the position that I have now, I think
5 it was more important to not focus on the distribution
6 of these numbers at this point in time but to look at
7 it on a go-forward basis.

8 Put the frameworks in place. Make sure
9 people have dialogues. And make sure the frameworks
10 are there to be able to bubble up how the money should
11 be spent. And what are the priorities so that people
12 agree on what are the priorities.

13 MR. BYRON WILLIAMS: Okay.

14 MR. DAN GUIMOND: The other thing
15 maybe goes back to what Mr. Regis Gosselin said when
16 we looking at the numbers. You know, I think you were
17 referring to say, Well, maybe there should be a number
18 for road safety in terms of unknowns, or maybe growth
19 and expenditure. I -- I couldn't defend putting a
20 number this year, but it is possible that after all
21 the consultations and the dialogues, that road safety
22 budget may very well grow because people may come up
23 with ideas that -- that merit proceeding.

24 And so, from my perspective, what was
25 important is to put -- what we've put in place in the

1 last year, make sure it was reviewed by external
2 people so the -- the Board has satisfaction that
3 especially the priority process and so on was reviewed
4 by experts and say, Yes, that's the right thing to do.

5 Then let people have the dialogue, so
6 these committees, make sure the prioritization comes
7 through, and we may very well see a change in these
8 numbers in our next rate application.

9 And to Mr. Regis Gosselin's point --
10 point, you may very well -- based on the input from --
11 from the stakeholders, we may very well say, Hey,
12 listen, there's something here that we found out that
13 -- that merits to -- to do it.

14 So that's -- that's my perspective on
15 it right now. And these breakdown as this point in
16 time are not what I was focusing on.

17 MR. BYRON WILLIAMS: Yeah. And, Mr.
18 Guimond, let me on behalf of my clients thank you for
19 the spirit of that answer. It's appreciated.

20 Is there anything you want to add, just
21 -- or --

22 MR. DAN GUIMOND: One (1) moment,
23 please.

24

25

(BRIEF PAUSE)

1 MR. BYRON WILLIAMS: You -- you spoke
2 of some of the committees, and just a couple of
3 questions of clarification. In terms of the
4 provincial road safety committee, you'll agree,
5 subject to check, that there was a reference to a
6 meeting targeted for June of 2015?

7 MR. DAN GUIMOND: Yes.

8 MR. BYRON WILLIAMS: And, sir, can you
9 confirm that that -- that that meeting actually took
10 place?

11

12 (BRIEF PAUSE)

13

14 MR. DAN GUIMOND: Yes, the meeting
15 took place.

16 MR. BYRON WILLIAMS: Just a couple of
17 road safety short snappers. You don't need to turn
18 there, but in -- in the -- in PUB-1-47, there was a
19 request to provide the High School Driver Education
20 Project roadmap and business case once it's completed
21 in the summer of 2015.

22 I'll ask you to accept that -- that,
23 subject to check.

24 MR. DAN GUIMOND: Okay.

25 MR. BYRON WILLIAMS: And, sir, can you

1 indicate whether that project roadmap and business
2 case has been completed?

3

4

(BRIEF PAUSE)

5

6

MR. DAN GUIMOND: Yes, it has been
7 prepared.

8

MR. BYRON WILLIAMS: And again, I may
9 have missed it, but has it been filed to your
10 knowledge on -- on the record?

11

MR. DAN GUIMOND: No. It was just
12 approved by our board of directors in October, so we
13 haven't filed it. But we'll -- we'll take an
14 undertaking to -- to file it if you want to see it.

15

MR. BYRON WILLIAMS: Yeah.

16

MR. DAN GUIMOND: Yeah.

17

MR. BYRON WILLIAMS: We appreciate
18 that. And -- and just to confirm, the undertaking is
19 to file the -- the copy of the High School Driver
20 Education Project road -- roadmap and business case.
21 Thank you, Mr. Guimond.

22

MR. DAN GUIMOND: Okay.

23

24 --- UNDERTAKING NO. 26: MPI to file a copy of the
25 High School Driver

1 Education Project roadmap
2 and business Case

3

4 CONTINUED BY MR. BYRON WILLIAMS:

5 MR. BYRON WILLIAMS: Mr. Guimond, I'll
6 suggest -- I'll ask you to agree that in the past,
7 Manitoba Public Insurance has made extensive use of
8 road -- external road safety expertise such as the
9 Triple A Foundation for Traffic Safety, agreed?

10 MR. DAN GUIMOND: Agree.

11 MR. BYRON WILLIAMS: And it also has
12 used firms such as Northport and Associates (sic)?

13 MR. DAN GUIMOND: Yes.

14 MR. BYRON WILLIAMS: And Northport has
15 done a variety of work for the Corporation, including
16 a longitudinal assessment of -- of the effects of
17 drivers education in -- in reducing convictions and --
18 and collisions dating back quite a few years now.

19 Would that be fair?

20 MR. DAN GUIMOND: Yes.

21 MR. BYRON WILLIAMS: And you're aware
22 as well that the AAA Foundation for Traffic Safety has
23 done work in terms of the effects of driver's
24 education in reducing collisions in jurisdictions such
25 as Oregon?

1 MR. DAN GUIMOND: Yes.

2 MR. BYRON WILLIAMS: And in -- in
3 terms of the Corporation's report on graduated driver
4 licensing and high school driver education that was
5 filed in the course of this hearing, am I correct in
6 suggesting that it was prepared by MPI internal staff?

7 MR. DAN GUIMOND: Yes.

8 MR. BYRON WILLIAMS: And, sir, can you
9 indicate who conducted the external peer review of
10 this study, in terms of its methodology and
11 conclusions?

12 MR. DAN GUIMOND: It's an internal
13 document. No external peer review.

14

15 (BRIEF PAUSE)

16

17 MR. BYRON WILLIAMS: Mr. Guimond, you
18 can -- in -- in terms of my next question you may want
19 to consult with your client -- or your lawyer before
20 you agree to an undertaking. But for my client's
21 purposes it would be helpful if you would consider
22 providing an -- an explanation or a comparison of the
23 methodology used by MPI internal staff in terms of
24 their review of -- of the effects of high school
25 driver education on -- on collisions, as compared to

1 the methodology employed by North -- Northport in
2 terms of its longitudinal study.

3

4 (BRIEF PAUSE)

5

6 MR. DAN GUIMOND: I agree.

7 MR. BYRON WILLIAMS: Okay. Thank you.

8 And just for the reporter, my understanding is you're
9 agreeing to provide a comparison of the methodology
10 employed in the internal MPI study versus the
11 Northport longitudinal study?

12 MR. DAN GUIMOND: Agree.

13

14 --- UNDERTAKING NO. 27: MPI to provide a comparison
15 of the methodology employed
16 in the internal MPI study
17 versus the Northport
18 longitudinal study

19

20 CONTINUED BY MR. BYRON WILLIAMS:

21 MR. BYRON WILLIAMS: Thank you, sir.

22 MR. DAN GUIMOND: Where -- where
23 possible.

24 MR. BYRON WILLIAMS: Just a couple of
25 questions from my client in terms of the shared care

1 residence pilot.

2 You're familiar with that program, Mr.
3 Guimond? You're nodding your head? You're proud of
4 that program.

5 MR. DAN GUIMOND: Very.

6 MR. BYRON WILLIAMS: Okay. And at
7 high level, sir -- and perhaps, Diana, if you can pull
8 up CAC-1-17?

9

10 (BRIEF PAUSE)

11

12 MR. BYRON WILLIAMS: And scroll down
13 to the response. Mr. Guimond, do you want to just
14 articulate a little bit about this program? The
15 answer is here, but perhaps for the Board just...

16 MR. DAN GUIMOND: We -- we had
17 customers with traumatic brain injuries, where we --
18 we needed to be able to find a way to have twenty-four
19 (24) care for them, and to be able to make sure that
20 they could have the -- the needs that they needed.
21 And also to find a way to deal with the needs of these
22 customers. And so we -- we went ahead and -- and
23 built this house as a pilot. It's based on a model
24 that exists in Australia.

25 And -- and so we are doing this pilot

1 to be able to see what is -- what is the art of the
2 possible in terms of taking care of our customers who
3 -- who need to -- to find a home. And also what --
4 what does it mean in terms of our ability to continue
5 with what Manitobans want us to make sure that MPI, by
6 design, does not institutionalize people and allow
7 them to -- to live the -- the life that they can. So
8 -- so this is a pilot, and we'll see -- we'll see what
9 happens.

10 MR. REGIS GOSSELIN: Mr. Guimond, is
11 there a reason that you wouldn't have used an
12 institution like St. Amant, for example, to do this --
13 to manage a home like this as opposed to doing it
14 yourself?

15 MR. DAN GUIMOND: The -- if you look
16 at the customers that are being taken care of by mom
17 and dad, and -- and that are going to start to not be
18 able to take care of -- of their child anymore because
19 they're passing away, or they -- they can't do it
20 anymore -- because we started in 1994, right.

21 So this whole -- this whole idea of --
22 of having an issue and finding a place for our
23 customers, we identified that in about 2003. We
24 realized that the personal care assistance -- we were
25 realizing that people who were catastrophically

1 injured were not using the maximum personal care
2 assistance. And we said there -- we didn't understand
3 why that was, and we realized it was mom and dad
4 taking care of their child. And they didn't want
5 people in their homes. They didn't want strangers in
6 their homes helping.

7 So we realized that as time would go by
8 that our customers would -- would potentially not have
9 a place to go when mom or dad, or grandma couldn't
10 take care of the child anymore. But of course it's an
11 adult today, but it -- it -- we identified that need,
12 and we started to look at programs similar to our --
13 to us throughout the world.

14 In Australia there's a company called
15 TAC. They -- they had to get into the housing
16 business, as well, because as time goes by we -- we
17 get our customers for life, right. We have to find a
18 way to take care of them from the moment they are
19 catastrophically injured to the moment they -- they
20 pass away.

21 So when we looked at that we realized
22 that we would have to do something, and that's been in
23 our plans for a long time. And now we've got into a
24 situation where we had to act. Actually one of the --
25 one of our customers, you know, his -- his grandmother

1 passed away, but at least the parents and -- and the
2 people are taking care of their children, they -- or
3 the grandparents, they -- they can be at peace because
4 they -- they know where their -- their child is going,
5 and -- and they know they're going to be taken care
6 of.

7 So that's -- that's what we -- that's
8 what initiated -- the catalyst was actually one person
9 that was going to pass away, and we had to move these
10 people to -- to have a home for them. So it's a
11 capacity issue.

12

13 CONTINUED BY MR. BYRON WILLIAMS:

14 MR. BYRON WILLIAMS: Thank you, Mr.
15 Guimond. And -- and in terms of the program, it's --
16 for the residents it's -- it's of course voluntary
17 either with their consent or the consent of their
18 substitute decision maker?

19 MR. DAN GUIMOND: It's their guardian,
20 their legal guardian in most cases because -- this
21 particular place it's traumatic brain injured.

22 MS. ANITA NEVILLE: Can I ask a
23 question, please?

24 How many individuals are there with
25 this level of disability and injury who are currently

1 being taken care of in their own homes?

2 MR. DAN GUIMOND: I know that we have
3 about a hundred and thirty-five (135) catastrophically
4 injured customers. I -- I don't know the split
5 between -- exactly the split between people in -- in --
6 - most of them are either in their own homes, or -- or
7 in -- in -- what we're starting to do now because
8 people are -- are passing away.

9 So I would say the lion's share -- but
10 I'll double check to get the exact number for you, but
11 the lion's share of our customers are not
12 institutionalized.

13 MS. ANITA NEVILLE: And can -- just
14 another question or two (2), Mr. Williams. Have you
15 done an analysis of two (2) things; the nature of the
16 care they're receiving both at home and in the home
17 that you have set up, and of the costs?

18 MR. DAN GUIMOND: We haven't done an
19 analysis -- for -- for your first question. What we
20 do to make sure our customers are properly taken care
21 of, especially the -- the people who are very
22 vulnerable, like traumatic brain injuries, right. You
23 don't even know if you're being properly taken care of
24 in -- in a lot of instances, so the case manager plays
25 a key role in that.

1 We insist on having -- on a yearly
2 basis we want to see the customer. We want to go to
3 their -- where they are. We want to see them. We
4 want to see what's going on. We want to see that
5 they're properly taken care of.

6 Regarding the -- the costing, the cost
7 analysis that we did was more like for the home. Like
8 we had like a business case for the -- the home that
9 we did to see how -- how that's going to turn out.
10 And it's -- it's a pilot, right, so -- so we did do a
11 business case on your second question of -- of the
12 tradeoff between building a house or not building a
13 house, but we have to understand that Manitobans,
14 we're one (1) of the few jurisdictions in the world
15 that by design we're not to institutionalize people.

16 So we try not to institutionalize
17 people as -- to -- as much as we can.

18 MS. ANITA NEVILLE: Other than
19 Australia the -- you are the only ones who have
20 undertaken a project of -- of this kind?

21 MR. DAN GUIMOND: Yes, in North
22 America, yes.

23 MS. ANITA NEVILLE: So you're really
24 expanding the role of an insurer in -- I'm -- I'm not
25 being critical. I'm just raising it.

1 MR. DAN GUIMOND: I -- I think as --
2 as time goes by for personal insurance -- as a
3 personal insurance protection plan matures and it's
4 going to take about maybe sixty (60) years to mature
5 in the sense that somebody comes in and somebody dies.
6 So are we expanding the role of an insurer that has
7 the mandate of the personal insurance protection plan,
8 I -- I don't think so. I think it's a -- it's a
9 natural evolution in terms of what you have to do to
10 adapt to take care of your customers.

11 And as time goes by you also have to
12 adapt to societal expectations. So when you put the
13 two (2) together, who knows what it's going to look
14 like by the time the plan matures in -- when it --
15 it'll be sixty (60) years. So I -- you know, I'm --
16 I'm not sure that we're actually expanding the role of
17 -- of an insurer in this part -- from that context
18 perspective.

19 MS. ANITA NEVILLE: One (1) last
20 question and then I'll let it go back to Mr. Williams.
21 Have you built into this program an evalu -- a formal
22 evaluation component?

23 MR. DAN GUIMOND: Yes.

24 MS. SUSAN PROVEN: I would like to ask
25 a question before we go back to Mr. Williams.

1 When you went out into the world to
2 look at the various possibilities, you were looking at
3 the home where the relatives, or parents live and then
4 you were thinking about the Australian model. But is
5 there another analysis, maybe, or maybe did you see
6 another model that would involve a fostering type idea
7 where the person is placed in the care of another
8 person that maybe isn't related to them.

9 And it would be interesting to see what
10 kind of costs that entailed. I'm not suggesting that
11 that's perfect, it probably isn't. And a model like
12 what you've chosen might be much, much better, but I
13 just wondered if that possibility was examined as
14 well.

15 Because looking at the costs of the
16 three (3) models, when it comes to relatives I'm sure
17 they're not taking any -- any pay at all for their
18 services. And in the fostering model there would be,
19 obviously, a service fee as well as the shelter costs.
20

21 So is there such a model?

22 MR. DAN GUIMOND: We -- we haven't
23 looked at a -- a fostering model, to answer your
24 question specifically. We -- our customers -- I mean,
25 it -- it's -- like even parents taking care of the

1 children we -- we try to -- to really inform our --
2 our -- the family members. I mean, they -- they --
3 it's very hard on the family. It's very hard to take
4 care of somebody who's catastrophically injured.

5 And the parents make incredible
6 sacrifices, you know, and then they get old and then
7 they have trouble doing the work and then they've also
8 sacrificed income. They sacrifice pension money.
9 They -- they -- you know, like it -- it's traumatic,
10 right. I mean, it's really bad.

11 In terms of a fostering home, foster
12 care is -- is -- we wanted to focus the first pilot on
13 something that could be permanent and long-term. We
14 wanted to minimize disruptions to our customer,
15 because we know that this -- in this particular case
16 it's their home and they won't have to move. They
17 won't have the sense of potential rejection, right.
18 If -- if some -- like a -- a foster -- they might say,
19 If you pay for the home renovations and so on for the
20 foster care and then they can't cope with it anymore
21 and they say, I -- I need out. I can't do it anymore.

22 So we did a pilot with what we thought
23 would be the highest probability of success. And time
24 will say how all this evolves.

25 MR. BYRON WILLIAMS: Mr. Guimond, just

1 -- just in terms of Board member Neville's question,
2 my understanding is you were going to get back to her
3 in terms of the actual population.

4 Is that what you indicated?

5 MR. DAN GUIMOND: Yeah. I believe the
6 question was the -- the breakdown of people that are
7 in institutions versus non-institutions.

8 MR. BYRON WILLIAMS: Okay.

9 MR. DAN GUIMOND: Yeah, for the
10 catastrophically injured. And we've got about a
11 hundred and thirty (130) of those. Is that -- is that
12 -- do I have that right?

13 MS. ANITA NEVILLE: In institutions
14 and at home as well. Thank you.

15 MR. DAN GUIMOND: Yes.

16 MR. BYRON WILLIAMS: Okay. And so
17 that's an undertaking to Board member Neville.

18

19 --- UNDERTAKING NO. 28: MPI to provide breakdown of
20 those in institutions and
21 at home versus non-
22 institutions

23

24 CONTINUED BY MR. BYRON WILLIAMS:

25 MR. BYRON WILLIAMS: Okay. And just

1 before we leave this -- this interesting issue, in
2 terms of the Australian experience, Mr. Guimond, and -
3 - and in your research, I'm assuming there is a -- a
4 literature or some learned articles.

5 How did you go -- I'm looking for a
6 link or a -- a reference to the material in terms of
7 the Australian model.

8 MR. DAN GUIMOND: I -- I -- we haven't
9 put anything in the public realm regarding that. But
10 if -- if you want to, we could provide you with the --
11 they've got a lot of -- a lot of information on the
12 website if you want to study that.

13 MR. BYRON WILLIAMS: Simply a link to
14 the website. If you would do that, sir, that would be
15 very helpful.

16 MR. DAN GUIMOND: Yes.

17

18 --- UNDERTAKING NO. 29: MPI to provide link to
19 website re: Australian
20 model

21

22 CONTINUED BY MR. BYRON WILLIAMS:

23 MR. BYRON WILLIAMS: Madam Chair, I'm
24 -- I'm getting near the end. It may benefit -- if we
25 take a break now, I can have a very quick conversation

1 with My Friend, Ms. Kalinows -- Kalinowsky and Mr.
2 Johnston. And -- and maybe I'll just short-circuit a
3 couple of questions.

4 THE CHAIRPERSON: Thank you very much,
5 Mr. Williams. We'll take a break for fifteen (15)
6 minutes.

7

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

9 --- Upon resuming at 10:45 a.m.

10

11 THE CHAIRPERSON: We'll continue now
12 with our hearings. Mr. Williams...?

13 MR. BYRON WILLIAMS: Yes, Madam Chair.
14 I can indicate that, subject to the undertakings,
15 you'll have the pleasure of not seeing me until
16 tomorrow. So I -- I'm done my cross, subject to the
17 undertakings that flowed from this cross-examination.

18 And I'll beg your indulgence. I -- I
19 have another commitment, so if -- if I might be
20 excused, I'll --

21 THE CHAIRPERSON: Thank you very much,
22 Mr. Williams.

23 MR. REGIS GOSSELIN: I just wanted to
24 make sure the record shows that when we -- I was
25 speaking about St. Amant, I wasn't talking about the

1 hospital proper. I was talking about the homes that
2 St. Amant manages. There's quite a few of them.

3 I'm not sure what they are now, but
4 they -- at the time I was on the Board, it was -- I
5 think there was twelve (12) or fourteen (14) homes
6 already that usually house four (4) individuals. And
7 that's why I was mentioning St. Amant.

8 MR. DAN GUIMOND: Thank you for that.

9 THE CHAIRPERSON: Now I'd like to call
10 upon Mr. Ray Oakes from CMMG to give his cross-
11 examination.

12 MR. RAYMOND OAKES: Thank you, Madam
13 Chair. As a preliminary matter, I've distributed some
14 of the exhibits that I'll be working with over the
15 course of the next couple of hours.

16 The Board presently has three (3)
17 copies, one (1) for each computer monitor.
18 Unfortunately not one (1) for each Board member just
19 quite yet. And I have distributed them to other
20 counsel and parties within the room, and Diana's has
21 had advance notice of these as well. And after
22 marking them as exhibits, I imagine they'll be showing
23 up on your computer screens promptly.

24 With respect to the numbering of the
25 exhibits, I believe on the opening day Ms. Kalinowsky

1 marked an exhibit to be CMMG-3, so we have three (3)
2 more exhibits which I would -- believe would be 4
3 (sic), 5 (sic), and 6 (sic).

4

5

(BRIEF PAUSE)

6

7

MR. RAYMOND OAKES: I'm being advised
8 that the numbering is going to be 6, 7, and 8 CMMG for
9 those particular exhibits.

10

THE CHAIRPERSON: Thank you very much.

11

12 --- EXHIBIT NO. CMMG-6: 1550 reasonableness of
13 results

14 --- EXHIBIT NO. CMMG-7: Response to Undertaking 58

15

16 --- EXHIBIT NO. CMMG-8: 2015 Rate Application

17

18 CROSS-EXAMINATION BY MR. RAYMOND OAKES:

19

MR. RAYMOND OAKES: Mr. Johnston, my
20 questions are primarily for you on our annual chat.
21 And in advance of this rigorous cross-examination, I
22 want to indicate as I have a number of years that I
23 have considerable respect for you and the other
24 skilled fellows of actuarial science, whether they're
25 male or female. And, of course, that may be just one

1 (1) of the many distinctions that I don't understand
2 in actuarial practice. It eludes as whe -- why these
3 fellows are both male and female, but I'll press on in
4 any event.

5 I'd ask you just generally, Mr.
6 Johnston, do you agree with me that actuaries can't
7 predict with certainty what will transpire in the year
8 2016?

9 MR. LUKE JOHNSTON: That's correct.

10 MR. RAYMOND OAKES: And similarly,
11 beyond that in the future, actuaries can't predict
12 with certainty what will occur in the insurance world?

13 MR. LUKE JOHNSTON: That's true, yeah.
14 The farther out you go the more uncertain it -- it
15 will become.

16 MR. RAYMOND OAKES: Okay. And in
17 bringing your science to rate applications, you can
18 only rely on approved practice and the reasonability
19 of those practices?

20 MR. LUKE JOHNSTON: Well, maybe not
21 only rely on that, but I do rely on actuarial
22 methodologies. And then in some cases there's policy
23 considerations and such. But your point is taken, I
24 rely on my actuarial training to do my work.

25 MR. RAYMOND OAKES: Okay. And you'll

1 agree with me, sir, that in bringing that training you
2 will also use judgment?

3 MR. LUKE JOHNSTON: Sometimes judgment
4 is required, yes.

5 MR. RAYMOND OAKES: And that there's
6 going to be different approaches used by different
7 actuaries, and variations in the conclusions that they
8 arrive at?

9 MR. LUKE JOHNSTON: That's true.

10 MR. RAYMOND OAKES: And you'll agree
11 with me that human judgment is fallible?

12 MR. LUKE JOHNSTON: Yes. That is also
13 a judgment call there.

14 MR. RAYMOND OAKES: Alright I accept
15 that. So if we look at the ways that other actuaries
16 have used a different approach, one (1) of the first
17 areas I'd like to look at is the actual result of
18 those different approaches. And if I can ask you to
19 look at CMMG-2-3, if you would. And this question
20 relates from the -- relates to the Corporation's use
21 of ten (10) years of data in its rating.

22 Is that what the Corporation does?

23 MR. LUKE JOHNSTON: That's right. For
24 -- for motorcycle injury losses we look at claims over
25 ten (10) years.

1 MR. RAYMOND OAKES: And we've looked
2 at the year 2006 previously, and that was a year in
3 which there were very high losses sustained.

4 Do you recall that, sir?

5 MR. LUKE JOHNSTON: That's -- that's
6 correct generally. And that's because a -- a higher
7 than -- than usual number of serious losses would be
8 the -- usually the reason.

9 MR. RAYMOND OAKES: Okay. And we're
10 going to -- we're going to come back to all of this
11 but I just want to demonstrate to the Board the
12 importance of the different methodologies, and the use
13 of different amounts of data. If you would, read for
14 us the response in CMMG-2-3.

15 MR. LUKE JOHNSTON: Sure.

16 "If 2006's..."

17 So 2006 loss year, I'm adding that --
18 that context:

19 "Experience wasn't excluded from the
20 calculation of the 2016 rate
21 requirement, the indicated rate
22 decrease from the motorcycle major
23 class would be 12.7 percent instead
24 of 8.2 percent. Twelve point -- the
25 12.7 percent was derived by changing

1 the weights used in the calculation
2 of the indicated peer premiums for
3 motor -- for the motorcycle major
4 class. Refer to Volume II rate
5 making, page 31. For accident
6 benefits other and income replacement
7 indemnity, we applied the same weight
8 to the ten (10) most recent years
9 excluding 2006, i.e., a nine (9) year
10 weighted average."

11 And if -- if you don't mind, if I just
12 comment on that. The -- the ten (10) year -- so
13 motorcycles -- we talked about -- about this before,
14 80 to 90 percent of losses are for injuries. I
15 believe close to 50 percent are related to serious
16 injuries. So absolutely this class has widely
17 fluctuating claims costs, and they're going to have
18 the most variable indicated rate for -- also for that
19 reason.

20 So the ten (10) year -- use of the ten
21 (10) years of data is to promote rate stability. I
22 know it doesn't always look that way because of the
23 variability in -- in the results, but that -- that's
24 the reason for doing it. And so I know that in your
25 example here we're removing that -- the big year would

1 give you a bigger rate decrease but there -- you know,
2 there -- there will be other times where not using ten
3 (10) years might push it the other way, and I just --
4 I want to make sure that you support, and we all
5 support a methodology that we're going to use whether
6 it's an increase or a decrease.

7 MR. RAYMOND OAKES: Thank you, Mr.
8 Johnston. And we'll come back to each of those points
9 shortly. But I ask you, sir: If an actuary came
10 before this Board using nine (9) years of data instead
11 of the ten (10) that you've selected, you wouldn't say
12 that actuary was being unreasonable or incorrect,
13 would you, sir?

14 MR. LUKE JOHNSTON: In a -- in a
15 general sense it's -- that's difficult to answer.
16 Let's say in this example you have here that there's
17 some history on motorcycles. It could be hail storms.
18 It could be many other items. Ten (10) years ago
19 there was some big event, and then for the nine (9)
20 years after that there's some ups and downs, but
21 nothing equal to that size.

22 It would be an important question for
23 an actuary whether that event is still relevant and
24 applicable to the -- to the rates being charged. And
25 all we're saying in the rate setting is ten (10) years

1 is our selection.

2 Absolutely another actuary could come
3 in and say, You know what, we want to use all the
4 years since motorcycles, you know, have ever been on
5 the PIPP program. And -- and someone else might say,
6 You know what, I think there's more recent trends and
7 -- and we want to use five (5) years.

8 So to -- to your point, actuaries will
9 definitely have different opinions. This is our --
10 this is our approach to rate stability for motorcycles
11 going forward.

12 MR. RAYMOND OAKES: And I appreciate,
13 Mr. Johnston, this is MPI's approach going forward but
14 that wasn't what I asked you. I asked you if an
15 actuary came before this Board and testified that they
16 used nine (9) years of data instead of ten (10), you
17 wouldn't be heard to say that that approach is
18 unreasonable or incorrect, would you, sir?

19 MR. LUKE JOHNSTON: That's a -- that's
20 a difficult question to ask, but I think in the
21 example that I gave you that different actuaries may
22 support longer term smoothing periods, or shorter term
23 periods, and -- and that -- that that could be
24 considered reasonable. So nine (9) being less than
25 ten (10), or five (5) being less than ten (10), that's

1 definitely a possibility. I accept that.

2 MR. RAYMOND OAKES: Thank you for
3 accepting that. I ask, if you would, move to the Pre-
4 Ask number 8 of the CMMG and the letter of Aon
5 Consulting Actuaries. And I appreciate you don't have
6 a formal response as yet to this, but if you could
7 indulge me in reviewing the letter of Aon to give a
8 specific example.

9 You will see in the second paragraph
10 the writer of the letter, the vice president and
11 managing actuary of IAO Actuarial Consulting Services
12 Inc., a Mr. -- I'm presuming that's Xu, X-U it's
13 spelled, says:

14 "From IAO's experience we usually
15 average or smooth five (5) years of
16 data to arrive
17 the rates] to recognize the latest
18 loss trend and development."

19 Do you see that, sir?

20 MR. LUKE JOHNSTON: Yes, I do. And
21 just -- Mr. Oakes, I apologize. We were trying to get
22 your Pre-Ask done for this morning. They're --
23 they're in progress. Hopefully by early afternoon.

24 MR. RAYMOND OAKES: Thank you for
25 that, sir. So having seen that IAO uses five (5)

1 years of experience, you wouldn't say that their
2 approach is unreasonable or incorrect?

3

4 (BRIEF PAUSE)

5

6 MR. LUKE JOHNSTON: I'm sorry, Mr.
7 Oakes, could you repeat that question for me?

8 MR. RAYMOND OAKES: Certainly. And
9 from what we've read it indicates that IAO uses five
10 (5) years of data to arrive at the rates to recognize
11 the latest loss trend in development.

12 And you wouldn't say that in using the
13 five (5) years that Aon or IAO is incorrect or
14 unreasonable?

15 MR. LUKE JOHNSTON: No, I wouldn't say
16 they're incorrect, but I would say that our -- MPI's
17 program is -- is definitely different. The -- the
18 PIPP program is -- is different and the -- the large
19 serious losses that occur under that program are the
20 big reason why we -- we average all serious losses for
21 not just motorcycles, but for -- for everyone over ten
22 (10) years.

23 And there's -- there's many other
24 differences just in terms of who -- who you -- who you
25 write the coverage to, and coverage differences, et

1 cetera, so if -- let's say that there's a -- just a
2 general third-party liability benefit with the maximum
3 of two hundred thousand (200,000) or five hundred
4 thousand (500,000), other jurisdictions could have
5 more confidence in their estimates knowing that they
6 kind of -- they can cat -- like kind of top out at the
7 two hundred (200) or five hundred thousand (500,000)
8 and they settle.

9 PIPP's not like that. Claims can be 2,
10 3, 4, \$5 million each. And the -- the ten (10) year
11 selection is MPI's attempt to -- to make a -- a
12 reasonable estimate of -- of serious losses and we
13 think we need a -- at least a decade to -- to do that.

14 MR. RAYMOND OAKES: Mr. Johnston, are
15 you aware of any other insurers, including
16 Saskatchewan and BC that have similar products that
17 use ten (10) years data in arriving at their
18 motorcycle rates?

19 MR. LUKE JOHNSTON: I'm not
20 specifically aware of -- SGIs would be the most
21 applicable, but right now I'm not aware of what they
22 do.

23 MR. RAYMOND OAKES: Just before we
24 leave this Pre-Ask 8, I'd ask you to look at the
25 little box with the motorcycle rates of other

1 provinces. And can you -- looking at that, do you
2 conclude as I do that it seems to be a national
3 experience that motorcycle rates are decreasing year
4 over year for each of those provinces?

5 MR. LUKE JOHNSTON: The graph would
6 appear to indicate that. And if that's true that's --
7 that's great news. I am -- I'm not aware of the rate-
8 setting process and specifically in these
9 jurisdictions whether coverages remain the same, or --
10 or whatever the case, but MPI's motorcycle experience
11 has been improving in recent years.

12 So if other jurisdictions were also
13 doing that, that -- that would be -- that would be
14 good news for everyone, I think.

15 MR. RAYMOND OAKES: Thank you. Moving
16 to CMMG Interrogatory 1-1, and if we could look at the
17 table. Thank you, Diana.

18 And what we've been talking about is
19 2006. And if you go to the extreme right-hand side,
20 the actual loss table, including pool losses in that
21 year, we saw an actual loss ratio of some 150.85
22 percent.

23 Do you see that, sir?

24 MR. LUKE JOHNSTON: Yes, I do, in the
25 far right column.

1 MR. RAYMOND OAKES: All right. And
2 that type of experience is unique to all of the years
3 from 2004 to 2014.

4 Would you agree with me, sir?

5 MR. LUKE JOHNSTON: That is the
6 largest, if -- I mean, if -- if that's what you mean
7 by uniqueness. And it's, from a loss ratio
8 perspective, about 41 percent higher than the next
9 closest year.

10 MR. RAYMOND OAKES: And just
11 continuing on that same theme, if you look at the
12 years 2011 and 2012, it's some three (3) times the
13 losses compared to those years.

14 Is that correct, sir?

15 MR. LUKE JOHNSTON: Just give me one
16 (1) moment here. So the -- from a loss-ratio
17 perspective, you're -- you're right. You can see on
18 the far -- and do we have premium? Yes. The premium
19 adequacy has changed through time, too. So if you go
20 four (4) columns in and then you see total.

21 Actually, let's go to actual premium,
22 which is almost near the end. The -- the adequacy of
23 premiums has changed over time. So the loss ratio is
24 relative to premium, of course.

25 So to your question, yes, it's three

1 (3) times the loss ratio. In terms of the actual
2 losses, 2013, for example, has 12 million and 2006 has
3 13 million. So we've just got to be careful when
4 we're comparing relative to premium because we had 4
5 million or so less premium back in those days, too.

6 MR. RAYMOND OAKES: I appreciate that
7 qualification. With respect to -- again, staying with
8 the actual loss ratio, we haven't had a year like that
9 again since 2006.

10 Is that correct?

11 MR. LUKE JOHNSTON: We -- we haven't,
12 and I hope we don't. But that doesn't mean it -- it
13 can't happen. In this case, it did happen, so there's
14 something in the last ten (10) years that does, as you
15 said, appear relatively unique. But that's why we
16 take a day over ten (10) years.

17 As -- as you -- you're probably going
18 to note that you've had results in the opposite
19 direction, too, where you're, you know, in the 40
20 percent loss ratio. So not denying at all the swings,
21 and these results are enormous and, in my opinion, all
22 the more reason to use a longer smoothing period.

23 MR. RAYMOND OAKES: I'm going to ask
24 you to move, as Diana will, to CMMG-2-10. And these
25 questions are the appropriateness of ten (10) year old

1 data in the face of program changes.

2 And in 2000 -- in CMMG-2-10, the
3 Corporation lists which assumptions and factors for
4 motorcycles have changed over the last decade. And
5 I'd direct your attention to the second bullet of the
6 answer.

7 And in 2007 GRA, the -- oh, I'm -- I'm
8 sorry. It's the third bullet. 2007 GRA, the
9 allocation of PIPPs claims costs mention that there
10 was also a similar change in 2008. But the 2007 GRA
11 was a radical departure in the methodology
12 incorporating a type of loss transfer.

13 Is that correct, Mr. Johnston?

14 MR. LUKE JOHNSTON: Absolutely. There
15 was -- as you're -- as you're aware, motorcycles often
16 -- in a motorcycle/car collision motorcycles typically
17 get the larger injury. If -- if the -- the car owner
18 might not be injured at all. So to allocate those
19 costs equal -- equally between the two (2) parties
20 would benefit motorcycles, and it did have a
21 significant benefit. I can't recall the exact
22 percentage, but my mind is thinking 25/30 percent type
23 benefit.

24 MR. RAYMOND OAKES: Well, as -- as
25 usual your mind is -- is quite accurate, sir. I'd ask

1 you if you'd just read the last sentence of that
2 response on the following page in the 2007 GRA per
3 Volume II TI.2, and MPI-1-16. Perhaps you could just
4 state the -- the answer there and the impact of that
5 change.

6 MR. LUKE JOHNSTON: Yes, I can. It's
7 good -- good to see that my guesstimates are close.
8 So the -- quoting the last sentence:

9 "In the 2007 GRA per Volume II TI.2
10 and CMMG/MPI-1-16, the impact of this
11 change for the motorcycle major class
12 is a decrease in the full credibility
13 required rate change of 24.9 percent,
14 or from 48.9 percent down to 24
15 percent, or approximately two hundred
16 and fifty-six dollars (\$256)."

17 MR. RAYMOND OAKES: And then similarly
18 there was another very fundamental change in the 2008
19 GRA in the allocation of collision claims costs. Do
20 you see that, sir?

21 MR. LUKE JOHNSTON: Yes, I do.

22 MR. RAYMOND OAKES: Okay. And that
23 resulted in a decrease in the full credibility
24 required range of some 3.5 percent. Is that correct?

25 MR. LUKE JOHNSTON: That's correct.

1 And of course it's smaller because the physical damage
2 is a smaller portion of motorcycle costs.

3 MR. RAYMOND OAKES: Okay. And then
4 again in 2012 we had another change on the allocation
5 of PIPP's claims cost which related to wildlife and
6 livestock that we had advocated for, and that change
7 resulted in another 4 percent decrease in the full
8 credibility required change. Is that correct, sir?

9 MR. LUKE JOHNSTON: That's correct.

10 MR. RAYMOND OAKES: Okay. I wonder if
11 I could at this juncture refer you to one of the
12 exhibits, being the actuarial standard of practice,
13 and we'll look at the second last one -- and this is
14 change in circumstances and it's halfway down the
15 page, point zero five (.05).

16 "The actuary should consider that the
17 subject experience, related
18 experience, and future cashflows may
19 be effected by changes in
20 circumstances that may affect
21 expected claims costs, expense costs,
22 and provisions for profit."

23 Would you agree with me that this
24 standard of practice, and potentially other standards
25 of practice that we'll discuss in a few minutes,

1 require that you look at the changes in the insurance
2 environment when you're looking to perform your
3 calculations?

4 MR. LUKE JOHNSTON: Yes. Yeah,
5 absolutely. And -- and per some of the references we
6 just went through, for example loss transfer with
7 approximately 25 percent decrease, that decrease was
8 essentially just restating all the historical
9 experience to reflect the Board's decision on loss
10 transfers.

11 So that would be an example of -- we
12 have a decision, and now we have to go and restate the
13 history for the new reality for -- for motorcycles.
14 So we're -- we're always attempting to do that in --
15 in rate setting. The -- when there's a specific
16 change to how we rate, like loss transfer, that's more
17 obvious how you make the adjustment. When you're
18 talking trends and -- and other things in the
19 industry, that's more judgmental for sure.

20 MR. RAYMOND OAKES: So just following
21 on that, if you have data from a period that pre --
22 preceded a change in methodology or a different
23 landscape, a different environment, should not that
24 data either be excluded or given less weight in moving
25 forward?

1 MR. LUKE JOHNSTON: Our -- our
2 approach, part -- particularly in the loss transfer,
3 is literally just convert all the data to what it
4 would have been under the -- the revised order. So
5 that -- and that's what was done for -- for all
6 classes, motorcycles included, which is the reason for
7 the big 25 percent impacts. And there's the several
8 other you mentioned, not quite as large.

9 MR. RAYMOND OAKES: Okay. I'm going
10 to also ask you to look at page 1730.03, down at the
11 bottom where it says, "Past experience data." And it
12 indicates in point 11:

13 "Other things being the same,
14 pertinent past experience data are
15 data relating to the case itself
16 rather than to similar cases;
17 relating to the recent past rather
18 than the distant past; that are
19 homogenous rather than heterogenous."

20 I don't know if that goes back to the
21 description of fellows being both male and female.
22 I'm not sure. "That are statistically credible."

23 So would you agree with me that more
24 weight should be placed on data relating to the recent
25 past and -- rather than the distant past, and that's

1 con -- more consistent with your own actuarial
2 standards of practice?

3 MR. LUKE JOHNSTON: In -- in a general
4 sense, when you have more recent information you
5 typically give more weight to that inf -- information.
6 The other -- the other piece of this is this
7 statistically credible line, right? So we're -- what
8 we're trying to do is find a balance here between
9 credi -- you know, putting out a credible estimate.
10 And so we're looking at a decade-long experience.
11 We're having years where maybe we don't even have a
12 serious loss at all. And then, you -- another year
13 maybe we have five (5) or six (6) of them.

14 So what's the -- what's the true
15 expected number of that, right? So if -- if you use
16 only three (3) years of data and you don't have any
17 serious losses in those years, you might all of a
18 sudden throw out a -- a huge rate decrease for
19 motorcycles. And then the next three (3) years all --
20 you have serious losses again. Then right back up the
21 other way, right?

22 So for most classes, specifically when
23 we're talking about collision, absolutely the recent
24 history is given all the weight. We might use only
25 two (2) or three (3) years of data on larger classes.

1 But for something like serious losses, where the
2 credibility is very low, we take a longer term average
3 to -- to get a -- what we believe a more consistent,
4 reliable estimate.

5 MR. RAYMOND OAKES: And you've given
6 examples where you have wide variability, and you have
7 these serious losses, and large losses occurring, in
8 your example, every two (2) or three (3) years.

9 That's not consistent with the
10 experience that MPI has had with motorcyclists, as
11 evidenced by CMMG-1-1, is it, sir?

12

13

14 (BRIEF PAUSE)

15

16 MR. LUKE JOHNSTON: I'm not -- I'm not
17 sure I -- I agree. I can't -- I -- I don't have --
18 they can put the table back up there, if -- if you
19 like. I'm sure there are stretches of time where the
20 experience would have -- over two (2) or three (3)
21 years would have been pretty poor. So obviously
22 anything including that 150 percent loss ratio would -
23 - wouldn't have been something you'd want in your
24 three (3) year average.

25 But more recent years maybe you do,

1 right? So you had a couple -- 40 something percent
2 loss ratios in there. I could see why, as a
3 motorcycle owner, you'd sure, like to use the last
4 three (3) or four (4) years average. That looks
5 pretty good and -- you know. But it's pretty clear in
6 here that there is potential for serious losses. We
7 had it at the 109 percent just a few years ago. So we
8 need something in the rate for that -- for that risk.
9 What we're saying is, you know, if -- if we look over
10 a ten (10) year period that we think that's a
11 reasonable amount to try to incorporate that risk
12 expectation in the rate.

13 MR. RAYMOND OAKES: Well, le -- let's
14 move to a very closely related topic, and that's the
15 topic of trends. And keeping in mind if -- if we can
16 look at CMMG-1-1 that's up on -- in front of us, and
17 look at the experience after 2011 to date. And now if
18 we can move to CMMG-1-13, and I'd ask you to read the
19 last sentence in that response, please, sir.

20 MR. LUKE JOHNSTON: The last -- the
21 last sentence in the second paragraph?

22 MR. RAYMOND OAKES: Yes.

23 MR. LUKE JOHNSTON: Okay.

24 MR. RAYMOND OAKES: Please.

25 MR. LUKE JOHNSTON:

1 "The recent -- [quote] the recent
2 trend of decreases in required rate
3 suggests that the loss experience for
4 the motorcycle major class is
5 improving."

6 End quote. And that's true, as you've
7 seen on the -- on the previous chart. And that's just
8 -- we're just -- a factual statement, yeah.

9 MR. RAYMOND OAKES: All right. And I
10 just want to ask you to recall when we looked at Pre-
11 ask 8 you also saw that that seemed to be a national
12 trend to decreases in the provinces that were reported
13 on by IAO?

14 MR. LUKE JOHNSTON: I can't confirm
15 that, but it does appear that way from the -- from
16 what you've presented.

17 MR. RAYMOND OAKES: Would you agree
18 with me based on the actual standards of practice that
19 we talked about, that the Corporation should use years
20 of data which are representative of the current trend?

21 MR. LUKE JOHNSTON: Yes, so regardless
22 of what has happened in -- in history, we are trying
23 to project a trend that reflects what we actually
24 think the trend is going to be. So pulling up to
25 maybe a -- a different -- like motorcycles are hard,

1 because the data is so variable. So what -- you know,
2 what's the trend on this really significant up and
3 down experience that we're getting.

4 If you look at something like collision
5 losses for private passenger vehicles we had a fairly
6 long-term trend of 3 percent for a long time and then
7 over the last five (5) years it started spiking and we
8 had to modify that to increase it even though maybe
9 the -- you know, the twenty (20) year trend isn't
10 that.

11 So we try to react appropriately to it,
12 but motorcycles are -- are definitely the hardest
13 class to select a trend, because sometimes you're --
14 there's really no -- you're trying to -- you know, if
15 you looked at the history and you try to fit a line
16 through it there's no relationship almost at all. So
17 some judgment is definitely required there.

18 MR. RAYMOND OAKES: Mr. Johnston,
19 since 2011 you -- the Corporation hasn't had an up and
20 down experience with respect to motorcycle losses.

21 Isn't that in fact the case?

22 MR. LUKE JOHNSTON: If you don't mind
23 flipping back to CMMG-1-1, 2011, so we've been as low
24 as forty-four (44) and as high as ninety-eight (98).
25 So that's -- that's a pretty big swing. Right, so

1 you're saying -- this is just losses. This isn't --
2 normally if you just look at a pure loss basis we'd be
3 in maybe the 75 to 80 percent and then we'd add our
4 claims expense piece to that, and then our operating
5 expense.

6 So the claims expenses would bring us
7 to 85/90 percent of premium and then you'd have to add
8 the operating premium taxes, all that stuff to it. So
9 if you look at these results you're talking about one
10 (1) year we collected only 44 percent of essentially
11 what we needed and then the next year was one hundred
12 (100) of it, so we didn't -- lost money essentially.

13 So that's -- that's still extremely
14 variable relative to any other class we're talking
15 about, yeah.

16 MR. RAYMOND OAKES: Just on that last
17 example, out of the four (4) last years shown, three
18 (3) out of the four (4) had generous premium
19 sufficiency. Isn't that correct?

20 MR. LUKE JOHNSTON: At this point in
21 time that's true. And you can track -- it's not that
22 the Corporation doesn't respond to this, like you've
23 seen the rate decreases. I think we're over a five
24 (5) year stretch at a 30 percent decline for
25 motorcycle major class.

1 So it's not that we're not responding
2 to -- to the favourable experience. We just -- we
3 have to be cautious and the -- again, the methodology
4 that -- that we use recognizes the experience. It
5 just does it in a nature that -- that stabilizes rates
6 as much as you can for this class.

7 MR. RAYMOND OAKES: Mr. Johnston, my
8 constituent members wouldn't have described that last
9 four (4) years shown there as generous premium
10 sufficiency. What they would say is that the
11 Corporation in those years was making a lot of money
12 off the motorcyclists with respect to their losses.

13 Do you agree or disagree with their
14 characterization of that?

15 MR. LUKE JOHNSTON: There's no
16 disagreement what the loss ratio is, but that's --
17 it's the nature of insurance, right? Like you buy
18 insurance for all types of things.

19 Some -- let's say if you buy insurance
20 for your house and there's no flood for fifty (50)
21 years and then you have one, in insurance, there's a -
22 - if we go down to the individual motorcycle level, a
23 lot of motorcyclists will never have an injury claim.

24 Great. Great. But we're estimating
25 the risks for the pool, and we have to come up with a

1 reasonable estimate of the costs for the pool, and
2 that everyone in that pool has to support those costs
3 through premiums.

4 Motorcycles were going to be wrong
5 every single time. Like -- like there's -- these
6 numbers are all over the place, and that'll never
7 change just because of the nature of their claims.

8 So there's not much we can do about
9 that. That's how insurance works. Some years you'll
10 collect more than you need, and other years you won't.
11 Our -- our goal's here to be correct on average.

12 MR. RAYMOND OAKES: Moving to a...

13

14 (BRIEF PAUSE)

15

16 MR. RAYMOND OAKES: I'll continue with
17 the question. Moving to a related issue, the
18 Corporation has made some changes responding to this
19 positive trend in motorcycle losses because you've
20 train -- changed the peer premium selected trend.

21 Can you speak about that, sir?

22 MR. LUKE JOHNSTON: There's different
23 trends for all the -- the different coverages that --
24 that we -- that we rate. I'm trying to recall what
25 was selected for -- for motorcycles. But I --

1 specifically on physical damage, I -- I believe we
2 selected no trend at all. And I would assume the PIPP
3 trends are also fairly close to zero.

4 MR. RAYMOND OAKES: I'll be able to
5 give you a reference shortly, but I'm suggesting that
6 one (1) of the changes made as being to change the
7 peer premium selected trend down to zero.

8 Are you familiar with that, sir?

9 MR. LUKE JOHNSTON: That's my
10 recollection, yeah.

11 MR. RAYMOND OAKES: Okay. And if I
12 could refer you to Pre-Ask 8 again, and down in the --
13 the paragraph number 2, peer premium trend factor
14 selection, this vice president and managing actuary,
15 Mr. Xu, X-U, indicates that:

16 "In other provinces, we did see
17 negative trend factors selected,
18 especially for certain coverages."

19 And the Pre-Ask that we gave the
20 Corporation asks whether -- what the indicated trend
21 factors are and whether they are below zero at certain
22 degrees.

23 Can you respond to that at all, sir?

24 MR. LUKE JOHNSTON: Yes. They seem to
25 just be implying that other jurisdictions actually

1 have seen negative trends, and to ask the Corporation
2 if -- if we're also having that experience.

3 I believe we do have a negative trend
4 on the physical damage side, which we capped at zero.
5 But we'll continue -- like I say, we'll look at the
6 trends going forward.

7 As I said, the -- the injury trend is
8 very hard to select because of the variability. We
9 have had generally -- we capped our trends to not be
10 negative. But your point's taken here in regards to
11 motorcycles. If there's evidence of a negative trend,
12 that might be something that we could consider in
13 future rating.

14 MR. RAYMOND OAKES: Okay. And I
15 promised you a reference, Mr. Johnston. The reference
16 is at CMMG-2-10 in the last bullet of that response.
17 And in -- for this year's rate application, it
18 indicated -- if we can just -- yeah. It can stay
19 exactly there. That's perfect, Diana.

20 And on this particular GRA, the
21 Corporation has changed the selected peer pre -- peer
22 premium trend for collision from 3.5 percent to zero.
23 You recall that, sir? You're certainly involved in
24 that?

25 MR. LUKE JOHNSTON: Yes. And this --

1 this is a good example of -- for some coverages are
2 really -- especially when groups like motorcycles or
3 other classes have not a lot of experience, we might
4 select an overall trend. So weekly indemnity, you
5 know, seems -- seems to be growing at 1 percent a
6 year. If we just looked at motorcycles for that, it
7 would be really hard to select a trend because it's so
8 -- so variable, and very few claimants.

9 In this case, motorcycles have a
10 collision trend that is lower than the rest of the
11 fleet. And given the stability of collision coverage,
12 we thought it was hard to -- to support using an
13 overall trend, so a zero percent was selected for
14 motorcycles.

15 MR. RAYMOND OAKES: And I think you
16 indicated, Mr. Johnston, that consistent with a
17 declining experience, if the numbers come in for this
18 last riding season which are consistent with the year
19 since 2011, the Corporation will then look at perhaps
20 using a negative value for a selected trend on the
21 bodily injury side as well. Is that correct?

22 MR. LUKE JOHNSTON: Well, we'll --
23 we'll always review our trend factors and make what we
24 believe is the most appropriate selection. For this
25 particular example, if collisions for motorcycles are

1 declining at such a rate that a negative trend is
2 indicated, that's something that -- that we can
3 consider in future GRAs for sure.

4 MR. RAYMOND OAKES: And so I'm going
5 to leave that actuarial issue, and talk a little bit
6 about indicated rate change versus experience rate
7 change as been discussed as -- somewhat at this
8 hearing, not in the motorcycle context. And the
9 reference is CMMG-1-3(b), if we might.

10

11 (BRIEF PAUSE)

12

13 MR. RAYMOND OAKES: And, Mr. Palmer --
14 I'm sorry. Now -- now Mr. Williams has got me doing
15 it. Mr. Johnston, the purpose for this experience
16 rate change is a type of rate capping utilized by the
17 Corporation to limit rate shock.

18 Is -- do I have that correct?

19 MR. LUKE JOHNSTON: Yeah. We -- we
20 went into that a little bit with Mr. Williams, and up
21 or down there's -- there's rules in place to -- to cap
22 the experience-based changes, and then there's other
23 rules in our rate model that -- so in the example
24 here, some rates are synchronized to equal. Other
25 times there's such examples where pleasure rate can't

1 be higher than the all purpose rate. Those are a few
2 -- a few examples.

3 MR. RAYMOND OAKES: All right. But
4 instead of limiting rate shock in this case, the
5 actual effect of this methodology is to take an 8 --
6 8.2 percent decrease that's due to the motorcycles,
7 and result in the class only getting a 7.6 percent
8 decrease.

9 Is that correct, sir?

10 MR. LUKE JOHNSTON: That's true. And
11 it -- it happens on either end of the spectrum.
12 Motorcycles happen to be in a rate decrease
13 environment, so they're more likely to hit the caps on
14 the decrease side just as -- as they were more likely
15 to hit the caps when they're on the upper side when
16 they were increasing.

17 The -- the rules are in place to -- for
18 -- for several reasons. The rate shock but also the
19 credibility issues, rate stability issues, et cetera.
20 So that -- those apply to all -- all classes, and --
21 for decreases and increases, so I wouldn't suggest
22 changing them just because you have in this particular
23 year a few examples where the rate decrease could be a
24 bit larger.

25 And -- and remember you're talking

1 about if -- if a customer is getting capped from
2 experience-based adjustment rules, they are -- they
3 are likely getting a 15 percent rate decrease. So
4 it's -- what you're saying is, Well, why -- why don't
5 we get -- let them have the 16 or the 17 percent rate
6 decrease. And I -- I get your point. But these --
7 the rules are -- that we have are particularly in
8 place for that reason, to keep that contained from up
9 or down rate shock.

10 MR. RAYMOND OAKES: And to -- just
11 dealing with your response, going to deal with your
12 statement that we're dealing with a -- a few insured
13 receiving that experience. If we can go to CMMG-2-5.

14 And I'd ask you, after your review of
15 the Corporation's answer to our Interrogatory 2-5, the
16 result is that a full one-third (1/3) of motorcyclists
17 don't get the full rate decrease to which they'd
18 otherwise be entitled. And I'm saying the third is
19 based on four thousand two hundred and fifty-six
20 (4,256) units out of fourteen thousand eight hundred
21 and twenty-five (14,825) units.

22 Do you agree with that, sir?

23 MR. LUKE JOHNSTON: That's -- that's a
24 little bigger than I recall. But -- so if you look at
25 the first bullet, anyone getting a rate decrease over

1 10 percent has some form of capping occurring. So
2 when your rate -- overall rate decrease is over 8
3 percent already, it's not over -- it's not too
4 surprising that a pretty big chunk of those customers
5 are falling in that 10 to 15 percent capping range. So
6 that -- that make -- makes sense if you think of just
7 a normal distribution around the -- around the rate
8 change. And -- and again, it -- the same thing
9 happened when motorcycle rates were increasing. And
10 the same thing happens for every other class.

11 MR. RAYMOND OAKES: And just to put it
12 in -- in more context in terms of MPI's treatment, I'd
13 ask you to take a look at CMMG-1-3, if you would. And
14 we're going to look at the years -- the first three
15 (3) years on the -- that particular table, and the
16 answer. In 2004/'05 the Corporation had no qualms or
17 problems about coming to motorcycles for a 19.93
18 percent increase.

19 Is that correct, sir?

20 MR. LUKE JOHNSTON: I'm not sure if
21 all the same capping rules were in place in 2004/'05,
22 but I -- I see that, yes, the increase sought was
23 nineteen point nine-three (19.93). And the approved
24 increase was fourteen point eight-two (14.82). And --
25 and that would appear to utilize the experience based

1 capping that we just talked about on -- on the rate
2 increase side.

3 MR. RAYMOND OAKES: And similarly
4 2005/'06, the Corporation had no trouble asking the
5 motorcyclists of Manitoba to pay a 15.01 percent
6 increase?

7 MR. LUKE JOHNSTON: I don't know if
8 the words 'no trouble', like, we just -- I -- you
9 know, I -- I don't have a particular feeling to the
10 motorcycles. I just calculate the -- the rates on
11 what I think is the most accurate estimate at the
12 time. And we have -- we got a indicated result. So I
13 -- I don't want a 15 percent rate increase for the
14 motorcyclists any more than they do. That happened to
15 the -- be the result in that -- in that year.

16 MR. RAYMOND OAKES: Well, Mr.
17 Johnston, my constituents put this particular dilemma,
18 the two (2) examples we've just looked at, the
19 Corporation limiting their decreases due to rate
20 capping and the previous experience as a staircase.
21 And in their view of this it's a different staircase
22 whether MPI is looking for increases versus a
23 staircase in which the motorcyclists are entitled to
24 decrease.

25 Do you understand the -- their

1 frustration based on the examples we've just looked
2 at?

3 MR. LUKE JOHNSTON: I -- I absolutely
4 understand the -- the frustration of getting double
5 digit rate increases. That's very understandable.
6 That said, the -- the rules are the same up or down in
7 terms of how we cap larger rate increases or
8 decreases. So we're really not doing -- the capping
9 rules aren't any different. So from that perspective
10 I don't see what the concern is in terms of what --
11 what we're doing from an actuarial basis.

12 I absolutely recognize the -- the
13 difficulty of -- of receiving large rate increases,
14 but you can see that -- if you look at the rate
15 requirement the -- the reality of the rate cha --
16 changes weren't exactly as large as -- as proposed, so
17 motorcycles did make changes in -- in the types of
18 bikes that they -- they purchased in their experience,
19 in their use of all-purpose and pleasure, which as you
20 can see kept the rate requirement actually hovering at
21 about eleven hundred dollars (\$1,100) for a lot of
22 years.

23 So they -- they very much -- I don't
24 know if the right word is 'adapted' or -- or 'revised'
25 their behaviour and -- and registration behaviour to

1 contain that rate somewhat. And so you can see that
2 if -- if MPI is expecting to get a 15 percent more
3 revenue but the rate stays the same that we might need
4 to come back and say, Oh, well, we still need the
5 revenue.

6 So that's great that everybody kind of
7 moved to pleasure, or changed, you know, maybe there's
8 less sport bikes or whatever. But for a while there
9 we were still needing to collect about eleven hundred
10 dollars (\$1,100). And then it's in recent years you
11 can see it's fallen quite a bit.

12 But again, I'll -- some of that's
13 because there's more mopeds, but -- but it is falling
14 for motorcycles as well.

15 MR. RAYMOND OAKES: Mr. Johnston, I'm
16 going to thank you for your testimony this morning.
17 I'm moving to the issue of road safety. And if I --

18 MR. REGIS GOSSELIN: Mr. Oakes, before
19 you go there, do you mind if --

20 MR. RAYMOND OAKES: Sure.

21 MR. REGIS GOSSELIN: -- I ask a few
22 questions? Could you go back to the first exhibit for
23 CMMG. Now, one (1) thing that's rather obvious here
24 is, you know, the written premiums and the claims
25 expenses. I mean, you all -- MPI's a target of 85

1 percent return to insurance policy holders and we're
2 clearly not at 85 percent here, we're at 81 percent.

3 And so while you -- you don't appear to
4 be changing your opinion about the actuarial indicated
5 rates, there is a policy that MPI is in place for 85
6 percent of -- and I -- could you give me your
7 perspective on that, please?

8 MR. LUKE JOHNSTON: Yes, well, I -- I
9 spoke briefly on it. So the claims that you're seeing
10 here are just direct claims to -- like to the
11 claimant, so the income replacement. When MPI
12 measures its return of eighty-five (65) cents on the
13 dollar, we also include our claims expenses in that
14 calculation. And those are -- those would be added to
15 this number as well, so those aren't in here.

16 My recollection is that those are in --
17 in about the 15 percent of premium range. So if -- if
18 you included those then that would bring it up to
19 about ninety (90). And that would meet the
20 objectives, from our perspective, yeah.

21 And then the other piece I talked about
22 was, of course, the -- there's some -- expenses that -
23 - like 3 percent premium tax, well, that -- that is
24 what it is, but. So this, in terms of direct losses
25 in the last -- the column -- the relevant column is

1 the 81 percent when you include all the pooling, the -
2 - the loss transfer pooling. With claims expenses
3 that would be over 90 percent for sure, yeah.

4 MR. REGIS GOSSELIN: The -- the ten
5 (10) year averaging methodology was -- was introduced
6 at what point?

7 MR. LUKE JOHNSTON: I'd -- I'd have to
8 -- I can look that up for you if -- if you'd like?

9 MR. REGIS GOSSELIN: But perhaps you
10 can give us the context for that -- for that decision,
11 why that was instituted and what was -- what existed -
12 - prevailed before then?

13 MR. LUKE JOHNSTON: We're trying to
14 find the year that -- when it was first implemented,
15 but really, the -- the PIPP program is -- is very
16 unique in terms of the -- the fact that we're -- we're
17 paying claimants for life. We don't just settle and
18 get an absolute final result in -- in -- through a
19 tort process.

20 So we moved to -- for all classes to --
21 to at least look over a decent enough period that you
22 get a -- you know, a reasonable average because --
23 because some groups of insureds might only have a few
24 serious losses like, you know, every three (3) or five
25 (5) years, right?

1 So what do you do if they have none?
2 Like are -- you know there's -- that risk is there.
3 They could -- anyone could have a PIPP -- serious PIPP
4 claim at any time. So how do you get the rate
5 sufficient for the risk?

6 So we picked ten (10) years so we hope
7 we'll at least get a decent picture of that average.
8 That's the context I -- I have of it, but you could go
9 longer for sure, too. Like you could look way back.

10 But Mr. Oakes is -- is right. Like you
11 start going back to 1995 and it's like, Well, what
12 relevance does that have to today's, you know,
13 drivers? And then you've just got to pick something,
14 though.

15 MR. REGIS GOSSELIN: The reverse of
16 that argument, I think, that Mr. Oakes was making was
17 that there had been a number of changes that have
18 relieved the -- the burden, as it were, of -- of
19 exposure for MPI. And, you know, why aren't you going
20 to five (5) year average as opposed to ten (10) year
21 or eight (8) years or something like that?

22 MR. LUKE JOHNSTON: So yeah. And --
23 and absolutely correct, the lists that he went
24 through. In all our loss experience, we restate it to
25 reflect loss -- for example, loss transfer, even

1 though it wasn't in place in 2005.

2 We -- when -- as soon as that decision
3 was passed, we had to go into our data warehouse and
4 create a whole new claims system purely on loss
5 transfer rules. And all historical data was restated
6 to reflect the new rate-making approach. So -- so for
7 that part of your question, it has already been
8 restated.

9 To other -- the things that I see as
10 more relevant is -- is how motorcycles themselves have
11 changed their risk characteristics. So we have less
12 motorbikes than we had ten (10) years ago. That's a
13 legitimate change in exposure, and that's something
14 we've got to look at.

15 And to the extent that they've changed
16 the type of bikes that they have and -- or -- or the
17 DSR level of people, that changes through time. So
18 that's something that we -- we should watch. But all
19 -- all the Board decisions are reflected in the data.

20 MR. REGIS GOSSELIN: Now, if -- if
21 this Board was to say, We -- we would prefer to go to
22 five (5) years, you know, because we believe that --
23 you know, we -- we hear what Mr. Oakes is saying. You
24 know, we've been overpaying for eight (8), nine (9)
25 years, and we say, No, we agree with Mr. Oakes's

1 position. We're going to take it over five (5) years.

2 What would be the consequences of that?

3 MR. LUKE JOHNSTON: Yeah. Well,
4 there's -- the first question I'd ask is: Is this
5 just for motorcyclists? Because everybody's serious
6 losses are averaged over a decade.

7 So to me, it wouldn't make sense to
8 take the most variable class and use a shorter time
9 frame than everybody else. So I would assume that
10 that would apply to everyone, and we'd have to
11 recalculate the rates for everyone.

12 In the -- on a going-forward basis, I -
13 - I would assume that rate variability would increase
14 because you're using shorter-term averages of serious
15 claims which are going to be more subject to
16 fluctuations and -- and results.

17 So that -- that's kind of the two (2)
18 out -- outcomes I see. It would -- motorcycles on
19 their -- on their own, Mr. Oakes provided a good
20 example there where we just took out the big year. I
21 think that -- that's not the five (5) year average,
22 but it gives you a little bit of a sense of what it
23 might look like.

24 And that made the decrease twelve (12)
25 I think point seven (.7) percent relatively instead of

1 eight (8). So it gave an extra 4 percent decrease.
2 So that -- if we used a five (5) year average, it'd
3 probably be in the same ballpark.

4

5 (BRIEF PAUSE)

6

7 MS. ANITA NEVILLE: Mr. Johnston, how
8 do you identify the trend factors? And are they
9 constant over the years?

10 MR. LUKE JOHNSTON: So there's --
11 there's lots of different trend factors we use. The
12 first trends we look at are overall, so all claims in
13 the different coverage categories. So a more --
14 usually a more stable trend would be collision because
15 you just -- claims happen, you pay them out, there's
16 no uncertainty about what's going to happen with a
17 claim ten (10) years from now.

18 So our approach is generally look
19 through the history. We might fit -- fit a curve
20 through it. We have our claims forecasting committee
21 that will come in and say, Here's things that you need
22 to concern yourself about in the future. So maybe
23 we're negotiating a new labour contract, or parts
24 contract that if we know about it we should -- we
25 should put it in the trend and that might change it

1 from -- from history.

2 But for the most part, we really rely
3 on historical experience. So PIPP is a good example.
4 We're looking at -- when we're setting rates we're
5 looking at per vehicle cost, so PIPP per vehicle has
6 been relatively flat for a decade or so now. So if
7 you look in our Rate Application, our trend rate is
8 below 1 percent usually. Like zero point seven five
9 (0.75) for income replacement, I think it is, for --
10 for example.

11 So that's an example. And that's tied
12 pretty much to -- to history. Collision would be as
13 well, but there's some other -- as I mentioned other
14 factors that can go into that that may increase it or
15 decrease it.

16 Is that helpful then?

17 MS. ANITA NEVILLE: I'm not sure, but
18 thank you.

19 MR. LUKE JOHNSTON: Yeah.

20

21 CONTINUED BY MR. RAYMOND OAKES:

22 MR. RAYMOND OAKES: Thank you. I do
23 have some questions coming out of comments by the
24 Board.

25 Mr. Johnston, when you spoke about the

1 use of ten (10) year data for private passenger and
2 for motorcyclists, you were speaking about -- for
3 serious loss accident benefits.

4 Isn't that correct?

5 MR. LUKE JOHNSTON: What I was
6 referencing is that all -- all classes will use ten
7 (10) years for serious losses. Motorcycles also use
8 ten (10) years for other PIPP losses, as well. So
9 that -- that is a unique feature to motorcycles.

10 MR. RAYMOND OAKES: And just to
11 describe how the Corporation has developed in its use
12 of five (5) or ten (10) year data, somewhere around
13 the year 2000 the Corporation moved from five (5)
14 years of data for serious losses for motorcyclists to
15 ten (10) years.

16 Does that account -- does that ring
17 true to you?

18 MR. LUKE JOHNSTON: I don't recall,
19 but subject to check that -- that -- I'll accept that.

20 MR. RAYMOND OAKES: Okay. And then as
21 evidenced by CMMG-2-10, in the 2012 GRA the
22 Corporation moved to a ten (10) year weighted average
23 -- equally weighted average from five (5) years for
24 non-serious motorcycle losses.

25 Is that correct?

1 MR. LUKE JOHNSTON: Yes, per -- per
2 your reference. I can't -- unfortunately we don't
3 have the impact of that in -- in your answer. I -- I
4 can't recall if it was a positive or negative impact
5 to rates.

6 MR. RAYMOND OAKES: Okay. And do you
7 use ten (10) years weighted average for non-serious
8 accident benefits for private passenger?

9 MR. LUKE JOHNSTON: No, we don't. And
10 again that's specific to motorcycles. Some -- my --
11 my earlier comments referenced that PIPP losses for
12 motorcycles, about half of them typically are for
13 serious losses, so that means the other half are for
14 non-serious losses.

15 So given the -- both of those
16 categories have fairly low utilization and
17 variability, so we thought it would be appropriate to
18 -- from a rate stability perspective to average the
19 non-serious for motorcycles over a ten (10) year
20 period.

21 MR. RAYMOND OAKES: And with respect
22 to the change that we just spoke about in 2012, again
23 my constituents, they ascribe a somewhat malevolent
24 purpose to that change which I don't share, but it
25 seems that in 2012, by then after the five (5) year

1 period having expired after the massive losses in
2 2006, that prompted the change to get that one (1)
3 year or bad year back into the calculations.

4 Can you confirm or deny that, sir?

5 MR. LUKE JOHNSTON: I can deny all --
6 that our rationale was all the stuff that you just
7 said. But we -- we could -- this is something -- and
8 I -- I don't believe you've asked an IR on this topic.
9 This is something that we could look into and -- and
10 assess what the impact of that would -- would be.

11 So we -- what we'll do is we'll
12 calculate what the rate requirement would be if -- for
13 non-serious losses we used a five (5) year instead of
14 a -- a ten (10) year average, and -- and let you know
15 what the impact of that is.

16 MR. RAYMOND OAKES: I thank you, sir.
17 I take it that that's an undertaking then?

18 MR. LUKE JOHNSTON: Yes.

19

20 --- UNDERTAKING NO. 30: MPI to calculate what the
21 rate requirement would be
22 for non-serious losses
23 using a five (5) year
24 average versus a ten (10)
25 year average

1

2 MR. RAYMOND OAKES: Madam Chairperson,
3 the time is rapidly pointing towards high noon. I am
4 moving to road safety, if this is an appropriate time.

5

6 The other thing I'd mention is that the
7 Corporation was hopeful that it would have some Pre-
8 Ask answers after lunch. I don't know if that
9 justifies a slightly longer lunch to give them that
10 assistance, but I'll leave you with those comments.

11

12 (BRIEF PAUSE)

13

14 THE CHAIRPERSON: Ms. Kalinowsky...?

15 MS. KATHY KALINOWSKY: Yes, I believe
16 that we could get the Pre-Asks in by 1:15 this
17 afternoon, so we could resume at that time if that's
18 all right. And I do know that Mr. Guimond has a
19 response to an undertaking to Ms. Neville that he'd
20 like to put on the record now, too.

21 THE CHAIRPERSON: Okay. Thank you.
22 Mr. Guimond...?

23 MR. DAN GUIMOND: Thank you.
24 Regarding your question, Ms. Neville, currently
25 twenty-five (25) of the one hundred and sixty-six

1 (166) catastrophically injured claimants live in an
2 institution.

3

4 (BRIEF PAUSE)

5

6 MR. DAN GUIMOND: And -- and some of
7 them are in vegetative states, the ones that are --
8 some of them that are -- that are in institutions.

9 MS. ANITA NEVILLE: Thank you.

10 THE CHAIRPERSON: And thank you, Mr.
11 Guimond. We'll now take a recess until 1:15. Thank
12 you.

13

14 --- Upon recessing at 11:54 a.m.

15 --- Upon resuming at 1:16 p.m.

16

17 THE CHAIRPERSON: Good after -- excuse
18 me. Good afternoon, everyone. We're going to
19 continue this afternoon's hearings with Mr. Oakes.

20 MR. RAYMOND OAKES: Madam Chair, I
21 think that, before we start, Ms. Kalinowsky is going
22 to provide us some information relative to CMMG
23 exhibits that are produced as Pre-Asks.

24 THE CHAIRPERSON: I'm sorry, Ms.
25 Kalinowsky.

1 MS. KATHY KALINOWSKY: We're just in
2 the process of still putting them together. Can we
3 maybe just have --

4 THE CHAIRPERSON: Yes.

5 MS. KATHY KALINOWSKY: -- maybe two
6 (2) or three (3) --

7 THE CHAIRPERSON: I'm sorry.

8 MS. KATHY KALINOWSKY: -- minutes
9 left, please.

10 THE CHAIRPERSON: I apologize. Yes,
11 please go ahead.

12

13 (BRIEF PAUSE)

14

15 THE CHAIRPERSON: Okay. We'll proceed
16 with the afternoon hearings, and I'll call upon Ms.
17 Kalinowsky to present the exhibits to be put in on the
18 record.

19 MS. KATHY KALINOWSKY: Thank you for
20 that additional time there. We have quite a number of
21 exhibits, and we're just collating them. I can go
22 through and indicate that I've spoken with the Board
23 secretary, and have these numbers established.

24 The document entitled, "Fixed Income
25 Asset Returns" should be marked as MPI Exhibit number

1 29.

2

3 --- EXHIBIT NO. MPI-29: Fixed Income Asset Returns
4 document

5

6 MS. KATHY KALINOWSKY: The next chart
7 -- the next chart entitled, "At-Fault Collision
8 Frequency by DSR Level" should be nark -- be marked as
9 MPI Exhibit number 30.

10

11 --- EXHIBIT NO. MPI-30: At-Fault Collision
12 Frequency by DSR Level
13 chart

14

15 MS. KATHY KALINOWSKY: CMMG Pre-Ask
16 number 2 is to be MPI Exhibit 31.

17

18 --- EXHIBIT NO. MPI-31: CMMG Pre-Ask 2

19

20 MS. KATHY KALINOWSKY: CMMG Pre-Ask
21 number 3, MPI Exhibit number 32.

22

23 --- EXHIBIT NO. MPI-32: CMMG Pre-Ask 3

24

25 MS. KATHY KALINOWSKY: CMMG Pre-Ask

1 number 5 should be MPI Exhibit number 33.

2

3 --- EXHIBIT NO. MPI-33: CMMG Pre-Ask 5

4

5 MS. KATHY KALINOWSKY: CMMG Pre-Ask

6 number 6 should be MPI Exhibit 34.

7

8 --- EXHIBIT NO. MPI-34: CMMG Pre-Ask 6

9

10 MS. KATHY KALINOWSKY: CMMG Pre-Ask

11 number 7 should be MPI Exhibit number 35.

12

13 --- EXHIBIT NO. MPI-35: CMMG Pre-Ask 7

14

15 MS. KATHY KALINOWSKY: CMMG Pre-Ask

16 number 8 is to be marked as MPI Exhibit number 36.

17 And Mr. Johnston will also be speaking to that.

18

19 --- EXHIBIT NO. MPI-36: CMMG Pre-Ask 8

20

21 MS. KATHY KALINOWSKY: Undertaking

22 number 5 should be marked at -- as MPI Exhibit number

23 37.

24

25 --- EXHIBIT NO. MPI-37: Response to Undertaking 5

1 MS. KATHY KALINOWSKY: Undertaking
2 number 19 should be marked as MPI Exhibit number 38.

3

4 --- EXHIBIT NO. MPI-38: Response to Undertaking 19

5

6 MS. KATHY KALINOWSKY: Undertaking
7 number 21 should be marked as MPI Exhibit number 39.

8

9 --- EXHIBIT NO. MPI-39: Response to Undertaking 21

10

11 MS. KATHY KALINOWSKY: And then
12 Undertaking number 21 addition should be marked as MPI
13 Exhibit number 40.

14

15 --- EXHIBIT NO. MPI-40: Response to Undertaking 21
16 addition

17

18 MS. KATHY KALINOWSKY: And I can also
19 say that -- state that Ms. Reichert will be speaking
20 to the first fixed income asset returns right now
21 followed by Mr. Johnston who will be speaking on that
22 one undertaking, and -- or, sorry, Pre-Ask and also
23 the at fault collision frequency by DSR level chart.

24 So I can hand it over to them now, if
25 that's all right.

1 THE CHAIRPERSON: Ms. Reichert,
2 please...?

3 MS. HEATHER REICHERT: Thank you. So
4 the -- the graph that is in front of you is reflecting
5 the fixed income asset returns that our bond manager
6 has achieved since February 1998 to August 2015. The
7 red line reflects what the benchmark for the -- for
8 our bond portfolio is and the blue line reflects what
9 we have been able to achieve above that benchmark.

10 So based on a hundred dollars invested
11 in MPI's portfolio from December 1997 to August 2015,
12 the benchmark would have had to have achieved 284
13 million and we have achieved 298 million. So that is
14 about a thirty (30) basis point increase over the
15 benchmark annually, which puts our bond manager in the
16 32nd percent -- percentile, meaning that he -- they
17 are outperforming 68 percent of their peer bond
18 managers.

19 So I -- I wanted to provide that to --
20 to show that despite the fact that we are heavily
21 weighted in provincial bonds, the yield that we've
22 been able to achieve has been quite substantial. I
23 also want just to -- to clarify, because I think the -
24 - the reference yesterday was that corporate bonds are
25 lower risk than provincial bonds. I think at one (1)

1 point that that might have been the -- the inferences.

2 They -- they aren't. Aon stated that
3 provincial bonds offer better downside protection than
4 corporate bonds, which is -- is true. And Aon also
5 stated that provincial bonds were more volatile
6 because they have a longer duration. But if you
7 actually compare a provincial bond and a corporate
8 bond of the same duration then that is not true.
9 Provincial bonds are not more volatile.

10 Aon mentioned that corporate bonds have
11 more spread risk than provincial bonds. That
12 reference if -- we don't need to go there, Diana, it's
13 okay, was on page 23 of the 2-50, Attachment C, which
14 means that even if the yield on the benchmark,
15 government of Canada bonds is unchanged, the yield on
16 the corporate bonds can change due to circumstances
17 that are unique to the actual corporation.

18 Finally, because of our minimum credit
19 rating that I mentioned yesterday, we are required to
20 -- to have a minimum credit rating limit, which is A-
21 low (phonetic). We are unable to purchase lower rated
22 corporate bonds, which was in fact the ones that Aon
23 was indicating had the better upside potential.

24 And just finally on that same document
25 on page 23 that I was referencing, universe or

1 corporate bond yields, this is what Aon has said:

2 "Yield spreads can widen considerable
3 in times of economic stress and that
4 would obviously cause the price of
5 the bonds to fall. Yield spread
6 volatility is on the upside of source
7 of risk and opportunity."

8 That's also what Aon says on that
9 document. Aon acknowledges that universe corporate
10 bonds have a low spread to provincials and that high-
11 quality corporate bonds have a negative spread to
12 provincials. So they have a -- a lower yield than the
13 provincial bonds do. So I just wanted to make sure
14 that that was clear.

15 It is a very -- like based on the
16 information from Aon, the -- the decision to make an
17 allocation to corporate bonds is -- is just not that
18 clear cut and that's why I've indicated that it is
19 something that we're committed to studying in further
20 detail and then making a determination if it makes
21 sense for us in -- in the environment in which we're
22 working in. Thank you.

23 THE CHAIRPERSON: Thank you, Ms.
24 Reichert. Mr. Johnston...?

25 MR. LUKE JOHNSTON: Yes, I have a few

1 items. Exhibit 30, I believe is the DSR. It's
2 graphs.

3

4 (BRIEF PAUSE)

5

6 MR. LUKE JOHNSTON: Unfortunately Mr.
7 Williams isn't here. I think he was most interested
8 in -- in this, but -- so these are the actuals in each
9 year of DSR. We needed the colour, obviously, to --
10 so you could -- could see it. As I spoke about, if
11 you look at the same chart again with the claims
12 frequency on the -- on the left, upper access and DSR
13 level, on the bottom access. The good drivers largely
14 have can -- have been consistent, right. The lines
15 are all on top of each other.

16 It's the demerit levels where we've
17 been seeing the improvements. And so on the far right
18 side the -- the lightest blue line at the top is the
19 first year of DSR. And if you follow those lines down
20 that's their -- their risk dropping in each year since
21 DSR has been in place. So that's a -- that's great
22 news.

23 For -- for information, the second
24 slide, or the second graph, we've also given -- given
25 the Board the minor conviction frequency, and the --

1 and the next one (1) is the major conviction
2 frequency.

3 So just to give you an idea of what the
4 risk looks like at these different levels. So the one
5 (1) we're on now, major conviction frequency, you can
6 see that virtually nobody has major convictions in the
7 upper levels. And it's all concentrated on -- on the
8 bottom. But even -- but that also is improving, which
9 is a great -- great sign, so.

10 Okay. I do have a couple of other
11 things. I'd like to just read in a couple motorcycle
12 related questions that we had. One (1) question was -
13 - hopefully I got it right. How long have we been
14 averaging serious losses for ten (10) years? And I
15 had my staff look into this, and the response was
16 we've always been averaging ten (10) years of serious
17 losses. The first year we had ten (10) years was 2005
18 GRA. Prior to that we used all the years of PIPP.
19 And since 2005, we've continued to use ten (10) years.

20

21 So our intent has been consistent.
22 Once we had ten (10) years of data, we -- we
23 maintained that. So that's just for serious losses.

24 On -- there's a little bit of a -- I
25 don't know what you'd call it, a -- Mr. Oakes said

1 that maybe we changed the non-serious averaging to
2 somehow, you know, do harm to the motorcycle rates or
3 something. He can correct that if -- if he wants, but
4 that's the implication I got. And that would never be
5 a reason. Like, we're never looking to do something
6 like that. But we -- we looked back in the year when
7 we changed motorcycles to be averaged over ten (10)
8 years for all PIPP, so not just serious. This is
9 where we did something different. And this is the
10 information I have.

11 For 2012 GRA we revised the averaging
12 of non-serious PIPP losses for the motorcycle major
13 class from using a five (5) year average to using a
14 ten (10) year average. This had a positive impact on
15 the major class rate indication at the time, as it
16 lowered the rate decrease by a further 4.2 percent in
17 that year. So the rate decrease ended up being 12
18 percent instead of 7.8 percent before we made that
19 change. So the change was actually favourable at the
20 time for motorcyclists.

21 For the current GRA if we use a five
22 (5) year average for non-serious PIPP, the indicated
23 rate decrease would change from negative eight point
24 two (8.2) to negative eight point one (8.1). So not
25 at all. And then as we previously discussed, if we

1 used a five (5) year average for serious PIPP losses
2 the indicated rate change would be negative eight
3 point one (8.1) to negative twelve point three (12.3).
4 But that would be different than everybody else, than
5 -- than what every -- every other class is doing. So
6 I personally don't see any issue at all with the --
7 with the ten (10) year averaging in this case.

8

9

(BRIEF PAUSE)

10

11 THE CHAIRPERSON: Okay. Thank you
12 very much, Mr. Johnston.

13

Mr. Oakes...?

14

15 CONTINUED BY MR. RAYMOND OAKES:

16

MR. RAYMOND OAKES: Thank you, Madam
17 Chair. I first will perhaps correct the record and on
18 review of the record I'm sure Mr. Johnston will note
19 that I said that I didn't adopt the view, but the view
20 may be held by the constituents that there was a
21 nefarious purpose, somewhat tongue in cheek.

22

So instead of the issue of road safety,
23 I'm going to move to the weighty issue of the RSR, if
24 I might. And I'm sure it's more fun than a hot tub
25 full of actuaries, but just if I can ask Diana to put

1 Undertaking 58 from last year's GRA, which is Exhibit
2 CMMG number 7.

3

4 (BRIEF PAUSE)

5

6 MR. RAYMOND OAKES: And I'd ask the
7 Corporation's witnesses, whoever they may be, to
8 confirm that, with respect to the PIPP years shown
9 there prior to 2006, the Board's range of the RSR was
10 50 to \$80 million. The Board might -- if the panel
11 might confirm that.

12 MR. LUKE JOHNSTON: Sorry, can -- can
13 you repeat that?

14 MR. RAYMOND OAKES: Yes. With respect
15 to the years shown, prior to 2006, the Board's range
16 for the RSR was 50 to \$80 million.

17 MR. LUKE JOHNSTON: I don't know that
18 for sure, but subject to check, we'll have a look and
19 we'll accept your --

20 MR. RAYMOND OAKES: Yeah. I'm just
21 looking at the first two (2) lines of this table.

22 MR. LUKE JOHNSTON: Apologies. I
23 thought you meant for all years prior to 2006. Yeah,
24 for those two (2) years, yes.

25 MR. RAYMOND OAKES: And you'll check

1 whether for prior years that will be accurate as well?

2 MR. LUKE JOHNSTON: Yes, we will.

3 MR. RAYMOND OAKES: Thank you. And in
4 2004 to 2005 insurance year, the MPI minimum was \$80
5 million?

6 MR. LUKE JOHNSTON: Correct.

7 MR. RAYMOND OAKES: Okay. And for
8 more recent years, from 2013/'14, the insurance year,
9 to 2016/'17, I -- I guess it would be from 2000 -- in
10 the last two (2) years that we have data for, the
11 actual amounts on the RSR is under \$100 million.

12 Is that correct?

13 MR. LUKE JOHNSTON: This is an
14 undertaking from last year, so it's a -- it's a little
15 bit dated. But 2013/'14 would be an actual, and we'd
16 have to look up the '14/'15 actual. But if your point
17 is just that we were lower than a hundred dollars and
18 -- and a 100 million in '13/'14, that's true. And
19 we'd have to check the balance for '14/'15.

20 Sorry, I do. I was reminded. We
21 transferred \$75 1/2 million last year to bring the
22 total equity balance up to 213 million last year. The
23 actual balance bef -- of RSR before the transfer was
24 177 million. And then prior to the transfer, it would
25 have been 75 million less.

1 MR. RAYMOND OAKES: So it would have
2 been roughly 100 million before the transfer, right?

3 MR. LUKE JOHNSTON: Yes.

4 MR. RAYMOND OAKES: So in those years
5 when MPI was operating with targets of 50 to \$80
6 million or in those years that we just spoke of, the
7 more recent, where you had 100 million or less in the
8 RSR, you agree with me that MPI still carried out its
9 mandate in those years?

10 MS. HEATHER REICHERT: Yes.

11 MR. DAN GUIMOND: I'm not sure what
12 the answer is because I have to go back if there was
13 any deficiency in premiums or capital from DCAT or MCT
14 perspective because when I report to the Crown
15 corporation and counsel, one (1) of our objectives or
16 goals that we have to meet is the Company, in terms of
17 meeting its financial obligations per the MPC -- MPIC
18 Act and so on, I cannot have a premium deficiency or a
19 capital deficiency.

20 MR. RAYMOND OAKES: In terms of
21 insuring Manitobans and providing compensation for
22 their losses due to automobile accidents, did MPI
23 carry out its mandate in those years?

24 MR. DAN GUIMOND: I'd have to double
25 check because every year right now I have to go to

1 Crown corporation counsel as present CEO and I have to
2 report on my mandate. And I have to meet those seven
3 (7) corporate goals, and one (1) of those things is no
4 premium deficiency, no capital deficiency. So I'd
5 have to go back and verify.

6 MR. RAYMOND OAKES: Okay. If you
7 could by way of undertaking answer the question with
8 relative -- being relative to the years 2004/'05,
9 2005/'06, and 2013/'14, 2014/'15.

10 MR. DAN GUIMOND: Yes, we will double
11 check.

12 MR. RAYMOND OAKES: Thank you.

13

14 --- UNDERTAKING NO. 31: MPI to indicate, terms of
15 insuring Manitobans and
16 providing compensation for
17 their losses due to
18 automobile accidents, did
19 MPI carry out its mandate
20 in the years 2004/'05,
21 2005/'06, and 2013/'14,
22 2014/'15

23

24 CONTINUED BY MR. RAYMOND OAKES:

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

1 turn now to the more recent exhibits, the Pre-Asks
2 we've just received. Exhibit number 31 is CMMG/Pre-
3 Ask number 2, and we asked about how many unexpected
4 events and losses from non-recurring events have
5 required payments, and we stepped it over three (3)
6 levels.

7 Would you agree with me the second
8 paragraph, the response there:

9 "There have been no unexpected
10 claims, events, and/or losses from
11 non-recurring events that have
12 resulted in payments of over \$100
13 million in a single fiscal year."

14 Do you -- is that the Corporation's
15 answer in that respect?

16 MR. LUKE JOHNSTON: Yes. And I -- I'd
17 like to give some context around that. So the
18 question -- if you don't mind scrolling up a bit to
19 the -- where the question is asked. How to ask --
20 it's asking about payments made.

21 So in terms of claims payments, the
22 Corporation isn't suggesting that we have unexpected
23 \$200 million payments in the DCAT or any of our
24 material. Our -- our claim -- if you -- if you only
25 look at our claims incurred modelling, which is in the

1 CAT and in our stochastic modelling section, if -- if
2 you don't mind scrolling down to the lower paragraph
3 again.

4 We've -- we've said in our -- in our
5 stochastic modelling, page 92 -- you don't have to go
6 to it -- in a single year we expect claims to be plus
7 or minus 50 million from budget 95 percent of the
8 time. That's excluding interest rates. And over a
9 four (4) year period, within a plus or minus 120
10 million. So it's not surprising that we don't have
11 enormous payment amounts in this magnitude. A huge
12 portion of our risk is related to asset returns,
13 interest rate movements.

14 So I just wanted to give some context
15 around our answer there, Mr. Oakes, because you -- you
16 might have been asking a different context but this is
17 how we interpreted it.

18 MR. RAYMOND OAKES: Well, we're going
19 to ask some questions about the expected variability
20 of claims over a four (4) year period, and your
21 evidence that you just gave is that the variability is
22 roughly plus or minus \$50 million for single year
23 results in 95 percent of the outcomes.

24 MR. LUKE JOHNSTON: In our -- yeah, in
25 our claims modelling excluding interest rates this is

1 the model that's used in the -- in the DCAT. So
2 that's -- that does feed into the overall DCAT
3 indication, which is a combination of multiple events.

4 MR. RAYMOND OAKES: All right. And I
5 appreciate the Corporation looks at these worst case
6 scenarios of four (4) years com -- combined. Is that
7 correct?

8 MR. LUKE JOHNSTON: Yes. We look at -
9 - we actually look at one (1) in forty (40), and I --
10 I know what -- what you mean, I think. We look at one
11 (1) in forty (40) type events, and -- and some other
12 probability levels in the DCAT, and what's the worst
13 that can happen at that probability over one (1), two
14 (2), three (3), and four (4) year periods.

15 MR. RAYMOND OAKES: And I appreciate
16 the Corporation uses that model, but in the real world
17 your experience tells you that you don't get that
18 combination of adverse events. You always have
19 either/other factors intervening to lessen the impact
20 of those, or you have opposite type of results.

21 For instance, if the interest rate goes
22 down you may lose income but at the same token your
23 bond portfolio is worth more at that point. So
24 there's always going to be these offsets over four (4)
25 years. You haven't had the situations where you have

1 all of these events going south over the four (4) year
2 period.

3 MR. LUKE JOHNSTON: That's -- maybe
4 I'll -- I'll step back a little bit. For a large
5 portion of our history, particularly up to and
6 including the 2010 rebate of \$330 million, forecasting
7 was -- was different. No -- no question about it.

8 We -- as -- as Mr. Oakes is aware, we
9 had favourable PIPP results for almost a decade
10 straight under budget. And we were increasingly
11 getting a handle on what PIPP was going to look like.
12 In 2010 we made a very significant adjustment that
13 pretty much eliminated the chance of having big
14 favourable PIPP results in the future.

15 A couple other examples of how the
16 forecasting has evolved over time. We used to
17 forecast equities to equal the return on the ten (10)
18 year government bond. Like that was the forecasted
19 return back in, you know, ten/fifteen (10/15) years
20 ago. The Board then said, Could you add a spread to
21 that -- to that forecast.

22 So we -- we had a spread at one (1)
23 time. And then more recently we moved to a much more
24 aggressive 7 plus percent return.

25 So those are just a couple of examples.

1 But our forecast through time has become -- converged
2 more and more to the -- a best possible estimate.
3 There's very little wiggle room, if any at all in
4 these -- any of these numbers.

5 So going forward you're going to see,
6 as you have, kind of half the time favourable, half
7 the time not, would be my expectation. That wasn't
8 how it worked out prior to the big PIPP review.

9 But when we're mod -- we're doing DCAT
10 modelling we're looking at now, right. We're -- we
11 have a model that forecasts interest rates and is
12 sensitive to interest rates now. We didn't have that
13 in 1999.

14 So there's different risks at play here
15 and mig -- a much tighter budget with -- with really
16 no conservatism that I can identify at least.

17 So -- and then the other piece to this
18 is the DCAT scenario is that we've collaborated on as
19 much as possible. They're expected to be true. Like
20 they're -- like we were looking at actual equity
21 history and saying, Well, if this is the model that we
22 all agree with, what could it do to -- to our
23 portfolio.

24 So it's hard for me to say that's not
25 realistic. We've all agreed on these assumptions and

1 this model, so what better -- better method do -- do
2 we have.

3 Interest rates is a little more
4 difficult, but at the same time we also have a model
5 that we put together, again, with the intent of having
6 a best estimate of variability. And then as -- as we
7 talked about, we have a claims model as well.

8 So this is our -- the -- as of right
9 now in this environment, this is our estimate of what
10 we think the variability can be. And one (1) last
11 point there, Mr. Oakes is correct that just because
12 equities go down, something else might offset. You
13 know, we might have interest rates go down and the
14 winter be really good. And sure, that -- that
15 happens.

16 What we do in -- in our modelling is we
17 assume independence between claims and asset returns,
18 for example. So the -- the claims don't care, so to
19 speak, what the equity markets are doing. And when we
20 do this modelling and simulate there are, of course,
21 scenarios where equities go down a lot and claims
22 improve and that's all considered in -- in the
23 results.

24 So we very much do take that into
25 account when we're doing the -- the DCAT scenarios.

1 MR. RAYMOND OAKES: Thank you for the
2 lengthy explanation, Mr. Johnston. I'm not sure you
3 answered the question, but I'm instead going to look
4 at a similar question in CMMG Pre-Ask 7, which is
5 Exhibit 35.

6 And this time I'm going to ask you to
7 answer the question that's posed to you there in sub
8 A, because I don't believe you've answered it in the
9 response that follows.

10 MR. LUKE JOHNSTON: I'll -- I'll
11 disagree with that, but I will read in what we've said
12 here. The -- so the question is asking: Give us
13 example of combination events including interest
14 rates, equity returns, and increased claims.

15 So a recent example of where these have
16 all declined -- we don't have an example for four (4)
17 years -- but the most recent example where it's
18 happened over two (2) years was the year -- or the
19 month ending Feb. 28, 2003, where interest rates
20 declined forty (40) basis points, equities declined a
21 cumulative 4 percent -- 4.2 percent, and claims were
22 over budget by 30 -- 30.5 million.

23 And the -- again, the reason my
24 previous comments are relevant is because the fore --
25 the -- the claims forecast pre-2010 came in favourable

1 very consistently. So we've since corrected that
2 issue. But clearly if you have favourable PIPP
3 results for a decade, it's going to be hard for me to
4 find an example of where it was unfavourable, right?

5 And similarly with interest rates and
6 such, it's only been in recent years that we've
7 started to incorporate interest rates and the impacts
8 of that in -- into the forecast. So again, this is a
9 more recent risk factor for us.

10 MR. RAYMOND OAKES: So, Mr. Johnston,
11 back to the question. The answer then, you would
12 agree, is that the Corporation has never experienced a
13 combination of all three (3) factors, including the
14 interest rate, negative cum -- cumulative equity
15 returns, and external increased claims significantly
16 over budget for four (4) years consecutive?

17 MR. LUKE JOHNSTON: Per our records,
18 no. But that has little relevance to the current risk
19 situation.

20 MR. RAYMOND OAKES: All right. And
21 you're saying the most recent example you can point to
22 isn't a three (3) year -- or a four (4) year example;
23 it's not a three (3) year example, it's a two (2) year
24 example, and the most recent example is more than
25 twelve (12) years old?

1 MR. LUKE JOHNSTON: I'm saying that,
2 based on our risk assessment right now and how we set
3 our forecast right now, and the risks that we have
4 right now, the DCAT and associated documents provide
5 an assessment to that risk. And this is not just Luke
6 Johnston's assessment. This is other people
7 collaborating in this exercise.

8 The past was different. And the fact
9 that a one (1) in forty (40) event doesn't occur in
10 that past doesn't make the -- the current analysis
11 wrong or whatever is being implied.

12 MR. RAYMOND OAKES: And your most
13 recent example is twelve (12) years old?

14 MR. LUKE JOHNSTON: We don't have an
15 example for you for four (4) years. We only have a
16 two (2) year example. But as of the -- the example
17 provided, yes, Feb 28, 2003.

18 MR. RAYMOND OAKES: And in that same
19 example you reference in -- interest rates declining
20 forty (40) basis points. Presumably your bond income
21 would have gone up during that period.

22 Is that correct?

23 MR. LUKE JOHNSTON: Subject to check.
24 I -- I don't know all of the -- the dollar figures
25 associated, but that -- that's reasonable.

1 MR. RAYMOND OAKES: Right. And over
2 to the next exhibit, number 33, CMMG Pre-Ask 5. If
3 you could give us the first line of your response, if
4 you could read the first sentence, please.

5

6 (BRIEF PAUSE)

7

8 MR. LUKE JOHNSTON: So the question is
9 in regards to variances in the RSR, causing the RSR
10 draw down. Our -- and what are the -- the big -- what
11 is the biggest annual variance to date. So our
12 response is: The -- the two (2) largest reductions to
13 RSR were from back to back fiscal losses for 2012/'13,
14 and 2013/'14 of 63.1 million -- I'm just rounding it -
15 - and 69.2 million, respectively.

16 And as I've stated a few times, the
17 forecasting is different post-2010. It absolutely is.
18 You can't release \$300 million out of your actuarial
19 liabilities and pretend that nothing is different.

20 The forecasts are very aggressive now,
21 and we're going to have unfavourable results like this
22 from time to time. We'll have favourable ones too,
23 but it's -- it's a much improved forecast today than
24 it was back ten (10) to fifteen (15) years ago.

25 MR. RAYMOND OAKES: And then, Mr.

1 Johnston, Exhibit number 34 is Pre-Ask number 6. And
2 the question is: Has the Corporation ever experienced
3 four (4) consecutive years of cumulative equity
4 returns of minus 7.2 percent?

5 I am not sure that the Corporation
6 understood the question because I -- is the answer
7 that the Corporation's provided talking about four (4)
8 consecutive years of cumulative equity returns, or
9 some months within those four (4) year periods?

10 MR. LUKE JOHNSTON: Good question.
11 Our -- so the -- our interpretation was: Was there a
12 four (4) year cumulative equity return that was worse
13 than negative 7.2 percent?

14 So these are the month -- the rolling
15 four (4) year month endings. So as of the month
16 ending January 2009, the four (4) year total equity
17 return was negative 8.4 percent.

18 And as you know, there was a stock
19 market decline in the 2008 year which contributes
20 obviously to -- to these figures. So you see they're
21 concentrated early 2009. And 2011, there must have
22 been another dip in there, but it encompasses the
23 equity declines at those times.

24 MR. RAYMOND OAKES: So you're -- what
25 you've provided by way of a response does in fact

1 there show -- show five (5) months where at month end
2 there was a total return of less than minus 7.2
3 percent.

4 But has the Corporation ever
5 experienced four (4) consecutive years of cumulative
6 equity returns of 7.2 percent?

7 MR. LUKE JOHNSTON: So do you mean
8 have we ever had negative 7.2 percent four (4)
9 straight years? Is that --

10 MR. RAYMOND OAKES: Yes.

11 MR. LUKE JOHNSTON: Not based on this
12 response, but I don't know what the -- the reference
13 is -- is to that. That would appear to be a 30
14 percent roughly decline over four (4) years, if you
15 compound them all out.

16 I don't believe anywhere that we're
17 suggesting that we're going to lose 30 percent on
18 equities over four (4) years. Maybe in a one (1) year
19 stock market crash we might have a loss in the 20
20 percent, but not over four (4) years.

21 But if that's your question, then I
22 apologize. The -- the graph below is just month ends
23 where the previous four (4) year return was worse than
24 7.2 percent.

25 MR. RAYMOND OAKES: And I thank you

1 for those answers, and those are all the questions I
2 have regarding the RSR.

3 I have some questions relative to the
4 issue of contractors, and that follows from the
5 discussions between the president of the Corporation,
6 Mr. Guimond, and Ms. Neville.

7 And I'd ask, Diana, whether we can have
8 a look at Exhibit number -- oops -- Exhibit number 6.
9 And this is a -- an excerpt from the motion relative
10 to last year's GRA, so CMMG-6. Oh, I'm sorry. It's
11 not. It's number 8.

12 And at that time, we asked the
13 Corporation:

14 "Please show the number of contract
15 employees working for MPI over the
16 last five (5) years."

17 And went on to ask for more detail.

18 And the Corporation's response is:

19 "The Corporation does not have
20 contract employees."

21 Mr. Guimond, I want to congratulate you
22 that it appears that the testimony and the information
23 we've received this year is much more forthcoming than
24 perhaps some of the responses we received last year.
25 And I appreciate the Corporation was likely just

1 pointing to the tech -- terminology more than
2 anything.

3 But this year, Mr. Guimond, you've
4 brought this issue regarding the difference in terms
5 of what people who are in the IT industry can demand
6 and what the Corporation can pay by way of wages and
7 salary.

8 Is that correct, sir?

9 MR. DAN GUIMOND: Yes. Just to
10 clarify the position is that last year I said we would
11 put this committee for cost cutting and looking at all
12 the opportunities and everything is on the table, I
13 would take my time. But that is one area where we
14 have to look at, Is there a way to reduce our -- our
15 costs, and -- and the major obstacle right now is --
16 is just like -- because we're a public sector it's --
17 it's an issue -- it's an obstacle that needs to be
18 discussed, and we'll see where it goes.

19 MR. RAYMOND OAKES: And if we could
20 have page 541 of the transcript up, Diana, please.
21 You actually brought this issue to the Board's
22 attention in this exchange because Ms. Neville wasn't
23 asking about the dichotomy between having IT
24 contractors versus IT people on staff. She was asking
25 about the investment by the Corporation in training

1 and upgrading of existing staff.

2 Do you see that, sir?

3

4 (BRIEF PAUSE)

5

6 MR. DAN GUIMOND: Yes.

7 MR. RAYMOND OAKES: Okay. And on your
8 response that carries over from 541 to 542, and ends
9 on page 543, what you say at page 542 in answer to
10 that question gets us into the issue of the fact that
11 you have some people paid by -- as employees and some
12 people paid as contractors.

13 And starting at line 18 of 542 you say:

14 "It's a huge issue for us right now
15 that we're actually in the process of
16 starting a dialogue with your Board,
17 the MPI board, because people right
18 now for whatever reason when it comes
19 to public sector or Crown
20 Corporations, when you see certain
21 salaries people are not -- just not
22 willing to accept that."

23 Do you see that comment, sir?

24 MR. DAN GUIMOND: Yes, and as we
25 continue to invest in our people, that's -- that's

1 what I was making because we're -- we're getting --
2 we're getting people from other companies hiring our
3 staff. So we invest in them, and we lose them. So
4 there's the problem of the investment, and there's the
5 problem also of why we -- we subcontract some of the
6 work.

7 MR. RAYMOND OAKES: All right. And as
8 we follow, I'm just going to reference the comments
9 that:

10 "This is an issue for the Corporation
11 in terms what the public is willing
12 to accept."

13 And we see that -- 542 as I've
14 referenced, 543 you say:

15 "Just as huge for us in terms of what
16 the public is willing to accept in
17 the market rates for certain things."

18 Line 8:

19 "If the public was willing to pay
20 what it would cost on our pay scale."

21 Over to page 544, line 8:

22 "Because people would just not --
23 they're just not able to conceptually
24 accept what the cost is."

25 And over -- later that page, line 17:

1 "And also the fact that the public in
2 general is not willing to accept --
3 to see people who work in the public
4 sector of the Crown Corporation to
5 make that kind of money."

6 And those are all references to what
7 the issue is. Is that correct, sir?

8 MR. DAN GUIMOND: Yes.

9 MR. RAYMOND OAKES: And that's -- and
10 you are take -- you're discussing that issue with the
11 MPI board, and you felt that it was relevant to bring
12 that to the attention of this Public Utilities Board.

13 MR. DAN GUIMOND: Every year I get --
14 my understanding is I get asked, Why do we have so
15 many people that we hire from HP, for example, or --
16 or why we contract so much of our work. And I think
17 it's just time to address the issue. It's just -- you
18 know, if -- if you're going to get asked the question
19 year over year, it is what it is and I -- I guess what
20 I decided to do is I'm reviewing all the costs and so
21 on, and I'm just going to say what it is.

22 And I might get -- might have some
23 interesting conversations about these -- after these
24 hearings, but that's what it is. And -- and it's
25 important for -- for our credibility in terms of the

1 Board to understand why we are acting in this -- why
2 we do certain things. And -- and we'll let you know
3 how it goes.

4 MR. RAYMOND OAKES: But why the
5 change, Mr. Guimond? The Corporation has been hiring
6 consultants and playing (sic) millions of dollars.

7 Is it that the numbers are now getting
8 so big that they can't be dealt with in this fashion?

9 MR. DAN GUIMOND: No, I -- I -- from
10 my perspective, I feel that the Corporation is being
11 asked over and over, like the cost of our initiatives,
12 for example, the cost of having these people, why
13 we're -- why we're doing what we're doing.

14 So I -- I just thought as we're doing
15 our cost-cutting exercise and we're turning every rock
16 in the Company to say, Okay, why are we spending that
17 money, does it make sense, and so on. Then when I'm
18 going to get asked some questions I'm just going say,
19 This is why we do what we do and -- and it is what it
20 is.

21 So when I come to you and it costs so
22 many million dollars for initiative or it costs so
23 much -- or we're hiring so many consultants on our
24 staff, if you're asking why are you doing that then
25 you know why. I think it's better just to say it the

1 way it is.

2 MR. RAYMOND OAKES: Well, I agree
3 entirely with that concept, sir, but it seems that the
4 costs for the consultants have been less able to be
5 reviewed than the salary cost for MPI employees.

6 Is that a fair statement?

7 MR. DAN GUIMOND: I'm sorry, I -- I
8 don't understand the question.

9 MR. RAYMOND OAKES: All right.
10 Employees of MPI, their staff remuneration is a matter
11 of public record.

12 Is that not correct?

13 MR. DAN GUIMOND: Yes.

14 MR. RAYMOND OAKES: Okay. And you're
15 saying that the public has certain expectations with
16 respect to the level of their remuneration and for
17 their increases.

18 Is -- is that fair?

19 MR. DAN GUIMOND: Yes, we -- there's a
20 disclosure report every year of -- at -- at the
21 individual level of how much people make.

22 MR. RAYMOND OAKES: And the -- the
23 discrepancy comes in, or the disconnect, because the
24 cost for independent contractors are much higher, but
25 the public really isn't getting a chance to review the

1 renumeration that's paid to these contractors?

2 MR. DAN GUIMOND: No. No, I wouldn't
3 agree with that. The money we spend on HP, like at
4 the aggregate level is -- is public knowledge.

5 MR. RAYMOND OAKES: And that's at the
6 aggregate level?

7 MR. DAN GUIMOND: That's correct. But
8 that's -- that's the cost of the labour. That's the
9 cost of those hundred and thirty-nine (139) people, or
10 -- you know. So it's pretty -- pretty out there.

11 MR. RAYMOND OAKES: So can you explain
12 to me, because I'm having difficulty with this, can
13 you explain to me how the public gets satisfied when
14 they review the MPI employee salaries, but your -- you
15 can't make these contractors employees, because the
16 public wouldn't accept their wages.

17 So how can it be said that there is
18 transparency with respect to the renumeration paid to
19 the contractors?

20 MR. DAN GUIMOND: I think there's
21 total transparency, because all the numbers are there
22 and you can -- you can know what the cost is. I --
23 I'm not sure I understand why we are in this
24 situation. I -- I want to address it and I want to
25 talk to -- to it with our board of directors and --

1 and potentially see what we can do about this, because
2 I'm not too sure I understand historically how we got
3 to the point where it wasn't acceptable to -- to hire
4 people, or to pay people, or -- or to go through a
5 process to make people understand that it would be to
6 their advantage maybe to have more people on the
7 payroll than not.

8 So -- so we're going to go through that
9 discussion. That's something I've decided that I want
10 to do and we'll see what happens. I'm not to sure I
11 can explain why people are -- think like that when it
12 comes to the public sector or whatever, but we'll see
13 what happens.

14 MR. RAYMOND OAKES: When you're saying
15 that the cost of the contractors is transparent,
16 they're there to be reviewed, is -- are you speaking
17 again on an aggregate basis or on a per contract
18 employee or contractor basis?

19 MR. DAN GUIMOND: It's -- it's at the
20 aggregate, because they -- the -- what we pay a la
21 carte, if you wish, in terms of for a particular skill
22 set, this is how much we pay an hour, that's -- that's
23 confidential. That's proprietary to the -- to the
24 people pay with. But aggregately (sic), I mean, if --
25 you can average it out if you divide by the number of

1 -- of contractors.

2 MR. RAYMOND OAKES: I'm going to ask
3 you some questions about that particular process.
4 Let's say MPI needs a IT person in a certain area.
5 I'll give you an example, the Corporation might go to
6 HP, they might go to IBM. There would be a number of
7 other corporations that provide that kind of head
8 hunting service.

9 Is that correct?

10 MR. DAN GUIMOND: It -- it's important
11 for the public to understand that MPI tenders the
12 work, in the sense that we have what we call master
13 service agreements. So we tender the master -- the
14 master service agreement. We have one (1) with HP,
15 and one (1) with IBM. The -- the work is -- is
16 divided between the two (2), and we tender for -- the
17 contract is for five (5) years with a renewal option
18 of another five (5) years. And we tender every ten
19 (10) years in our -- our master service agreements.

20 And then in those agreements there's a
21 chart that shows for, you know, the skill sets that
22 you need, what is the hourly rate for those people.
23 And if -- depending on your initiatives, and depending
24 what you're doing at what time you ask for the
25 services that you need, then you pay them according to

1 the master service agreement.

2 MR. RAYMOND OAKES: And how many
3 providers are there of -- of people to the Corporation
4 in this respect?

5 MR. DAN GUIMOND: We have two (2)
6 MSAs, master service agreement. One (1) with HP, and
7 one (1) with IBM.

8 MR. RAYMOND OAKES: And would there be
9 other organizations that provide employees, say to HP
10 or IBM?

11 MR. DAN GUIMOND: Yes. In our master
12 service agreement one (1) -- one (1) of the things
13 that is important to us as a corporation is to keep as
14 much as possible the money in Manitoba, and to spend
15 the money in Manitoba. So there's a particular
16 appendix to the MSA where IBM and HP, they certify
17 local vendors, like business online, or anybody who --
18 who would like to be able to provide some -- some of -
19 - provide some people to work on the MPI account. And
20 so that way HP and IBM are able to sort of -- if you
21 can think of an accordion. You know, they --
22 depending on our needs they can expand or shrink
23 without having people sitting on the bench. And it
24 keeps the money locally as much as possible.

25 MR. RAYMOND OAKES: Okay. So with

1 respect to this -- these providers, does it ever
2 happen that the person that you're seeking is outside
3 of the master services partner, and that they would --
4 say HP would get one (1) from IBM and provide it to
5 the Corporation?

6 Does that happen?

7 MR. DAN GUIMOND: No.

8 MR. RAYMOND OAKES: Okay. So how
9 about another example then where HP doesn't have the
10 person, but they go to one (1) of these other
11 organizations and get that person supplied through HP,
12 but involving another firm in between?

13 MR. DAN GUIMOND: The IT community in
14 -- in Winnipeg, a lot of the IT people are
15 independents. And so there's even a corporation that
16 takes all these independents. And IBM or HP or anybody
17 can go to these and sort of subcontract them to -- to
18 be able to provide the services. So it always depends
19 on what you need and how much -- how much -- long you
20 need the person for. And -- and so, yes, they might
21 go and get people through these services, or hire
22 independents to provide to our account.

23 MR. RAYMOND OAKES: Has the
24 Corporation ever experienced examples where more than
25 one (1) firm is marking up that contractor before MPI

1 pays it?

2 MR. DAN GUIMOND: For us what goes on
3 there is irrelevant, because when we tendered we -- we
4 used the -- the lowest rates in the tendering process.
5 So whatever they do behind the scenes, the -- the
6 pricing chart or a la carte for what you're -- for
7 what you're purchasing has been tendered. And we
8 never pay more than that rate.

9 MR. RAYMOND OAKES: Just changing the
10 question slightly. With respect to MPI's hiring
11 freeze last year and its statements this year that a
12 hundred full-time positions have been -- been kept
13 open.

14 What comfort can this Board and
15 Manitobans take in those kinds of statements if it's
16 available to the Corporation to just expand its
17 contractor base to fill whatever need it deems it has?

18 MR. DAN GUIMOND: Well, most of our
19 contractors -- the -- the lion's share of it actually
20 all affects our -- our capital costs and not our
21 operating costs. So, I mean, if you look at our
22 operating costs we're -- we're right on track with
23 what we said. In fact, this year one (1) of the
24 reasons we don't have a rate increase is because we
25 cut a half million dollars out of our OPEX.

1 The initiatives, I mean, we provide the
2 -- the charter, we -- we provide why we do it, we --
3 we provide the numbers in terms of ROI and what we're
4 trying to do. And so that's where -- that's what we
5 use the contractors for is to do our initiatives. So
6 that way, we're -- in my opinion, the Board should
7 feel satisfied that we're not playing a shell game.

8 MR. RAYMOND OAKES: I'm going to leave
9 that very difficult issue at this point and go over to
10 road safety. This morning, Diana had CAC-57 road
11 safety expenses up for Mr. Williams. And I wanted to
12 ask some questions about motorcycle safety education.

13

14 (BRIEF PAUSE)

15

16 MR. RAYMOND OAKES: And I wonder if
17 one (1) of the Corporation's witness could tell me
18 why, with respect to motorcycle safety education,
19 we've seen such a decrease in the actual since
20 2012/'13. Was there a program change or another
21 source of funding for that motorcycle safety
22 education?

23

24 (BRIEF PAUSE)

25

1 MR. DAN GUIMOND: No. I think what's
2 happening there is we can see the rates going down for
3 motorcycles. We can things are going in the right
4 direction.

5 But, more importantly, when I look at
6 this particular chart, I think what was important for
7 me in assuming my -- my position in one (1) year was
8 to create the loss prevention framework, the road
9 safety framework, the prioritization ability, and let
10 -- and work with our stakeholders to -- to be able to
11 say, you know, What is this going to look like next
12 year based on -- on that collaboration and -- and
13 discussion?

14 And I know now that on the external
15 stakeholder committee, on the loss prevention, that
16 CMMG -- the president of CMMG and the director of CMMG
17 on -- are on that committee. And so as we -- as we
18 follow the frameworks and we follow how things bubble
19 up to the top, we'll see -- we'll see if this changes
20 or not next year.

21 But at least you have the satisfaction
22 that the president of CMMG and the director will have
23 a -- a say on the committee, and will also be part of
24 the working groups in establishing those priorities.

25 MR. RAYMOND OAKES: I thank you for

1 that. The next reference is CMMG-2-8. We're still
2 dealing with the actual dollars spent.

3

4

(BRIEF PAUSE)

5

6 MR. RAYMOND OAKES: And if -- if we
7 can look at the amount for motorcycles specific safety
8 programs, you'll see that the Corporation has spent
9 less than forecast for the last two (2) years on
10 motorcycle initiatives.

11 Is this for the same reasons that
12 you've just indicated, that you believe the experience
13 to be getting better, so the Corporation no longer has
14 to spend as much money on these initiatives?

15 MR. DAN GUIMOND: It's a hypothesis.
16 And -- and really, I -- I -- you know, like I said
17 yesterday, I'm not a rear-view mirror kind of guy. I
18 thought what was important for me in my first year was
19 to establish the frameworks, establish the priorities,
20 get people on committees, make sure that we can bubble
21 up things that make sense to -- to everyone. And
22 we'll see how the numbers change.

23 I mean, that's -- that was my
24 commitment last year, and that's -- that's what I did.
25 And the past is the past, and we'll see what happens

1 as people work together and follow the frameworks for
2 prioritization of -- of work and what should be done.

3 MR. RAYMOND OAKES: Just looking at
4 the future then, because you've reference that,
5 presently, the Corporation does little with respect to
6 wildlife loss containment.

7 Would you agree with me, sir?

8 MR. DAN GUIMOND: Could you repeat the
9 question, please, just --

10 MR. RAYMOND OAKES: Presently, the
11 Corporation does little with respect to wildlife
12 claims cost containment.

13

14 (BRIEF PAUSE)

15

16 MR. DAN GUIMOND: No, I wouldn't agree
17 with that. We do a lot of awareness, public
18 education, and we do it during the year when it's
19 appropriate to do it, and during the year when -- when
20 the animals are -- are crossing roads, and so on. So,
21 no, I wouldn't agree with that.

22 MR. RAYMOND OAKES: The -- the
23 initiatives you speak of, that's primarily driver
24 education and signage in an area in Winnipeg and in
25 Brandon. Is that the focus of the Corporation's

1 activities in that respect?

2 MR. DAN GUIMOND: What -- what's
3 important is -- well, education, awareness, and so on.
4 But as you know it's times of years that are -- are
5 really important, so we do news releases. We do radio
6 advertising. We do all kinds of things when it's the
7 time to pay attention to this particular issue. So
8 that's -- that's what I mean.

9 MR. RAYMOND OAKES: And the
10 Corporation focuses exclusively on drivers, and
11 doesn't regulate or try to deal with wildlife itself.

12 MR. DAN GUIMOND: I'm not sure what
13 you mean by that. Are you talking about fences,
14 maybe?

15 MR. RAYMOND OAKES: I was certainly
16 getting there, Mr. President. So one of the benefits
17 of reading studies that are this thick, and that's
18 what's referenced in Pre-Ask 1 -- oh, I'm -- yeah,
19 Pre-Ask 1 is that you get to learn new words.

20 And my word for this hearing is
21 "ungulate" which is found at -- ungulate at -- no --
22 no, this is ungulate. So this is going to be a -- no,
23 no, the -- the word for this Public Utilities Board
24 hearing is ungulate, spelled U-N-G-U-L-A-T-E, which
25 means a hoofed animal. So we've all now broadened our

1 horizons just that much more.

2 MS. SUSAN PROVEN: I thought it was an
3 -- animal like.

4

5 CONTINUED BY MR. RAYMOND OAKES:

6 MR. RAYMOND OAKES: No, no. A hoofed
7 animal. That's the -- that's been now set down in the
8 annals of PUB history.

9 So, yes, Mr. President, I was referring
10 to the fact that the report to congress, wildlife
11 collision study, dealt with the effectiveness of
12 fencing and in the area of Banff at page 134, Woods
13 reported a 94 to 97 percent reduction in ungulate
14 vehicle collisions along a fence section of the Trans-
15 Canada Highway.

16 You're familiar with that, sir?

17 MR. DAN GUIMOND: Yes.

18 MR. RAYMOND OAKES: All right. And
19 the Corporation reported that it had looked at some
20 use of fencing in Manitoba.

21 MR. DAN GUIMOND: Yes.

22 MR. RAYMOND OAKES: And I was -- those
23 responses during that year were as a result of my
24 questions in that regard. And the -- if I can state
25 what happened, the Corporation looked at doing some

1 fencing near Birds Hill Park at a cost of some seven
2 hundred thousand dollars (\$700,000), and did not do
3 any estimates with respect to the Whiteshell, which is
4 contrary to the information that we've received this
5 year.

6 Can you speak to that at all, sir?

7

8 (BRIEF PAUSE)

9

10 MR. DAN GUIMOND: Sorry, I -- I don't
11 know what you're referring to in contrary -- or what
12 you mean by that.

13 MR. RAYMOND OAKES: Okay. The
14 Corporation's sole cost benefit analysis was with
15 respect to some fencing at Birds Hill Park for a cost
16 of some seven hundred thousand dollars (\$700,000).

17 Do you accept that, sir?

18 MR. DAN GUIMOND: Yes.

19 MR. RAYMOND OAKES: And in doing a
20 cost benefit analysis, we know that the cost was
21 estimated at seven hundred thousand dollars (\$700,000)
22 but obviously whether it was determined to be
23 beneficial or not would be dependent upon the benefit
24 the Corporation would receive.

25 Would you accept that, sir?

1 MR. DAN GUIMOND: Yes.

2 MR. RAYMOND OAKES: And can you tell
3 me whether -- in reaching that decision as to the
4 benefit of that highway fencing whether the results in
5 this particular study we just referred to were
6 considered by the Corporation?

7 MR. DAN GUIMOND: Yes. The
8 information that I have right now is we -- we've got
9 about eleven thousand (11,000) wildlife collisions a
10 year. And when you look at where those collisions
11 occurs, the -- they occur all over the roads. Like
12 it's not like Banff where you can just corridor and
13 you know you're done. The amount of fencing we would
14 have to do is -- would be cost prohibitive because of
15 where the wildlife collision happened. They happen
16 all over our highways.

17 So it's so sporadic that you -- if they
18 -- if -- if the density of the collisions were at a --
19 all at the same place then -- then it would be worth
20 it, but what I'm inform (sic) is that these collisions
21 occur all over our roads. They're -- they're just --
22 they're just all over the place. So you can't -- I
23 can't fence Manitoba, so that's -- that's why we
24 didn't do anything.

25 MR. RAYMOND OAKES: And I appreciate

1 that, Mr. Guimond, that you can't fence Manitoba, but
2 you are aware of certain hot spots for deer-vehicle
3 collisions, including Birds Hill Park, Highway 1
4 though the Whiteshell, and some areas in River Heights
5 in Winnipeg.

6 Isn't that correct?

7 MR. DAN GUIMOND: Yes.

8 MR. RAYMOND OAKES: All right. Is it
9 possible, given that we've brought this study again to
10 the Corporation's attention, and in the context of
11 this wide ranging plan for upgrading of road safety
12 the Corporation will take another look at the benefits
13 of wildlife fencing in corridors?

14 MR. DAN GUIMOND: I'm not against it,
15 but again, I don't want -- I -- I feel that these
16 committees, like the stakeholders on these committees
17 are going to be very important. We're certainly going
18 to put it on the table to -- to look at from a
19 corporate perspective.

20 So -- so we'll -- we're going to -- so
21 I'll commit to look at it again, but we'll see what
22 these committees say when they look at all the data
23 again, if -- if the business case has changed or not.

24 MR. RAYMOND OAKES: I -- I wonder is
25 it more acceptable now that we have the word

1 "ungulate" in our terminology that perhaps that will
2 pave the way to that initiative?

3 MR. DAN GUIMOND: I -- I just think
4 it's -- it's a good think to revisit things over time
5 just to -- because I know that things change. So
6 we'll look at it and we'll see if it makes sense or
7 not.

8 MR. RAYMOND OAKES: Thank you. Madam
9 Chair, I plan to revisit all of these arguments today
10 next week in our final argument, and those are my
11 questions. Thank you.

12 THE CHAIRPERSON: Thank you very much,
13 Mr. Oakes. We'll take our afternoon break at this
14 time and then when we return Mr. Monnin will be
15 presenting, I believe, his cross-examination.

16 MR. CHRISTIAN MONNIN: Yes, Madam
17 Chair, I'm going to jump up and -- and position myself
18 up here. I expect I'll have at least two (2) hours of
19 cross-examination.

20 THE CHAIRPERSON: If the committee is
21 willing, I think we would like to finish the cross-
22 examination today. So are you able to stay till...

23 MR. CHRISTIAN MONNIN: Absolutely,
24 yeah.

25 THE CHAIRPERSON: Okay. So why don't

1 we take a ten (10) minute break and we'll finish by
2 4:30.

3

4 --- Upon recessing at 2:25 p.m.

5 --- Upon resuming at 2:38 p.m.

6

7 THE CHAIRPERSON: Welcome back after
8 the break. We are now going to have cross-examination
9 by Bike Winnipeg. Mr. Chris Monnin is going to be
10 cross -- doing his cross-examination.

11

12 CROSS-EXAMINATION BY MR. CHRISTIAN MONNIN:

13 MR. CHRISTIAN MONNIN: Thank you,
14 Madam Chair. I understand that we'll be going to 4:30
15 today. I appreciate the -- the panel giving me that
16 courtesy.

17 I also know there's a Bluejay's game
18 starting at 4:07 so folks might want to get out of
19 here.

20 On that note it's -- before I start I
21 just want to note that we have a seventy-five (75)
22 cent dollar that the Bluejay's are going to win the
23 World Series and the Liberal Party is going to be
24 swept back into power. It's like 1993 all over again.

25 I circulated a book of documents to the

1 panel members and most of the participants. There's
2 also a PDF copy that Diana has. That'll be the next -
3 - next exhibit for Bike Winnipeg.

4 Diana, if you could bring up on the
5 screen Bike Winnipeg IR-11 please.

6

7 (BRIEF PAUSE)

8

9 MR. CHRISTIAN MONNIN: And -- and I'm
10 not sure who on the -- the Corporation panel is going
11 to be fielding most of my salvos today on this one,
12 but I -- I just want to ask some questions with
13 regards to clarification on the data that has been
14 provided with the IR, but also provided in the
15 application. And on this particular IR Bike Winnipeg
16 requested that certain attachments be populated with
17 certain count of -- counts of claims. And if you'd go
18 to Table number 1, Diana.

19

20 (BRIEF PAUSE)

21

22 MR. CHRISTIAN MONNIN: Do I understand
23 correctly that this information is sourced from the
24 TCSR 2013 or 2014?

25 MR. LUKE JOHNSTON: I -- I didn't hear

1 the last part of that question. If you don't mind
2 repeating that.

3 MR. CHRISTIAN MONNIN: Sure. No
4 problem. I tend to be a low talker, so if you don't
5 understand my question please let me know.

6 MR. LUKE JOHNSTON: As can I.

7 MR. CHRISTIAN MONNIN: On the screen
8 that's in front of you --

9 THE CHAIRPERSON: Just excuse me for a
10 minute. Maybe you could just move your mic a little
11 closer, Mr. Monnin.

12 MR. CHRISTIAN MONNIN: I'm a little
13 limited with the cable here. So, Mr. Johnston, I
14 won't call you Mr. Palmer. Mr. Johnston, the table
15 that's in front of you, this has been populated by the
16 Corporation at the request of -- of Bike Winnipeg.

17 The information used to populate that
18 table, am I right when I say that comes from the TCSR?

19 MR. LUKE JOHNSTON: This comes from
20 the Corporation's enterprise data warehouse, so
21 directly out of our -- our claims system. Yeah.

22 MR. CHRISTIAN MONNIN: Now, the third
23 column starting from the left is "Unknown Errors."

24 What -- what is that exactly?

25 MR. LUKE JOHNSTON: I'm not the data

1 coding expert, but there may be some claims where the
2 coding of the loss type is either unknown or -- I'm
3 not sure what 'errors' would mean. But what -- what I
4 can do is -- is just -- I'll try to send a quick email
5 to our data warehousing person and -- and get a -- the
6 definition of that for you. And hopefully I can give
7 it to you within the next hour or two (2). But it's
8 likely just losses that weren't coded within these
9 categories. I'm not sure why that would be the case,
10 but we'll have a look.

11 MR. CHRISTIAN MONNIN: Now, is this --
12 for example, the year 2000, just we have seventeen
13 (17) unknown errors. I think I've answered my own
14 question. The -- the whole tally is one fifty-nine
15 (159).

16 Those are not included in all
17 fatalities? Are they -- are they teased out of all
18 fatalities?

19 MR. LUKE JOHNSTON: The -- the -- I
20 would assume that they -- that they are. I didn't add
21 these all up, but so in that case -- it is? Yeah.
22 The warehousing team is saying that they don't have
23 the information to slot them into, that maybe the
24 driver wasn't known, or the type of vehicle involved
25 wasn't coded. So they just want, for completeness, to

1 show that there were some claims that were -- were not
2 coded into those buckets.

3 MR. CHRISTIAN MONNIN: And -- and I
4 believe I got an undertaking from -- from you, Mr.
5 Johnston, but the unknown/errors is -- is that a
6 defined term within the Corporation?

7 MR. LUKE JOHNSTON: I don't think the
8 claim would say unknown error. The -- this is
9 probably just, again, them not having the information
10 they need to -- to put it in the category. But I'll -
11 - I'll get that information for you, and maybe even
12 get an example of -- of what that -- what an unknown
13 error would -- would be.

14 MR. CHRISTIAN MONNIN: That would be
15 helpful.

16 MR. LUKE JOHNSTON: If that's helpful.
17 Yeah.

18 MR. CHRISTIAN MONNIN: Just see what
19 kind of considerations the Corporation takes into
20 account in order to categorize something as an unknown
21 or an error.

22

23 --- UNDERTAKING NO. 32: MPI to indicate the
24 considerations the
25 Corporation takes into

1 account in order to
2 categorize an item as an
3 unknown or an error
4

5 CONTINUED BY MR. CHRISTIAN MONNIN:

6 MR. CHRISTIAN MONNIN: And, Diana, I'm
7 going to make you -- if you can keep this table on the
8 screen, but also go to page 28 of loss prevention road
9 safety LP, which is the fatal collision and people
10 killed by total licenced driver and vehicles
11 registered. I'm not sure if you can bifurcate the
12 screen.

13

14 (BRIEF PAUSE)

15

16 MR. CHRISTIAN MONNIN: And I know that
17 this -- this data board has been updated with -- with
18 a -- with an undertaking. I believe it's Undertaking
19 21, but I just want to look at the one at page 28.
20 And here we have, in 2013, eighty-five (85) people
21 killed. Yet in 2013, on the other -- the one that
22 you're dragging now, Diana. In 2013, all fatalities,
23 you have a hundred and eight (108).

24 And I'm trying to understand the
25 discrepancy. Is anyone able to shed some light over

1 there? I'm just trying to figure out where we lost
2 twenty-three (23) fatalities.

3

4

(BRIEF PAUSE)

5

6 MS. HEATHER REICHERT: So I think I
7 can hopefully shed a little bit of light. My
8 understanding is the top report is the report that we
9 do for comparison for national reporting. So that is
10 fatalities or people killed on public roadways.

11 The bottom schedule, which is prepared
12 internally, is all fatalities, regardless, on a public
13 roadway. So it includes the -- the fatalities in the
14 top report, but it has others on top of that. So one
15 is for national comparison purposes or national
16 reporting purposes.

17

18 MR. CHRISTIAN MONNIN: Thank you.
19 Just so I'm clear, the table that is at IR-1-1 and the
20 example they use which is 2013, the one hundred and
21 eight (108), that's used for national? Is that --

22

23 MS. HEATHER REICHERT: The smaller
24 number on the top report, eighty-five (85) people
25 killed, that's national reporting on public roadways.
26 The bottom number of a hundred and eight (108)
27 includes that eighty-five (85) plus other fatalities

1 not on public roadways.

2 MR. CHRISTIAN MONNIN: So why, in the
3 context of the -- the application which the
4 Corporation submitted, would they not provide the
5 larger number and forcibly provide a smaller number
6 for the Board?

7

8 (BRIEF PAUSE)

9

10 MS. HEATHER REICHERT: So it's a
11 matter that that's -- again, what we report from -- on
12 a national reporting basis, that's consistently how
13 we've reported the fatalities in previous General Rate
14 Applications where we've provided this.

15 So for consistency, that was what was
16 done. And in retrospect, there should have been a
17 description on our internal report to reconcile the
18 two (2).

19 MR. CHRISTIAN MONNIN: Is this
20 something that the -- the Corporation would consider
21 doing on a going-forward basis?

22 MS. HEATHER REICHERT: Yes, we'll
23 consider it.

24 MR. CHRISTIAN MONNIN: Is it something
25 that the Corporation will do on a going-forward basis?

1 MS. HEATHER REICHERT: We will take a
2 look at trying to do that reconciliation.

3 MR. CHRISTIAN MONNIN: So, Diana, if
4 you can bring the -- the one that's behind at -- at
5 the forefront, please.

6 And again, here I've notice -- and
7 again, it's -- it's been updated with Undertaking 21.
8 But for the purposes of my -- my cross-examination,
9 we'll just deal with the one that's presently before
10 you.

11 Why is the Corporation doing five (5)
12 year averages?

13 MS. HEATHER REICHERT: It's a national
14 reporting standard, I guess.

15 MR. CHRISTIAN MONNIN: Would you agree
16 with me that a five (5) year average has the effect --
17 one of the effects is to have a smoothing out of the
18 total fatality count?

19 MS. HEATHER REICHERT: Yes, I guess
20 there's that potential.

21 MR. CHRISTIAN MONNIN: And also would
22 you agree with me that, on page 28, the Corporation is
23 blending drivers and passengers, along with VRU
24 fatalities?

25 MS. HEATHER REICHERT: Sorry, what are

1 you referring to now? I'm sorry.

2 MR. CHRISTIAN MONNIN: Still using the
3 notional number of eighty-five (85), that combines
4 individual fatalities with -- who are drivers or
5 passengers within a vehicle but also VRUs. Is that
6 correct?

7 MS. HEATHER REICHERT: Yes, it does.
8 And to your last question about the averaging, we
9 could provide year over year numbers and they would
10 show the same -- the same kinds of results.

11 MR. CHRISTIAN MONNIN: Well, if you --
12 and, Diana, I apologize for making you do this but if
13 you go back to the other table, here you're not doing
14 five (5) year averages. You -- you have a fifteen
15 (15) year spread, and the count is much higher and it
16 isn't as smoothed out as you would have on -- on page
17 28.

18 Do you agree with me?

19 MS. HEATHER REICHERT: Yes, I agreed
20 with you. And again because the -- the amounts of
21 fatalities that are on this second document include
22 more than the fatalities on public roadways. We could
23 provide you with the year over year fatalities on
24 public roadways, and my understanding is that they are
25 very consistent year over year.

1 So that would make me understand that
2 the non-public roadway fatalities are the ones that
3 would fluctuate more in this -- in this instance.

4 MR. CHRISTIAN MONNIN: So looking at
5 Table 1 that's before you, we have calculated subtotal
6 VRU fatalities, and that's on the third column to the
7 right. The third total of two ninety-eight (298). Do
8 you see that?

9 MS. HEATHER REICHERT: Yes, I do.

10 MR. CHRISTIAN MONNIN: And if you take
11 away 2015 for example, and you calculate two thousand
12 (2,000) -- 2014, that gives us a total of two hundred
13 and eighty-nine (289) VRU deaths.

14 MS. HEATHER REICHERT: Correct.

15 MR. CHRISTIAN MONNIN: And math has
16 never been my strong point, but you divide that by
17 fifteen (15) and that gives you an average of nineteen
18 point three (19.3) fatalities VRUs. So if we started
19 off at sixteen (16) in 2000, it's actually gone up in
20 that time frame, VRU fatalities.

21 Would you agree with me?

22

23 (BRIEF PAUSE)

24

25 MS. HEATHER REICHERT: So subject to

1 check I'll -- I'll agree that it's an average of -- of
2 nineteen point three (19.3), but there is going to be
3 fluctuations. And -- and again I think probably the
4 most helpful is if we provide an undertaking to give
5 you the national reported figures year over year that
6 gave rise to five (5) year averages.

7 I think that might be most helpful
8 rather than -- because I -- I'm not sure, I'm not the
9 preparer of this report, or the national report, of
10 how many of the -- the VRU fatalities are included in
11 the -- in the overall total.

12 MR. CHRISTIAN MONNIN: I'd appreciate
13 that, and -- but further on that point is -- is the
14 evidence was -- was given at the outset from the
15 Corporation was that fatalities are going down, which
16 is laudable and that's really what we all want to see
17 happen. But if you strip away the VRUs -- if you
18 unbend the fatalities, and you have VRUs on stand
19 alone they're not going down. And, in fact, the
20 number that I've suggested shows that they're going
21 up.

22 MS. HEATHER REICHERT: I'm sorry. So
23 -- so looking at, for instance, the subtotal that is
24 motor vehicle fatalities they have gone from a hundred
25 and four (104) in 2000 to fifty-seven (57) in 2014. I

1 mean, some variations throughout the -- the fifteen
2 (15) year period but that is a -- as I read that, a
3 decrease in fatalities.

4 MR. CHRISTIAN MONNIN: Okay. Well,
5 let's -- let's look at it from another way. Going
6 back to page 28, if you look at the average from '93
7 and '97, we have a hundred and nineteen (119). If you
8 look at the average in 2013, you have eighty-five
9 (85). That's thirty-four (34) fatalities less, and
10 that's great. That's exactly where it should be
11 trending. But if you disaggregate the information and
12 you have VRUs stand alone, the other table shows that
13 VRUs are -- that fatalities of VRUs is not going down.
14 It's going up.

15 Do you agree with me?

16 MS. HEATHER REICHERT: Again not all
17 of the VRUs on that second table would be en --
18 encapsulated in this national report. So again, I
19 think the best thing -- the most helpful would be to
20 disaggregate for you the -- the five (5) year averages
21 that are shown on the loss prevention and road safety
22 page 28.

23 MR. REGIS GOSSELIN: Somehow I think
24 you're talking apples and oranges. Mr. Monnin is
25 asking you about the -- the table with the -- the

1 data, not the average data. It's just the uni-data.
2 And he's asking whether or not, based on what we're
3 seeing before us that you -- one can conclude that the
4 VRUs are going up.

5 MR. LUKE JOHNSTON: I'm -- I just took
6 this data and calculated a -- a running five (5) year
7 average on -- on the -- the chart, on the -- on -- on
8 here. So the first five (5) year the average -- the
9 first five (5) years the average is about sixteen
10 point eight (16.8) VRU fatalities. And that rises to
11 about an average of about twenty (20) -- a five (5)
12 year average of about twenty (20) per year. And then
13 it -- it kind of stabilizes around twenty (20) to
14 twenty-one (21).

15 So maybe the -- what we can conclude
16 here is relative to the first five (5) to ten (10)
17 years it -- it went up a little bit in that period.
18 And then for the last ten (10) years it seems to be
19 hovering around twenty-one (21) per year average, if
20 you take any five (5) year period. At least that's
21 what I'm seeing, just doing some quick math. So maybe
22 both. We have some thirteens, and fourteens, and
23 sixteens in the early years. And less of them in the
24 later years. Yeah, maybe that's helpful.

25

1 (BRIEF PAUSE)

2

3 MR. LUKE JOHNSTON: The other -- the
4 other piece that's not quite as -- as obvious is that
5 for cars there's mo -- there'll be more of them. Or
6 there has been more of them over time, so exposure
7 increases. So if you have less injuries per car on
8 the road, you've had actually a frequency decline if
9 the number stays the same. Vulnerable road user is
10 not as -- it's not as obvious.

11 So, like, if you were talking about
12 cyclists and the cyclist population has doubled and we
13 have the same number, then that's a frequency
14 reduction. But I won't pretend that I know the
15 exposure to cyclists on the road, or other vulnerable
16 road users. But -- so in ab -- we can only really
17 speak in absolute terms. It would be nice if we could
18 have a -- a exposure measure as well, but it's more
19 difficult for VRUs.

20

21 (BRIEF PAUSE)

22

23 MR. CHRISTIAN MONNIN: This is just a
24 very quick question with respect to IR-1-2, and with
25 respect to page 3 of that IR, the asterisk on the

1 left-hand side of the foot of the page says:

2 "Driver/passenger fatality breakdown
3 not available for '99 and '96."

4 Why is that?

5 MR. LUKE JOHNSTON: I don't -- I don't
6 know the answer to that, but I will -- I'll ask that
7 question as well from our warehousing team.

8 MR. CHRISTIAN MONNIN: Thank you. IR-
9 1-3, please, page 3 of that IR.

10

11 (BRIEF PAUSE)

12

13 MR. CHRISTIAN MONNIN: In a similar
14 vein to the questions I've put to you earlier with
15 regards to RVUs, here you have bodily injury claims,
16 count claims. And again, if you look at the years
17 2000 and 2013 -- sorry, 2014, we start off at six
18 fifty-five (655) and we end up at six seventy-five
19 (675), for an average of six eight-six (686)
20 throughout.

21 Again, there's a troubling pattern, I
22 suggest to you, that the VRUs are not flat and they're
23 not going down. In fact, it's going in the opposite
24 direction.

25 Do you agree with me?

1 (BRIEF PAUSE)

2

3 MR. CHRISTIAN MONNIN: It's okay to
4 disagree with me.

5

6 (BRIEF PAUSE)

7

8 MR. DAN GUIMOND: I think that's
9 exactly what I'm going to do. I'm going to have to
10 disagree with the picture you're painting there
11 because the issue is we know there's been an explosion
12 of people using bicycles to go to work and to do
13 things.

14 So intuitively -- we -- we don't know,
15 but intuitively, you know for a fact that there's a
16 lot more people out there using their -- the bicycles.
17 I'm -- I'm a walker. I mean, I almost get mowed down
18 every day on my way to work, people passing bicycle
19 like 2 inches from me at 100 miles an hour, but on --
20 on the -- on the sidewalk.

21 So there's a lot more of them out
22 there, and so, proportionally speaking, I wouldn't
23 agree that it's getting worse.

24 MR. CHRISTIAN MONNIN: That may be
25 some foreshadowing, Mr. Guimond. We might be

1 disagreeing a fair bit this afternoon.

2 If you could go to IR-1-5, please.

3

4 (BRIEF PAUSE)

5

6 MR. CHRISTIAN MONNIN: And again, this
7 is tables that were asked -- that Bike Winnipeg asked
8 for the Corporation to populate. And if you go to the
9 -- the first table, Table 9-7, Bicycle Victims, the
10 title of this table, Summary of Contributing Factors
11 for Bicycle Victims Killed and Injured Combined. And
12 this provides that information from 2008 to 2013.

13 My read of this is it's positive. It
14 seems overall that these have gone down in that time
15 frame. What does MPI -- what does the Corporation do
16 with these statistics with regards to road safety?

17 How do they use them?

18 MR. DAN GUIMOND: On a -- on a go-
19 forward basis with the framework that we've provided,
20 it'll be used to -- for priority setting purposes.

21 MR. CHRISTIAN MONNIN: Let's go back
22 to 2008, way before the construct and way before the
23 Loss Prevention Program. We had these statistics, I'm
24 assuming.

25 What did the Corporation do with these

1 statistics for road safety?

2 MR. DAN GUIMOND: Yeah, I -- I don't
3 know the answer to that. That's -- that's almost
4 what, seven/eight (7/8) years ago. We'd have to go
5 double check.

6 MR. CHRISTIAN MONNIN: All right.
7 Let's then fast-forward to real time. And I'm just
8 looking at some, for example. I'm picking: Failed to
9 yield the right-of-way, pedestrian error confusion,
10 NET distracted driving, distraction attention.

11 Those seem to be high contributing
12 factors. And we don't need to go there, Diana, but
13 there's another page over which is a similar stat
14 sheet for pedestrian victims. And again, we have the
15 same significant contributing factors:

16 "Failed to yield right-of-way,
17 pedestrian error confusion, and
18 distracted driving."

19 So we have these consistent --
20 consistently over this time frame you have these
21 significant contributing factors to bicycle victims
22 getting killed and injured and pedestrians getting
23 killed and injured.

24 Is this something that the Corporation
25 ever used in order to isolate what they should be

1 doing on road safety?

2 MR. DAN GUIMOND: I think I'm going to
3 have to step back a little bit. I -- I don't know
4 what was done in -- in 2008 and so on. But I -- I can
5 tell you that today how -- how we're doing things in
6 terms of identifying issues and prioritization in
7 terms of what we need to do, we look -- we use the
8 logic model in terms of -- of trying to identify the
9 priority scoring for contributing factors. So we're
10 looking at frequency and human toll, fatalities and
11 injuries, collision costs, national priority, public
12 support, and stakeholder priorities.

13 I think we used our relative claims
14 also, which means that that's one (1) of the reasons
15 why the vulnerable people are starting to bubble up in
16 terms of having to look at them, because when we look
17 at the bodily injury they're starting to -- to show up
18 as something we need to look at. So that's how things
19 come to the surface in terms of what we need to look
20 at.

21 And then what's going to happen is --
22 is based on -- on the ability to -- to bubble up
23 what's priority then we're going to have to -- to look
24 at what we do on a go-forward basis. And I think it's
25 very important when you look at 2008 and 2015, today,

1 we can see that there's a -- a trend, a societal trend
2 where bicycles are becoming more popular and that's
3 why they're starting to -- to bubble up on the
4 priority radar and they're making a radar and we're
5 going to start looking at -- at what we can do.

6 So -- so that's how the process works
7 and from a big picture perspective now we're going to
8 let the process work and we're going to see what's
9 going to happen. And that is exactly what I said last
10 year and I think this year you can see the framework.
11 You can see how things are bubbling up. You can see
12 that the vulnerable peop -- people are showing up on
13 the radar and we're going to be taking some -- some
14 action.

15 MR. CHRISTIAN MONNIN: In about two
16 (2) or three (3) years from now, correct, the bubbling
17 up?

18 MR. DAN GUIMOND: I -- I'm going to --
19 I'm not going to react to that. What I'm going to say
20 is that they've already bubbled up in terms of
21 priority setting and the committees are going to work
22 on what they're going to do about it.

23 MR. CHRISTIAN MONNIN: I wasn't
24 looking for a reaction, Mr. Guimond. I was looking
25 for an answer. And the ans -- the question was, my

1 understanding is that with this new framework these
2 initiatives take two (2) to three (3) years to bubble
3 up.

4 Is that correct?

5 MR. DAN GUIMOND: I -- we'll see what
6 happens based on -- on what makes the radar and how
7 fast we have to go.

8 MR. CHRISTIAN MONNIN: Is it your
9 evidence today, Mr. Guimond, that you're not able to
10 advise the Board on how long it takes for initiative -
11 - how long it's anticipated initiative will make its
12 way through this new loss prevention program?

13 MR. DAN GUIMOND: It depends on the
14 nature of the initiative.

15

16 (BRIEF PAUSE)

17

18 MR. CHRISTIAN MONNIN: Diana, if you
19 could, please, go to IR.19, please. Bike Winnipeg.

20

21 (BRIEF PAUSE)

22

23 MR. CHRISTIAN MONNIN: Now, reading
24 the preamble, or the rationale, this refers to the
25 report -- define loss prevention in the initiatives.

1 "The loss prevention initiatives
2 undertaken by MPI seek to identify
3 implement -- and implement programs
4 to address the primary drivers of
5 claims and claims costs with the
6 intention of reducing the social and
7 financial impact to ratepayers."

8 Do I understand that the -- the
9 Corporation's position, or it's making a case?

10 "It has developed a quantitative
11 methodology to steer decis --
12 decision making in its road safety
13 planning within its loss prevention
14 framework."

15 Is that my understanding of what's
16 being put forward?

17

18 MR. DAN GUIMOND: If we look at Volume
19 I under the loss prevention on LP-2.1 (phonetic) we
20 can see that we have a loss prevention government --
21 governance framework which has certain components in
22 it. And we have road safety that will fall underneath
23 there. And we have the appendices under Volume III
24 which explains the prioritization for road safety, and
25 -- and how we -- how we prioritize things.

1 So -- so that's -- that's the framework
2 of -- of how it falls under loss prevention.

3 MR. CHRISTIAN MONNIN: I'm going to
4 suggest to the Corporation that on the whole, this
5 loss prevention framework is designed first and
6 foremost to reduce claims costs, and not collisions or
7 fatalities. Is that correct?

8 MR. DAN GUIMOND: No. From -- as an
9 insurer what -- what you want to do is -- is all about
10 people. So it's all about mortality and morbidity.
11 You're trying to -- to prevent the -- the carnage from
12 happening. That's -- that's top priority. The
13 dollars are secondary.

14 MR. CHRISTIAN MONNIN: Diana, could
15 you, please, go to page 17 of Bike Winnipeg's book of
16 documents, please, of the PDF which I provided to you.

17

18 (BRIEF PAUSE)

19

20

21

22 MR. CHRISTIAN MONNIN: This, my
23 understanding, is the terms of reference for the
24 external stakeholder committee on loss prevention. I
25 believe an undertaking was given prior -- earlier on

1 this, and that -- that this is the terms of reference.

2

3 Now, Diana, if you can go to the next
4 page, page 18. And the strategic goal number 1,
5 that's one (1) of the seven (7) strategic goals of the
6 Corporation. But here what it says is:

7 "Manitoba Public Insurance has
8 renewed its commitment to maximize
9 this type of activity..."

10 And this refers to the external
11 stakeholder committee on loss prevention:

12 "As demonstrated in its Corporation
13 strategic plan. This is highlighted
14 within the Corporation strategic
15 goals, and goal number 1 is a
16 universally available mandatory
17 protection against the cost of automo
18 -- automobile collisions. Rates on
19 average will be lower than those
20 charged by private insurance
21 companies for comparable coverage and
22 -- and service."

23 What I don't see is any reference to
24 the other strategic goals of the Corporation in
25 particular regard to goal number 7, which is:

1 "Manitoba Public Insurance will lead
2 driver and vehicle safety initiatives
3 that reduce risk and protect
4 Manitobans, their streets, and their
5 neighbourhoods. Manitobans will
6 recognize that the Corporation is
7 living its mission."

8 Why isn't that particular goal part of
9 the terms of reference?

10

11 (BRIEF PAUSE)

12

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

15

16 (BRIEF PAUSE)

17

18 MR. DAN GUIMOND: The loss prevention
19 umbrella has road safety embedded in it. And so you
20 have to look at that statement as -- as it's inclusive
21 of road safety. You can't say because road safety is
22 not mentioned in there that it's been excluded. It's
23 -- it's all inclusive into the overall umbrella.

24 MR. CHRISTIAN MONNIN: But why did we
25 highlight goal number 1 which specifically speaks to

1 lower rates?

2

3

(BRIEF PAUSE)

4

5

MR. DAN GUIMOND: Because as an
6 insurer, you have an onus to do everything you can to
7 prevent the -- the incident in the first place.
8 That's -- that's every insurance company. The first
9 thing you want to do is prevent the incident from
10 happening or the claim from happening.

11

So -- so if you prevent it in the first
12 place, two (2) things happen: your mortality and
13 morbidity -- morbidity goes down; and because you're
14 not paying claims, your cost goes down. But the first
15 thing you have to do is -- is do everything you can to
16 -- to prevent the claim in the first place.

17

MR. CHRISTIAN MONNIN: One (1) of my
18 client's concerns when -- when this construct was
19 raised last year, and it's still very much a live
20 concern, is that the whole issue of road safety would
21 get buried in this new construct.

22

And I'm still struggling with the fact
23 that we have seven (7) identifiable goals for this
24 Corporation. And we refer to only one (1) of those
25 particular goals, and we're told that this is an

1 umbrella goal that encompasses everything else when
2 there's a particular goal that speaks to road safety
3 and -- and the Corporation being a lead -- a lead
4 driver of vehicle safety initiatives.

5 Would the Corporation reconsider
6 putting goal number 7 in the terms of reference?

7 MR. DAN GUIMOND: One moment, please.

8

9 (BRIEF PAUSE)

10

11 MR. DAN GUIMOND: Sorry, can you
12 repeat the question?

13 MR. CHRISTIAN MONNIN: I'll -- I'll do
14 the best I can. My client Bike Winnipeg, an
15 Intervenor in these proceedings, one (1) of their main
16 concerns that was raised when the notion of the new
17 construct was presented last year, is still very much
18 a live concern now. Is that by blending road safety
19 into the new construct, or the Loss Prevention
20 Program, the issue of road safety would get buried in
21 this new construct. And the concern is amplified when
22 you have seven (7) definitive goals for this
23 Corporation, one (1) of them being road safety, is not
24 identified at all in the terms of reference of this
25 committee.

1 Would the Corporation consider
2 including goal number 7 in the terms of reference?

3 MR. DAN GUIMOND: I think that the
4 notion of -- of having this embedded and not important
5 to the Corporation is -- I'll just think -- I'll just
6 talk about how we -- we think of it. Like, first of
7 all, it's in our mission statement. "Working with
8 Manitobans to reduce risk on the road." Number 1.
9 That's our mission statement.

10 Number 2, it's -- it's part of our --
11 if you look at our corporate strategic plan 2015 --
12 2015 to 2019, if you look at one (1) of our goals,
13 which is what I'm measured on, it's one (1) -- number
14 7, where we have to work on -- on safe -- public
15 support for road safety. So it's embedded in our --
16 in our culture to work with the public to ensure that
17 they support the fact that we want road safety and so
18 on. So at the highest level it's embedded right in
19 our mission statement, in our corporate goals, and in
20 our culture.

21 And then what we've done last year is
22 just articulated -- since last year we've articulated
23 the loss prevention framework and -- and how road
24 safety and all the -- all the other components of loss
25 prevention work. So -- so to say that that's not a

1 priority for the Company, or it's buried, or it's --
2 I'm -- I'm sorry, but I -- I don't agree.

3 And I -- I think you're just concerned
4 about -- I don't know why you're concerned about it,
5 but the only thing I can say it's embedded right in
6 our mission statement and in our corporate strategic
7 goal in our loss prevention efforts. So far from it.
8 I wouldn't be concerned at all if I -- if I was you.

9 MR. CHRISTIAN MONNIN: I -- I get paid
10 to be concerned.

11 So the one (1) question I asked, and I
12 don't think I got a response to, is would the
13 Corporation consider highlighting strategic goal
14 number 7 in the terms of reference for this committee?

15
16 MR. DAN GUIMOND: Well, we'll let the
17 process work, and -- and we'll see if -- if people
18 want to amend it. Right now, we're going to move
19 forward. And we'll -- we'll see what -- how it moves
20 forward. So I'll leave it at that.

21 MR. CHRISTIAN MONNIN: I'm going to
22 belabour the point.

23 When you say it can be amended, who --
24 who drafted these terms of reference? Who had the
25 pen?

1 MR. DAN GUIMOND: It was MPI and
2 reviewed by the committee members.

3 MR. CHRISTIAN MONNIN: Which committee
4 members reviewed it?

5

6 (BRIEF PAUSE)

7

8 MR. DAN GUIMOND: I don't have all the
9 names with me, but I can say that your Bike Winnipeg
10 co-chair is on the committee and reviewed it with us.

11 MR. CHRISTIAN MONNIN: And -- and so
12 working on that vein, if -- if the Bike Winnipeg co-
13 chair, upon reviewing this, demanded that goal number
14 7 be highlighted would that occur?

15 MR. DAN GUIMOND: I -- I would let
16 them discuss it amongst themselves. I mean, if we're
17 going to have a process where people from all aspect
18 of -- of our community are on the committee and the
19 member wants to put something forward, if -- if the
20 rest of them are in agreement or they think it makes I
21 -- I guess we'll let them decide what they think is
22 right, just like decided that this was right at that
23 point in time.

24 I -- I don't see things frozen over
25 time. I -- I think that committees are allowed to

1 revisit things once in a while. Then if they think,
2 Oh I forgot about that one, or I -- this is important
3 to me, and they decide to change it then they'll --
4 they'll change it. And I suspect there'll be more
5 changes down the road, too.

6 MR. CHRISTIAN MONNIN: Thank you for
7 your patience with respect to that line of
8 questioning, Mr. Guimond. Diana, if you could return
9 to IR-19, please.

10

11 (BRIEF PAUSE)

12

13 MR. CHRISTIAN MONNIN: In particular
14 regard to Question A:

15 "Is MPI currently using quantitative
16 methods to determine the social
17 impact of motor vehicle collisions?"

18 And the answer to that is:

19 "Manitoba Public Insurance relies on
20 estimates generated by Transport
21 Canada to estimate the social costs
22 on motor vehicle collisions. The
23 Transport Canada model employs
24 quantitative methods to determine the
25 social impact of motor vehicle

1 collisions."

2 Do I understand this correctly then
3 that this statement means that MPI does not itself use
4 quantitative methods to quantify social impact of
5 collisions but rather relies on Transport Canada?

6 MR. DAN GUIMOND: That's correct.
7 It's more by proxy.

8 MR. CHRISTIAN MONNIN: And are you
9 able to tell me what is Transport Canada's estimate of
10 the social cost of a collision that causes a single
11 fatality, for example?

12 MR. DAN GUIMOND: We'll have to take
13 that as an undertaking.

14

15 --- UNDERTAKING NO. 33: MPI to indicate Transport
16 Canada's estimate of the
17 social cost of a collision
18 that causes a single
19 fatality

20

21 CONTINUED BY MR. CHRISTIAN MONNIN:

22 MR. CHRISTIAN MONNIN: Thank you. And
23 Question C -- and, Diana, you don't have to go there.
24 I'll read it for the benefit of the record, and you
25 can state it in the answer, is:

1 "How does MPI quantify its success in
2 meeting the social cost aspect of
3 loss prevention?"

4 And the answer to that is:

5 "Social cost aspect of loss
6 prevention may be quantified in the
7 reduction of lives lost and injuries
8 occurring as a result of collisions
9 on the roadway."

10 Now, from what I've seen MPI has filed
11 information on the number of fatalities resulting from
12 motor vehicle collisions, a body count, but it has not
13 filed information on the social costs of those
14 collisions.

15 Would you agree with me?

16

17 (BRIEF PAUSE)

18

19 MR. DAN GUIMOND: One moment, please.

20

21 (BRIEF PAUSE)

22

23 MR. DAN GUIMOND: I think what you're
24 referring is to safe systems approach. They're used
25 maybe in other areas. It's important to know, or that

1 the Board members know that through the Provincial
2 road safety committee co-chaired by MIT and MPI that
3 the objectives of that road safety committee has
4 objectives that are aligned with the safe system,
5 which is I think to what -- your point that you're
6 doing.

7 For example, synthesizing --
8 synthesizing efforts in engineering and
9 infrastructure, roadway operations, enforcement and
10 legal system, education and awareness, vehicle safety,
11 fostering coordination and collaboration between
12 various departments and agency involved in road
13 safety, promoting road safety in a strategic
14 coordinated way, ensuring road safety issues are
15 identified and prioritized, better allocating limited
16 resource to those in greatest need of intervention.

17 That is consistent with the safe system
18 approach, which I -- I think is the point that you're
19 trying to make.

20 MR. CHRISTIAN MONNIN: No. Now, we
21 have information of body count, or fatalities. That's
22 been filed. But what quantitative measures -- for
23 example, in order -- trying to determine the ultimate
24 budget for road safety, what does MPI use as
25 quantitative meth -- methods, beyond body count, to

1 determine the appropriate amount of expenditures to
2 save one (1) or more lives?

3 Has MPI filed any information about the
4 social cost of a fatality?

5 MR. DAN GUIMOND: No, we have not
6 filed information particularly -- to what you're
7 referring to specifically, from a specif --
8 specificity perspective.

9 MR. CHRISTIAN MONNIN: And -- and why
10 is that, sir?

11

12 (BRIEF PAUSE)

13

14 MR. DAN GUIMOND: I think it goes back
15 to how the vulnerable individuals that we're talking
16 about here, whether it's a pedestrian, or -- or a
17 cyclist, and so on, I think what's happening here is
18 an evolution of time where you have societal change
19 where people are using a lot their bicycles. Things
20 are changing through their relative claim costs that I
21 mentioned and the logic model that I -- I've put in to
22 their record. The vulnerable people are -- are --
23 make it on the radar.

24 We're using the framework that we put
25 into our rate on Volume III under the road safety in

1 terms of how we bubble. And I think we have to allow
2 these people to do their work to see how this will
3 evolve. And to your -- to your specific question, why
4 not this or that, or whatever, I think you have to
5 allow people to -- to work together to decide on a go
6 forward basis how this will be handled or the
7 methodology will be -- change.

8 I -- I do know that the logic model,
9 the relative claim costs combined with the approach of
10 the objectives of the committee in terms of safe
11 systems will naturally allow those discussions to
12 happen and we'll -- we'll see how -- how it turns --
13 turns out over time. But I don't think we're far
14 apart in terms of how we're putting our head around
15 this.

16

17 (BRIEF PAUSE)

18

19 MR. CHRISTIAN MONNIN: Diana, if you
20 could please turn to page 7 of our book of documents,
21 please.

22

23 (BRIEF PAUSE)

24

25 MR. CHRISTIAN MONNIN: Now, what we're

1 looking at here is -- is an excerpt. It's about a two
2 (2) -- it's about a two hundred (200) page report, but
3 it's Analysis and Estimation of the Social Cost of
4 Motor -- Motor Vehicle Collisions in Ontario, dated
5 August 2007.

6 Is the Corporation familiar with this
7 report?

8 MR. DAN GUIMOND: Yes.

9 MR. CHRISTIAN MONNIN: Now, Diana, if
10 you could then turn to page 13 of the book of
11 documents, please. It's still within the same report.
12 And can you scroll down a bit more, please. That's
13 good. Thank you.

14 And looking at the paragraph that
15 starts with:

16 "The most recent Canadian estimates
17 of the value of a statistical life."

18 If you read down, now this report --
19 the penultimate sentence:

20 "It is more specifically the
21 Gunderson and Hyatt estimates
22 suggests the benefits to society
23 reducing the risks that would leads
24 to one (1) fatality are as high as
25 \$13 million, while the benefits of

1 reducing the risks that would lead to
2 one (1) non-fatal injury are
3 approximately twenty thousand dollars
4 (\$20,000)."

5 Now, this is one (1) take on the social
6 costs of a fatality. Why has the Corporation not been
7 able to submit any information to this Board about the
8 social costs of fatality?

9 MR. DAN GUIMOND: Because this Board
10 is -- is about setting the rates so the focus that we
11 have here is -- is very different, and I think that's
12 -- that's the -- the best -- that -- that's why. It's
13 focussed about approving our rates.

14 MR. CHRISTIAN MONNIN: But we're also
15 dealing, sir, with the new loss prevention framework
16 which implicit, built in under an umbrella, has road
17 safety. And I believe I've heard the Corporation say
18 that it recognizes the social costs of fatalities,
19 correct?

20 MR. DAN GUIMOND: Yes. Yes.

21 MR. CHRISTIAN MONNIN: And, Diana, if
22 you go to the next page. Thank you.

23 Now -- now, you don't have to go back,
24 but I'm still reading from page 13. The next
25 paragraph of what I just read on -- on page 13, which

1 is one thirty-eight (138) of the report, acknowledges
2 that 13 million might be a little steep. It says:

3 "These results have not been
4 challenged in the economics
5 literature. However, because they
6 are at the high end of what was a
7 previously accepted range of values
8 for human consequences, we treat them
9 as one (1) of a number of possible
10 values that can be selected by the
11 analyst -- analysts in -- in the
12 model."

13 And then we go to the page we're on,
14 and you -- you have a table here that gives you the
15 upper bound and a mean value, and the lower bound,
16 \$7.5 million, of social costs of a fatality.

17 Now, I believe that the information
18 that the Corporation has submitted pegs a cyclist
19 fatality at around fifty-eight thousand dollars
20 (\$58,000).

21 Is that correct?

22 MR. DAN GUIMOND: I'm sorry, can you
23 repeat the question?

24 MR. CHRISTIAN MONNIN: I believe that
25 the information that has been provided by the

1 Corporation has an average claim clause -- claims cost
2 for a cyclist fatality quantified at fifty-eight
3 thousand five hundred and seven dollars (\$58,507).

4 Is that correct?

5 MR. DAN GUIMOND: I'm sorry, I -- I
6 don't know. But what's -- I mean, I don't know -- I'm
7 sorry, but with all due respect, I don't know where
8 you're going with this because I don't know how you
9 put a price tag on a life. I -- I really don't. I --
10 I -- if you look at claim costs or social costs or --
11 I'm not too sure how you try and quantify that or --
12 or where you're going.

13 I -- I think it's -- I -- I think what
14 we're focussed on is to try and prevent the claims in
15 the first place, and through a prioritization process
16 that is agreed to by the stakeholders and how it will
17 evolve that the money we spend on our loss prevention
18 umbrella, which includes road safety, provides the
19 best results possible and the best value possible.

20 But, I mean, is -- is a pedestrian life
21 or a cyclist's life or a -- a life of somebody who
22 passes away in a vehicle, is -- is one worth more than
23 the other? No. A life is a life. So I -- I'm -- I'm
24 struggling where you're going. I'm sorry.

25 MR. CHRISTIAN MONNIN: Well, what I'm

1 going to suggest to you, sir, is that some folks with
2 very high foreheads have put a cost on life. They --
3 they've -- they've put pen to paper, and you have this
4 research, for example, one (1) of just a few, that has
5 put a cost on life.

6 MR. DAN GUIMOND: Well, good for them,
7 but to me, if I was to lose my wife, a 19, 13 million
8 or whatever, I mean, you can't -- you can't put a
9 price on that. I mean, it's -- it's irrelevant what
10 it's -- what the cost is. You have to try and do
11 everything you can to -- to prevent them.

12 We know as a society that -- that we
13 want to use automobiles, that we want to use bicycles,
14 that we're going to go across the street. We know as
15 a society that people will get injured and die. And
16 what we have to do is do everything we can to prevent
17 that.

18 And -- and when you evaluate what an
19 insurer does to prevent that, that's why we -- we
20 worked very hard last year to -- you know, since -- in
21 terms of -- of me trying to deal with this to -- to
22 put this framework in place and then let -- let the
23 people work at it and let the people, the stakeholders
24 and the representatives of various groups in society
25 talk it over, and let them do what -- what they feel

1 is the best thing to do.

2 MR. CHRISTIAN MONNIN: Earlier I'd --
3 I'd suggested that an average claims cost for a
4 cyclist fatality is quantified at fifty-eight thousand
5 five hundred and seven (58,507).

6 For the sake of argument, would you
7 agree with me on that?

8 MR. DAN GUIMOND: I -- I don't know
9 what -- what the source is. I -- do you have it? Do
10 you know where it is in an IR, or if you know where
11 it's put on the record or...?

12 MR. CHRISTIAN MONNIN: Absolutely.
13 Just give me a moment please.

14

15 (BRIEF PAUSE)

16

17 MR. CHRISTIAN MONNIN: Diana, if you
18 could go to IR-1-1, please, page 7. And we're looking
19 under vulnerable road users, cyclists in 2014, it's
20 fifty-eight thousand five hundred and seven (58,507).

21 Do I have that right?

22 MR. DAN GUIMOND: Yes.

23 MR. CHRISTIAN MONNIN: Okay.

24

25 (BRIEF PAUSE)

1 MR. CHRISTIAN MONNIN: We have this
2 number. We have the variable numbers between a high
3 of 19 million, a mean of 13 million, and a low of 7.5
4 million, which -- in the report, which I provided
5 earlier.

6 And would you agree with me if I
7 suggested to you that in a cost-benefit analysis, one
8 would invest much more money for a \$13 million benefit
9 than for a fifty-eight thousand five hundred and seven
10 (58,507)?

11 MR. DAN GUIMOND: I struggle with --
12 with thinking that way. To me it's not about the
13 money as much as preventing the death. So -- so you -
14 - you have to have a -- a process to prioritize where
15 you're going to spend your money. And the
16 prioritization process, when you look at it, you have
17 to make sure that you don't have blind spots, or -- or
18 things that you -- you ignore.

19 And when it comes to the vulnerable
20 users, that's why I made the point of how we're
21 including the relative claims and how we're using the
22 equivalent of a safe system through that committee in
23 terms of their objectives to make the point that we're
24 not talking about 13 million or fifty-eight thousand
25 (58,000). We're just talking about what makes sense

1 to -- to work on. Just trying to -- to prevent the
2 loss in the first place.

3 So if your argument is that we would
4 spend more money if we were using this -- this study
5 that you just referred to, the ans -- the answer is
6 no, because by -- by the proc -- the way the process -
7 - the integrity of the process ensures that the
8 vulnerable-use people are not dropped off the radar.
9 That's because of the committee objectives, like, a
10 proxy of -- of safe systems, and using the relative
11 claims and, therefore, they're not marginalized, if
12 that's the point you're trying to make.

13

14 (BRIEF PAUSE)

15

16 MR. CHRISTIAN MONNIN: In that regard
17 would my take-away be correct if I said that the
18 Corporation has no limit on how much it would spend in
19 order to save one (1) life?

20

21 (BRIEF PAUSE)

22

23 MR. DAN GUIMOND: I -- I struggle to
24 answer a question like that. As a society, we've
25 agreed to -- that we want to drive. We've agreed that

1 we want a bicycle. And we know some of us are going
2 to die. I mean, ultimately pushed to the extreme we
3 would ban automobiles and -- and trucks and so on, and
4 we wouldn't do that.

5 We've agreed that the cost of the
6 automobile -- the use of the automobile will -- will
7 cause death and injuries, and what we've agreed to do
8 as a society is -- is -- and as for insurers, try to
9 do as much as they can to -- to minimize the morbidity
10 and the mortality through loss prevention strategies
11 and road safety strategies. And you keep working at
12 it.

13 Is it a budget that has no limit? No.
14 No. So I'm not -- I'm not too sure how to answer your
15 question. It -- it has to make -- that's why I -- I
16 thought the framework was so important, and the
17 prioritization was so important because now you have a
18 way to decide what makes sense to spend on.

19 And I mentioned to Mr. Gosselin, I
20 believe it was today or yesterday, that that's why
21 from a budgeting perspective depending on -- on what
22 these committees are going to come up with, we may
23 very well see more money going into it. So we'll --
24 we'll see what happens. The budget -- I can say that
25 the budget we have now is not capped if -- if there --

1 if something makes sense to do.

2 MR. CHRISTIAN MONNIN: The budget has
3 gone down from 2012/2013 until this fiscal year, let's
4 see -- 11.4 million, right?

5 MR. DAN GUIMOND: Approximately, yes.

6 MR. CHRISTIAN MONNIN: And what do you
7 mean by that when you say, "It's not capped?"

8 MR. DAN GUIMOND: I think -- I think
9 that's what -- it goes back to our conversations last
10 year, right, with the question about value for money.
11 Are we getting value for the money on road safety.
12 That's why the Corporation did the loss prevention
13 described in LP.21, Volume I, page 8. And in Volume
14 III, all the appendices under the road -- road safety
15 and so on.

16 We had the IBM framework. We had the
17 road safety. We have the report from the consultant
18 that says that based on the frameworks that we've
19 done, and the way we prioritize work, that it's --
20 that we're getting value for money.

21 And so on a go forward basis I think by
22 having a more collaborative process -- inclusive
23 process as we move on with this, that these folks will
24 come up with some ideas. And I -- I wouldn't be
25 surprised that when you put all these people together

1 that they're going to come up with really good ideas,
2 and that the budget is going to go up. That's what I
3 mean by that.

4

5 (BRIEF PAUSE)

6

7 MR. DAN GUIMOND: Maybe I'll add one
8 more thing, is that from a rate setting perspective
9 because we have the framework and the context, and the
10 external person who evaluated this, then when we come
11 for more money, too, that the Board will be satisfied
12 that we're getting value for money. That's -- that's
13 the link that I'm trying to do if we come back and ask
14 for more money for road safety.

15 MR. CHRISTIAN MONNIN: Thank you, Mr.
16 Guimond. Diana, if you could, please, go to Bike
17 Winnipeg IR-2-5, please.

18

19 (BRIEF PAUSE)

20

21 MR. CHRISTIAN MONNIN: Question C of
22 the IR is as follows:

23 "How does MPI's choice of its funding
24 driven model drive its choice of road
25 safety priorities, particularly with

1 regard to vulnerable road users
2 relative to jurisdictions who pursue
3 these goals of reducing fatalities
4 and serious injuries?"

5 And the reply to that was:

6 "Refer to Volume III, A-113, Loss
7 Prevention Road Safety, Appendix 6
8 for priority setting framework and
9 methodology. The human toll
10 (fatalities and injuries) associated
11 with the contravening factor issue is
12 a key component of the methodological
13 approach for priority setting and is
14 weighted equally with collision
15 costs."

16 Are you able to explain this -- this
17 weighing methodology to us?

18

19 (BRIEF PAUSE)

20

21 MR. DAN GUIMOND: Just one (1) moment,
22 please. I -- I just want to read what we put in the
23 rate application.

24

25 (BRIEF PAUSE)

1 MR. DAN GUIMOND: If we could go to
2 the 2016 rate application loss prevention and road
3 safety, AI-13, Appendix 6, page 30, please -- 29, I'm
4 sorry.

5

6 (BRIEF PAUSE)

7

8 MR. DAN GUIMOND: No, that's not -- is
9 this Volume III? No, that's not the right -- on page
10 29, please. It's -- it's AI -- it's in Volume III,
11 AI-13, Appendix 6, page 29. Okay. Okay. That's --
12 yeah, that's it. Okay. Right on.

13 So if we go to -- oh there's two (2) --
14 two (2) pages 29, that's why. If we go to the next
15 page, page 30, please, of the PDF. Yeah. So this is
16 the -- the priority setting in terms of how it works
17 with setting priorities in terms of the -- the purpose
18 and how it works. And then if you go through this
19 whole section then by the time we go to page 33 in our
20 rate app -- page 33, please.

21

22 (BRIEF PAUSE)

23

24 MR. DAN GUIMOND: There we go. This
25 is the methodology that we are using at this point in

1 time. And this is how it works at a high level. So
2 you have the road safety part analysis, you have --
3 and you have three (3) phases to -- to go through as
4 described here.

5 MR. CHRISTIAN MONNIN: The answer --
6 perhaps you could give me some further guidance, M.
7 Guimond. The answer at IR-2-5, Answer C:

8 "The human toll of fatalities and
9 injuries associated with the
10 contributing factor or issue is a key
11 component of the methodol --
12 mythological approach for priority
13 setting and is weighted equally with
14 collision costs."

15 Where does that figure into -- to here,
16 to what you're showing us?

17 MR. DAN GUIMOND: It just goes back
18 to, in Phase 1, where -- where you use the logic model
19 which I talked about, and you include the relative
20 claims. And this is what makes the vulnerable users
21 show up on the radar. And then you focus on -- on the
22 -- I believe what's important to Bike Winnipeg is safe
23 system.

24 But then the goals of the committee are
25 aligned with the safe system approach. So as you work

1 through the methodology, that will align.

2 MR. CHRISTIAN MONNIN: But where is
3 the equal weighting of the human toll and the
4 collision costs? Where does that occur and how does
5 that occur?

6 MR. DAN GUIMOND: That's -- that's why
7 we're adding the relative claims because if you just
8 use that -- when you add the relative claims in the
9 logic model, that's where you use the BI component.
10 And that's what makes the vulnerable use come up.

11 Okay, because you're looking at it now
12 by -- by linking the relative claim costs with the
13 bodily injury, now it -- that's what allows you to
14 make sure you don't have what I would call blind spots
15 in terms of what you need to focus on because that --
16 that's -- that's what makes the vulnerable users come
17 up because it doesn't matter if it's three (3) claims,
18 two (2) claims, on a per incident, the bodily injury
19 bubbles up really high.

20 So that's -- that's what -- that's what
21 makes sure that, in the methodology, you don't lose
22 sight of your vulnerable users.

23 MR. CHRISTIAN MONNIN: Thank you for
24 that answer.

25 THE CHAIRPERSON: Mr. Guimond, I just

1 -- excuse me. I'm just wondering if, on page 37, is
2 that the weighting? I see that there's points for --
3 there's a hundred points, and it's got critical
4 collision stats. I don't know if that's...

5 MR. DAN GUIMOND: Yes. It still needs
6 to go through the committee for final approval, but
7 yes.

8

9 (BRIEF PAUSE)

10

11 MR. CHRISTIAN MONNIN: Madam Chair,
12 just two (2) minutes. I'm just speaking with the
13 client. I apologize.

14

15 (BRIEF PAUSE)

16

17 CONTINUED BY MR. CHRISTIAN MONNIN:

18 MR. CHRISTIAN MONNIN: The table that
19 we're looking at right now, Mr. Guimond, is this the
20 tool that the Corporation -- I'm just trying to
21 understand where this equal weighting occurs and --
22 and how it's actually -- it's a -- it's a clear
23 statement in the IR. The human toll, fatalities and
24 injuries, and it's equally weighted with collision
25 costs. And -- and I -- perhaps an undertaking would

1 be the best way to enlighten me, but I -- I just don't
2 see it. And I -- I don't think it's been properly
3 responded to.

4 Where do we do an equal weighting of
5 the human toll with the collision costs?

6

7 (BRIEF PAUSE)

8

9 MR. DAN GUIMOND: I'm going to give
10 this one (1) more -- more try. The logic model, the
11 relative claim costs, and with the objectives being
12 similar to the safe system is how you get -- on -- on
13 the -- if you -- if we just scroll up there. Yeah.
14 Number 1, line 2 to line -- if (b) collision costs is
15 line 10, then it would be up to ten (10). That's --
16 that's how it -- it kind of -- that's how it gets to -
17 - to what we're talking about here, or your question.

18

19 (BRIEF PAUSE)

20

21 MR. CHRISTIAN MONNIN: Thank you.

22

23 (BRIEF PAUSE)

24

25 MR. CHRISTIAN MONNIN: IR Bike

1 Winnipeg 2-2 please.

2

3

(BRIEF PAUSE)

4

5

MR. CHRISTIAN MONNIN: Question C:

6

"Does MPI agree that it's seeking the

7

Board's approval to focus road safety

8

priorities and programs designed to

9

reduce claims costs rather than

10

reduce fatalities and serious

11

injuries?"

12

And the answer to that is:

13

"The Corporation is seeking the

14

Board's approval for an overall zero

15

percent rate change for the 2016/2017

16

insurance year."

17

That response doesn't take into

18

account, I'm suggesting to you, PUB Order 135/'14,

19

where the Board ordered that the Corporation do the

20

following:

21

"Specifically provide an independent

22

review of the optimal size of a road

23

safety budget portfolio for the

24

Corporation, with a view to

25

minimizing the economic and social

1 costs of collisions; and provide
2 independent review of the current
3 road safety portfolio with a view to
4 optimizing it, relative to cost
5 effectiveness and to setting goals
6 for outcomes and minimizing the
7 economic and social costs of
8 collisions."

9 Do you agree with me?

10 MR. DAN GUIMOND: Yes, I agree that
11 was the Order.

12 MR. CHRISTIAN MONNIN: Would you then
13 agree to me that in addition to what's set out as an
14 answer here of 2-2(c), the Corporation is doing more
15 than just seeking approval for a zero percent rate
16 change?

17 MR. DAN GUIMOND: We responded to that
18 Order, if that's what you're getting at. Last year I
19 mentioned that it was very hard to answer the question
20 that was asked by the Board members. And so what we
21 did this year in Volume III, if we go to AI-13, and we
22 -- if -- maybe we could just put the table of contents
23 for AI-13 please in Volume III.

24

25

(BRIEF PAUSE)

1 MR. DAN GUIMOND: So what we did is we
2 -- we did the loss prevention, and you saw the IBM
3 study. We provided appendix all the way to Appendix
4 8, but then what we did for the Board members is we
5 hired this independent consultant to do a review.

6 And the review says that based on -- on
7 the frameworks that we've done, and the prioritization
8 and so on, that you will get value for money. And so
9 now -- and that's why I -- I didn't put more money
10 into the road safety this year because I -- we
11 couldn't really -- from a process perspective I want
12 these committees now to -- to do their -- their work
13 based on the -- on -- on the -- the scope of those
14 committees.

15 And then they'll be able to come up
16 with the initiatives, and I think we're going to see a
17 change to that slide that -- that you saw earlier
18 today that showed the road safety budget. And the
19 budget may go up, as I mentioned, based on the input
20 from -- from these people.

21 And so that's how you get to -- to the
22 best of our abilities how we could comply to the Order
23 that the Board members now have a -- are satisfied
24 that -- that the framework and the methodologies that
25 we're following will yield value for money because a

1 lot of the road safety work is intangibles.

2 It's a little bit like -- I know MPI is
3 doing the right thing. Every Halloween we -- you
4 know, we purchase a hundred and fifty thousand
5 (150,000) tote bags that are reflective. We want
6 those kids to be seen. They're going to be coming out
7 of between cars. They're going to be running all over
8 the place on the streets. And I don't know -- I don't
9 know if we save one or not, but it's the right thing
10 to do.

11 But what we've done, I think, meets the
12 -- it's compliant to the Order. That's what -- and I
13 wouldn't mind getting some feedback on that because we
14 worked very hard to satisfy that Order.

15

16 (BRIEF PAUSE)

17

18 MR. CHRISTIAN MONNIN: On -- on that
19 particular point, Diana, could you, please, go to page
20 21 of Mr. Guimond's evidence slide deck.

21

22 (BRIEF PAUSE)

23

24 MR. CHRISTIAN MONNIN: Now, much to
25 your chagrin, a great deal of the balance of my cross-

1 examination is going to be dealing with this
2 particular report. And we've just heard you say that
3 you wanted some feedback from the Board because a
4 tremendous amount of work went into it.

5 But the third paragraph -- sorry, the -
6 - the second bullet:

7 "An independent third party
8 evaluation of our approach concludes
9 while elements -- elements of this
10 work are found internationally,
11 collectively they form a superior
12 program model which when fully
13 integrated and refined should be
14 shared as an ideal."

15 And there's a couple other slides where
16 you deal with -- with the IBM report. But for
17 something that's so important very little time, I'm
18 going to suggest to you, was -- was spent elaborating
19 on this to the Board and in the evidence provided.
20 I'm looking at a couple bullets.

21 Why is that?

22

23 (BRIEF PAUSE)

24

25 MR. DAN GUIMOND: One (1) moment,

1 please

2

3

(BRIEF PAUSE)

4

5

MR. DAN GUIMOND: My presentation is
6 very high level, and it's designed to highlight
7 various aspects of our -- of what we're doing as a
8 Corporation and provides an overview to the Board in
9 terms of our strategic direction, what we've done, and
10 so on, road safety being one (1) aspect of it.

11

What the Corporation did do though, in
12 terms of how important this is, is if we look at
13 Volume I and Volume III, you can see that we've made
14 significant investment and spent a lot of time on this
15 file. And going back to -- to value for money, if we
16 -- if we go to the -- the report that was provided by
17 the consultant on AI-13, Appendix 10, and if we go to
18 page 49, please. At the top there's a paragraph.

19

And so the Corporation spent
20 significant sums of money and -- and this whole loss
21 prevention and road safety file is a significant
22 component of our rate app (phonetic). If you look at
23 Volume I and Volume III. And if we look at this
24 paragraph we can see one (1) -- one (1), two (2),
25 three (3), four (4), five (5), six (6) -- six (6)

1 lines from the bottom we can see where it says:

2 "MPI has chosen a model intended to
3 optimize its funding or provide a
4 return on investment that would
5 contribute to achieving its goals.
6 In linking the elements of its road
7 safety framework including priority
8 setting and program development,
9 priority validation, and issue
10 analysis, and monitoring and
11 evaluation, allocation of funding to
12 support the Crown (phonetic) is a
13 credible and supportable approach to
14 successful road safety programming."

15 That is why next year if the budget
16 grows and we come here and we ask the Board for more
17 money in terms of rate setting and approving, that
18 you'll have confidence that what we're doing is
19 satisfactory.

20 MR. CHRISTIAN MONNIN: Thank you, Mr.
21 Guimond. And the Order requested an independent
22 review of the optimal size, an independent review of
23 the current road safety portfolio. And we're going to
24 touch upon that further in -- in the cross-
25 examination.

1 But you said that the Corporation has
2 spent significant sums of money doing this. Has --
3 has -- in fact, have you indicated how much money the
4 Corporation has spent to do this?

5

6 (BRIEF PAUSE)

7

8 MR. DAN GUIMOND: We'll take that as
9 an undertaking just to make sure the number is -- is
10 specific versus an approximation.

11

12 --- UNDERTAKING NO. 34: MPI to indicate how much
13 money was spent to review
14 the current road safety
15 portfolio

16

17 MR. DAN GUIMOND: And regarding the
18 independent assessment, I would ask that we go to AI -
19 - Volume III, AI-13, Appendix 9. This is the person
20 who did the assessment. That's their curriculum vitae
21 and...

22

23 (BRIEF PAUSE)

24

25 CONTINUED BY MR. CHRISTIAN MONNIN:

1 MR. CHRISTIAN MONNIN: Diana, if you -
2 -

3 MR. DAN GUIMOND: I think we can see
4 by the -- the credential that this -- this person is
5 very knowledgeable in this particular area.

6 MR. CHRISTIAN MONNIN: And just so I'm
7 clear, the -- the Corporation is putting forward this
8 report as an expert's report?

9

10 (BRIEF PAUSE)

11

12 MR. DAN GUIMOND: We're putting it as
13 evidence. That's...

14 MR. CHRISTIAN MONNIN: And as is borne
15 out in my IR -- in Bike Winnipeg's IRs, a request was
16 made to produce Ms. Kroeker-Hall and that request was
17 denied, correct?

18

19 (BRIEF PAUSE)

20

21 MR. DAN GUIMOND: Yeah, that's
22 correct. We wouldn't be producing this person as a
23 witness.

24 MR. CHRISTIAN MONNIN: Diana, if you'd
25 just go to IR 2-5, please. So we've established that

1 Ms. Kroeker-Hall's report has been submitted as
2 evidence. And it's been submitted in response to
3 Board Order 135/'14. And in this particular IR -- IR,
4 Bike Winnipeg asked a series of questions, but in
5 particular regard to Question A, B, and D. For
6 example, 'A', "Does Sirius" -- and that's Ms. Kroeker-
7 Hall's company:

8 "Find that MPI's claim reduction goal
9 is significantly different than the
10 road safety goals of OECD, WHO, or
11 the World Bank?

12 B) Does Sirius find that MPI's road
13 safety priorities are different than
14 those of the jurisdictions who pursue
15 the goals of reducing fatalities and
16 serious injuries, and what respects?"

17 And:

18 "D) Does Sirius identify any agency
19 in Manitoba with the mandate to
20 reduce social costs resulting from
21 motor vehicle collisions?"

22 And the response to that, I'm
23 paraphrasing, but it's, Why don't you go read the
24 report? See, the Corp -- what I'm struggling with,
25 Mr. Guimond, is the Corporation has been ordered by

1 this Board to put forward a report, an independent
2 report. Bike Winnipeg, as an Intervenor in these
3 proceedings, is asking a question about your report,
4 which 'your' being the Corporation.

5 If the Corporation is putting forward
6 to satisfy the requirements of a Board order, we're
7 asking questions, and the response is, I'll suggest, a
8 flippant response of:

9 "Refer to the author's report for the
10 analysis and conclusions contained
11 therein."

12 I'd suggest that the response could be,
13 No, in regards to number -- to question A. It -- the
14 Sirius report doesn't find MPI's claim reduction goals
15 significant different. It's your report, which you're
16 standing on in this hearing, and questions are being
17 asked about your report, 'your' being the Corporation.
18 And the response is, Go read it.

19 How do you justify that?

20 MR. DAN GUIMOND: Well, it -- it's
21 unfortunate that you've interpreted the response in
22 that manner. There is, you know, hundreds of IRs,
23 hundreds of questions and so on. And we try to follow
24 a process where we want to be very consistent in our
25 answers. And so we will often refer to -- we'll even

1 refer answers on some IRs to other IRs, or -- or to
2 reports, or to sections of the rate app. And so
3 that's been the practice that's been ongoing for
4 years.

5 And if you -- if you take it in that
6 manner, I -- I apologize. But it's been a -- a
7 process that has been followed over the years that's -
8 - that's been done year over year over year. And it's
9 -- it's not meant in -- in how you've interpreted it.
10 So -- so my -- my apologies if you interpreted it that
11 way, but it's -- it's a -- a process that we've used
12 for years and years, and nobody has -- nobody has
13 taken objection to it to the best of my knowledge.

14 MR. CHRISTIAN MONNIN: Mr. Guimond,
15 we're dealing with the new construct. And this is the
16 report that's been submitted with respect to this new
17 construct, and which was brought up last year. And if
18 memory serves me correctly, the new -- the notion of
19 the new construct was --was pegged as unprecedented
20 and not done in any other jurisdiction. And this
21 report has responded to that.

22 So this is not like every other year.
23 And this report has been submitted in particular
24 regard to an order, so it's not like every other year.
25 And it's the first time that this report has been put

1 before the Board. And the questions that are being
2 asked about the content of the report and the response
3 that we get is:

4 "Refer to the author's report for the
5 analysis and conclusions contained
6 therein."

7

8 (BRIEF PAUSE)

9

10 MR. CHRISTIAN MONNIN: I -- is there a
11 question in that? I just -- I -- I'll leave it at
12 that.

13 And, Madam Chair, this might be an
14 appropriate time to break. It's 4:18. I have about
15 another hour, maybe an hour and a quarter dealing
16 almost entirely with the report and we should probably
17 break for the day if -- if that's fine with the panel.

18

19 --- EXHIBIT NO. BW-4: Book of documents

20

21 THE CHAIRPERSON: Thank you very much,
22 Mr. Monnin. We will now adjourn for the day. And I
23 just want to remind people that tomorrow we will
24 reconvene at 9:00 a.m.

25

And for your information, we'll be

1 devoting the entire day to an interactive joint
2 testimony of Mr. Luke Johnston, the actuary for MPI,
3 and Ms. Andrea Sherry, the actuary representing CAC.
4 And the process will be articulated more clearly
5 tomorrow.

6 As well, I just would like you to know
7 that we will be having a later lunch hour tomorrow,
8 from 12:30 to 1:30. So enjoy your evening, and we'll
9 see you tomorrow at 9:00 a.m.

10

11

(PANEL RETIRES)

12

13 --- Upon adjourning at 4:19 p.m.

14

15

16

17

18 Certified correct,

19

20

21

22

23 _____
Robert Keelaghan, Mr.

24

25