

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
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17  
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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE (MPI)  
GENERAL RATE APPLICATION  
FOR 2007/08 INSURANCE YEAR

Before Board Panel:

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

HELD AT:

Public Utilities Board  
400, 330 Portage Avenue  
Winnipeg, Manitoba  
October 10th, 2006  
Pages 846 to 1037

## APPEARANCES

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	TABLE OF CONTENTS	
		PAGE NO.
1		
2		
3	List of Exhibits	849
4	List of Undertakings	850
5		
6		
7	PANEL 1 - MPI	
8	BARRY GALENZOSKI, Resumed	
9	DON PALMER, Resumed	
10	MARILYN MCLAREN, Resumed	
11	WILF BEDARD, Resumed	
12		
13	Cross-Examination by Mr. Raymond Oakes	853
14	Discussion	951
15	Cross-Examination by Dr. Peter Miller	957
16	Discussion	995
17	Cross-Examination by Mr. Nick Roberts	999
18	Cross-Examination by Mr. Robert Dawson	1017
19		
20		
21	Certificate of Transcript	1037
22		
23		
24		
25		

	EXHIBITS		
	No.	Description	Page No.
1			
2			
3	CMMG-3	Book of materials for	
4		cross-examination.	852
5	RCM/TREE-3	Handouts by RCM/TREE	971
6	MPI-13	Response to Undertaking No. 17.	994
7	MPI-14	Response to Undertaking No. 21.	995
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

UNDERTAKINGS			
1	2	Description	Page No.
3	16	MPI to advise CMMG how many claims	
4		sport bikes record annually.	860
5	17	MPI to advise CMMG what the relativity	
6		that the Vehicle Information Centre of the	
7		Insurance Bureau of Canada suggests for	
8		sport bikes.	870
9	18	MPI to advise CMMG how much, in dollars,	
10		commissions have risen from 2002 to 2006.	885
11	19	MPI to advise CMMG that if a lower	
12		credibility had been assigned to	
13		motorcycles by rate group, would there be	
14		more weight assigned to the existing rate	
15		line differential and, thereby,	
16		less change.	900
17	20	MPI to advise CMMG what would be the effect	
18		on the rate line, if the credibility	
19		constant that is used for the insurance	
20		use and territorial relativities is used	
21		for the rate line.	902
22	21	MPI to define for CMMG "C_PR" from page 23	
23		of the collision severity report.	910
24			
25			

UNDERTAKINGS (Cont'd)			
	No.	Description	Page No.
1			
2			
3	22	MPI to provide CMMG actual amounts	
4		written off in the last 3 years.	944
5	23	MPI to check for CMMG on the availability	
6		of third party insurance for motorcycles.	950
7	24	MPI to provide RCM/TREE with action plan	
8		referenced on MPI website.	960
9	25	MPI to provide RCM/TREE with the sustainable	
10		development impact analysis.	961
11	26	MPI to supply MUCDA the difference	
12		between dealer plates with loss transfer	
13		and without.	1010
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

1 --- Upon commencing at 9:09 a.m.

2

3 THE CHAIRPERSON: Good morning, everyone.

4 I understand our schedule has been changed slightly due

5 to the unfortunate illness of Mr. Williams. And Mr.

6 Oakes has volunteered for CMMG to begin today.

7 Mr. Oakes...?

8

9 MPI PANEL:

10 BARRY GALENZOSKI, Resumed

11 DON PALMER, Resumed

12 MARILYN MCLAREN, Resumed

13 WILF BEDARD, Resumed

14

15 MR. RAYMOND OAKES: Thank you, Mr.

16 Chairman, happy to help out. I've handed out this

17 morning our book of materials for use in cross-

18 examination and conferred with the Board Secretary who

19 advises me that if accepted by the Board that would be

20 Exhibit Number 3 CMMG.

21 THE CHAIRPERSON: Very good, Mr. Oakes.

22

23 --- EXHIBIT NO. CMMG-3: Book of materials for cross-

24 examination.

25

1 MR. RAYMOND OAKES: And while that index  
2 of material does contain a number of documents, it does  
3 not contain the CMMG Interrogatories so the participants  
4 this morning will have to have those materials handy and  
5 the first question actually is CMMG-181.

6

7 (BRIEF PAUSE)

8

9 THE CHAIRPERSON: Sorry, Mr. Oakes. I  
10 think everyone is fine.

11 MR. RAYMOND OAKES: Excellent.

12

13 CROSS-EXAMINATION BY MR. RAYMOND OAKES

14 MR. RAYMOND OAKES: In Interrogatory CMMG  
15 1081, the Corporation was asked to please update the  
16 table related to the increase in motorcycle rates filed  
17 in response to CMMG/MPI-1-1 through CMMG-1-4, of the  
18 application for previous year.

19 And the Corporation provided the  
20 attachments that we find to that Interrogatory. I'd ask  
21 the CMM -- or the MPI Witness to confirm that over the  
22 last ten (10) years, motorcycle rates have increased and  
23 it's been more than a doubling of the rates over that ten  
24 (10) year period?

25 MR. DON PALMER: I can confirm that.



1 MR. RAYMOND OAKES: And I believe the  
2 actual percentage is 124.4 percent, is that correct, sir?

3 MR. DON PALMER: That's correct.

4 MR. RAYMOND OAKES: And during that time,  
5 passenger vehicle rates have decreased?

6 MR. DON PALMER: By 7.1 percent according  
7 to the table.

8 MR. RAYMOND OAKES: Thank you, sir. And  
9 looking at the table can you advise what percent of  
10 motorcycles receive a rate increase of a hundred dollars  
11 (\$100) if the applied for rates are approved?

12 I believe that's 44.1 percent if you can  
13 confirm that, sir?

14 MR. DON PALMER: Is there a reference,  
15 please?

16

17 (BRIEF PAUSE)

18

19 CONTINUED BY MR. RAYMOND OAKES:

20 MR. RAYMOND OAKES: I'll come back to  
21 that question and I'll find you the reference. I believe  
22 there was something in the pre-filed testimony.

23 And I understand that for sport bikes, the  
24 highest increase for a sport bike is four hundred and  
25 thirty-one dollars (\$431)?

1 MR. DON PALMER: Again, I'd need a  
2 reference but, subject to check, I can accept that.

3 MR. RAYMOND OAKES: Just -- the reference  
4 is CMMG-1-86 with respect to our previous question about  
5 the rider receiving the largest proposed increase.

6 Can you confirm the largest motorcycle  
7 premium increase is four hundred and thirty-one dollars  
8 (\$431)?

9 MR. DON PALMER: I'll confirm that.

10 MR. RAYMOND OAKES: And as indicated in  
11 the response to CMMG-1-86, 44.1 percent of motorcycles  
12 are receiving an increase over a hundred dollars (\$100)?

13 MR. DON PALMER: That's correct.

14

15 (BRIEF PAUSE)

16

17 MR. RAYMOND OAKES: And by way of  
18 reference to TI.5 at page 2(a), looking at the dollar  
19 range for touring motorcycles, would you agree with me  
20 subject to check, that the highest increase for touring  
21 motorcycles is about two hundred and forty dollars  
22 (\$240)?

23 MR. DON PALMER: Subject to check, I can  
24 accept that, yes.

25 MR. RAYMOND OAKES: And similarly in the

1 same document, T1.5.2(a); for other motorcycles the  
2 highest increase is also that same range two hundred and  
3 forty dollars (\$240)?

4 MR. DON PALMER: Again subject to check,  
5 yes.

6 MR. RAYMOND OAKES: So based on that, if  
7 a rider had a sport bike, a touring bike and another body  
8 style, so increases of four hundred and thirty (430), two  
9 hundred and forty (240) and two hundred and forty (240);  
10 then cumulatively they could be facing an increase of  
11 nine hundred and ten dollars (\$910)?

12 MR. DON PALMER: If they were all in the  
13 proper CC categories and territories and rate groups I'll  
14 -- I'll accept that.

15 MR. RAYMOND OAKES: And still staying  
16 with that T1.5 Part 2(a) the highest rate increase for  
17 all purpose passenger vehicles is about ninety dollars  
18 (\$90).

19 MR. DON PALMER: Do you have a page  
20 reference please?

21 MR. RAYMOND OAKES: I'm showing page 2,  
22 dollar range comparison for all territories by major  
23 class and insurance use.

24 MR. DON PALMER: Yes, that's all purpose  
25 passenger vehicles highest of ninety dollars (\$90). Yes.

1 MR. RAYMOND OAKES: And over to page 6 of  
2 that document the all purpose trucks, the highest  
3 increase is about eighty dollars (\$80)?

4 MR. DON PALMER: That's correct.

5 MR. RAYMOND OAKES: So as opposed to the  
6 motorcyclist with three (3) vehicles, if an insured had a  
7 all-purpose passenger vehicle, all-purpose truck, in the  
8 worse-case scenario then they're looking at an increase  
9 for two (2) of those vehicles of about a hundred and  
10 sixty dollars (\$160), hundred and seventy dollars (\$170)?

11 MR. DON PALMER: The increase is based on  
12 experience and the other rules that we have, yes, that's  
13 correct.

14 MR. RAYMOND OAKES: And for 2007/2008,  
15 the year of the application, based on Table TI.2 which  
16 includes loss transfer for PIPP claims, as described in  
17 PUB Order 97-05 is the required increase for motorcycles  
18 13.7 percent?

19 MR. DON PALMER: After credibility  
20 weighting, that's correct.

21 MR. RAYMOND OAKES: And when we looked at  
22 the response to CMMG-1-16 without loss transfer for  
23 injury claims the required rate increase for motorcycles  
24 would have been 29.1 percent; can you confirm that, sir?

25 MR. DON PALMER: Sorry, your reference

1 again please?

2 MR. RAYMOND OAKES: It was --

3 MR. DON PALMER: That's confirmed. Got  
4 it.

5 MR. RAYMOND OAKES: Thank you, sir. So  
6 the form of loss transfer adopted by this Board has  
7 resulted in about a 15 percent decrease in required rates  
8 for motorcycles, is that correct?

9 MR. DON PALMER: That's correct.

10 MR. RAYMOND OAKES: And in Board Order  
11 97-05 the third point ordered the Corporation to consider  
12 the effect of loss transfer on collision and  
13 comprehensive claims; do you recall that, sir?

14 MR. DON PALMER: I think the words are  
15 'consider the feasibility'.

16 MR. RAYMOND OAKES: And does the  
17 Corporation have a date that it proposes to file  
18 documentation in that regard?

19 MR. DON PALMER: Not as yet.

20 MR. RAYMOND OAKES: Has some  
21 consideration been given to producing that material?

22 MR. DON PALMER: Can you rephrase the  
23 question, please?

24 MR. RAYMOND OAKES: Has the Corporation  
25 given consideration to producing that material?

1 MR. DON PALMER: We've given  
2 consideration to study the feasibility.

3 MR. RAYMOND OAKES: And in studying the  
4 feasibility would that include the effect on required  
5 rates for motorcycles?

6 MR. DON PALMER: I think that's another  
7 step down the road. I mean, if -- if we determine it's  
8 not feasible then we wouldn't get that far.

9 MR. RAYMOND OAKES: And if you did  
10 determine it was feasible you would include the effect on  
11 the required rates for motorcycles, is that correct?

12 MR. DON PALMER: Sure.

13 MR. RAYMOND OAKES: Given that loss  
14 transfer for injury claims reduced required rates for  
15 motorcycles in the order that we discussed would you  
16 expect the loss transfer for collision claims would also  
17 decrease the rate requirements for motorcycles?

18 MR. DON PALMER: Likely it would.  
19 Probably by a very -- a much smaller number because the  
20 amount of collision claims are proportionally a lot less,  
21 so sure, it -- it would decrease it but only marginally.

22 MR. RAYMOND OAKES: Turning to the issue  
23 of sport bikes, can you advise roughly how many sport  
24 bikes are insured annually?

25 I have a reference for that, again, going

1 back to TI.5.2(a); it's showing 933 if the Corporation  
2 can confirm. It's at page 19.

3 MR. DON PALMER: Again subject to check,  
4 but I'll take your word for it.

5 MR. RAYMOND OAKES: With respect to these  
6 nine hundred and thirty-three (933) sport bikes, can the  
7 Corporation advise how many claims that sport bikes would  
8 record annually?

9 MR. DON PALMER: I'll have to take that  
10 as an undertaking, Mr. Oakes.

11 MR. RAYMOND OAKES: If you would please.

12

13 --- UNDERTAKING NO. 16: MPI to advise CMMG how many  
14 claims sport bikes record  
15 annually.

16

17 CONTINUED BY MR. RAYMOND OAKES:

18 MR. RAYMOND OAKES: Looking at CMMG-1-85  
19 if you could put that Interrogatory before yourselves.

20 And the Interrogatory asks:

21 "What statistical evidence does the  
22 Corporation rely on in justifying the  
23 increase in the rate differential  
24 proposed for sport bikes in this  
25 application? Is it the Corporation's

1 position that such evidence is  
2 statistically valid and reliable?"

3 And the question that arises out of the  
4 Corporation's answer in 1-85: Is the reason for the 15  
5 percent increase in sport bikes due to the increase in  
6 the raw relatively which is derived from the claims data?

7

8 (BRIEF PAUSE)

9

10 MR. DON PALMER: I'm going to refer you  
11 TI.20.

12 MR. RAYMOND OAKES: Yes, I see that the  
13 answer refers to TI.20 Exhibit 18 at page 5; is that your  
14 reference?

15 MR. DON PALMER: It's Exhibit 18, page 5  
16 of 6. The raw relativity shows for sport bikes, four  
17 point four five one nine (4.4519); that's balanced again  
18 so it all balances to one (1) across the major  
19 classification to a four point seven eight five eight  
20 (4.7858).

21 The credibility for that group is -- is  
22 quite low, however, only at about 6 percent credibility.  
23 After credibility weighting we have a balanced  
24 credibility-weighted relativity of one point seven three  
25 two seven (1.7327) so we selected one point seven five



1 (1.75) and then balanced again to one point seven four  
2 (1.74).

3 MR. RAYMOND OAKES: And just for the  
4 benefit of the Board, the information that Mr. Palmer is  
5 speaking about is in the second tab set, TI.20, Exhibits  
6 18 one (1) to -- pages 1 to 6 contained in the CMMG  
7 materials this morning. I have a number of questions on  
8 the issue of those raw relativities.

9 MR. DON PALMER: Sure.

10 MR. RAYMOND OAKES: Mr. Palmer, when we  
11 look at that table in TI.20 Exhibit 18 page 5, when we  
12 look to the right of the table is the current 2006/'07  
13 relativity one decimal three eight zero eight (1.3808)?

14 MR. DON PALMER: It is.

15 MR. RAYMOND OAKES: And what is that  
16 relativity based on?

17 MR. DON PALMER: That's based on the  
18 current rates that are being charged for the '06/'07  
19 policy year.

20 MR. RAYMOND OAKES: Okay. And the  
21 credibility-weighted relativity is one point five eight  
22 three seven (1.5837)?

23 MR. DON PALMER: That's correct.

24 MR. RAYMOND OAKES: And how is that  
25 determined?

1                   MR. DON PALMER:     It's a calculation of  
2 the credibility weight times the -- the balanced  
3 relativity added to the complement of credibility which  
4 is one (1) minus the point-o-five nine six (.0596) times  
5 the current relatively of one point three eight zero  
6 eight (1.3808).

7                   MR. RAYMOND OAKES:    So what would the  
8 balance credibility weighted relatively be?

9                   MR. DON PALMER:     Balanced credibility  
10 weighted is one point seven three two seven (1.7327).

11                  MR. RAYMOND OAKES:    And that would be  
12 balanced to the total weight or revenue for motorcycles?

13                  MR. DON PALMER:     Not quite.  Balanced so  
14 that the average relatively for the whole class is one  
15 (1).

16                  MR. RAYMOND OAKES:    And in balancing the  
17 relativity for the sport bikes in the way that you have,  
18 did that result in the same amount of increase from one  
19 point five eight three seven (1.5837) to one decimal  
20 seven three two seven (1.7327); as the change in  
21 relatively due to claims cost that was a change of one  
22 decimal three eight zero eight (1.3808) to one decimal  
23 five eight three eight (1.5838)?

24                  MR. DON PALMER:     Could you repeat the  
25 question please?

1 MR. RAYMOND OAKES: Did balancing the  
2 relativities for sport bikes in this manner result in  
3 about the same amount of increase from one decimal five  
4 eight three seven (1.5837) to one decimal seven three two  
5 seven (1.7327), as the change in relativity due to claims  
6 costs, which was one decimal three eight zero eight  
7 (1.3808) to one decimal five eight three eight (1.5838).

8 In other words, was there about the same  
9 change in relativity?

10 MR. DON PALMER: Sorry -- if there was it  
11 would be a coincidence. The current relativity of one  
12 point three eight zero eight (1.3808) are already  
13 balanced. So it's after credibility weighting that we go  
14 to one five eight three seven (1.5837).

15 So there's not really a relationship  
16 between the one thirty-eight-o-eight (1.3808) and the one  
17 fifty eight thirty seven (1.5837).

18 MR. RAYMOND OAKES: You'll agree that  
19 they changed about the same amount?

20 MR. DON PALMER: Coincidentally, sure.

21 MR. RAYMOND OAKES: And the Corporation's  
22 created another relativity which it terms the selected  
23 relativity, is that correct?

24 MR. DON PALMER: That's correct.

25 MR. RAYMOND OAKES: And that would be a

1 number of one point seven five triple zero (1.75000), is  
2 that correct?

3 MR. DON PALMER: I see double zero, but  
4 sure.

5 MR. RAYMOND OAKES: And how was that  
6 determined?

7 MR. DON PALMER: Good old fashioned  
8 rounding.

9 MR. RAYMOND OAKES: Would good old  
10 fashioned rounding, be another word for your judgment?

11 MR. DON PALMER: Which we then balance so  
12 that the average is one again to the one point seven four  
13 one seven (1.7417), which is actually used.

14 MR. RAYMOND OAKES: So you would agree  
15 that the selected relativity is a relativity that is  
16 created by judgment?

17 MR. DON PALMER: A teeny bit of judgment,  
18 but, sure.

19 MR. RAYMOND OAKES: Looking at the  
20 balance credibility weighted relativity; did the  
21 relativity increase from the credibility weighted  
22 relativity for each motorcycle?

23 MR. DON PALMER: Again, to make the  
24 average one (1), yes.

25 MR. RAYMOND OAKES: And did it decrease

1 substantially for motor scooters?

2 MR. DON PALMER: From the credibility  
3 weighted to the balance credibility weighted it increased  
4 for everybody, because it's a pro-rata calculation. But,  
5 the selected was significantly less than the balanced,  
6 yes.

7 MR. RAYMOND OAKES: Okay. The result of  
8 that then was it indicated motorcycles rates are higher  
9 for each type of motorcycle than if the credibility  
10 weighted relativity had been used, is that correct?

11 MR. DON PALMER: Only marginally. You're  
12 talking about applying it to seventy-one (71) vehicles,  
13 so there's hardly any effect, at all.

14 MR. RAYMOND OAKES: And the result though  
15 was the opposite direction from motor scooters that it  
16 became lower for motor scooters?

17 MR. DON PALMER: That's correct. Again  
18 based on the credibility weighting. But, that's for  
19 motor scooters; that's zero claims.

20 MR. RAYMOND OAKES: Just looking at TI.20  
21 Exhibit 18-1 and it's indicating that a higher relativity  
22 was created for private passenger vehicles by adding in  
23 the extra balance credibility weighting relativity step,  
24 is that correct?

25 MR. DON PALMER: Again, could you give me

1 the specific reference?

2

3

(BRIEF PAUSE)

4

5

MR. RAYMOND OAKES: It would be that first page in the tab materials, Exhibit 18-1. And the question is: Was a higher relativity created for private passenger vehicles by adding in this extra balance credibility-weighted relativity step?

10

And I believe that the Corporation has not taken that step.

12

MR. DON PALMER: We haven't selected a relativity in the private passenger because generally there's more credibility involved. So there was a management judgment step within the motorcycles, yes.

16

MR. RAYMOND OAKES: And that's the difference between the private passenger and the -- and the motorcycles as you've just said that the motorcycle selected relativity involves the Corporation undertaking some judgment in that respect?

21

MR. DON PALMER: Yes.

22

MR. RAYMOND OAKES: And the higher relativity wasn't created for commercial or public class vehicles by adding in that step either, was it?

25

MR. DON PALMER: The balancing did

1 increase all the credibilities from the credibility-  
2 weighted relativity to the new relativity, so, that's the  
3 balancing.

4 MR. RAYMOND OAKES: Well, the question  
5 was: Did you use that selected relativity that's higher  
6 for commercial and public class vehicles in this  
7 application?

8 MR. DON PALMER: The selection of the  
9 balanced relativities for motorcycles is 1 percent. The  
10 -- the selection -- and -- and the reason that we  
11 balanced them was to make them transparent, that we are  
12 harmonizing the scooter rates and the moped rates and at  
13 that time we -- we rounded them all and then we balanced  
14 them so the -- the increase that you're talking about is  
15 negligible.

16 MR. RAYMOND OAKES: I wonder if the --  
17 Mr. Palmer, if you could address the question that I'd  
18 asked you which was: Did you take that additional step  
19 for commercial and public class vehicles?

20 MR. DON PALMER: We did not round the  
21 credibility rates, no.

22 MR. RAYMOND OAKES: You did not create a  
23 selected relativity that was higher?

24 MR. DON PALMER: It was because -- the  
25 reason that we took that step was to harmonize the moped

1 and the motor scooter rates and that was the reason that  
2 -- that we made that selection.

3 MR. RAYMOND OAKES: I realize you're now  
4 answering about whether you did that for motorcycles.  
5 Can you please indicate whether you created this higher  
6 relativity for commercial and public class vehicles?

7 MR. DON PALMER: The balancing created  
8 the higher relativity for all of them, but we did not  
9 have a special selected relativity for the other classes,  
10 no.

11 MR. RAYMOND OAKES: Thank you for that  
12 answer. How about trailers?

13 MR. DON PALMER: Trailers is the same as  
14 the other classes.

15 MR. RAYMOND OAKES: And you did not  
16 create the selected relativity for them?

17 MR. DON PALMER: That's correct.

18 MR. RAYMOND OAKES: Thank you, sir. What  
19 is the relativity that the Vehicle Information Centre of  
20 the Insurance Bureau of Canada suggests for sport bikes?

21 MR. DON PALMER: Do you have a reference  
22 for me, please?

23 MR. RAYMOND OAKES: I don't actually.

24 MR. DON PALMER: It'll be an undertaking.  
25 It's somewhere in the Information Requests, but we'll --



1 we'll dig it out for you.

2 MR. RAYMOND OAKES: Thank you, sir.

3

4 --- UNDERTAKING NO. 17: MPI to advise CMMG what the  
5 relativity that the Vehicle  
6 Information Centre of the  
7 Insurance Bureau of Canada  
8 suggests for sport bikes.

9

10 CONTINUED BY MR. RAYMOND OAKES:

11 MR. RAYMOND OAKES: With respect to -- we  
12 talked a little bit about the hundred and forty (140)  
13 sport bikes that were mis-specified in previous years and  
14 the reference was CMMG-2-7; the seventh question in the  
15 second round of Interrogatories.

16 When did MPI first become aware that there  
17 was an error in the classification of some motorcycles as  
18 sport bikes when in fact they were not sport bikes?

19 MR. DON PALMER: There's no error, sir.

20 MR. RAYMOND OAKES: Would you agree with  
21 me that they were classified as sport bikes and then  
22 taken out of that category?

23 MR. DON PALMER: Reclassification of  
24 vehicles is part of our normal annual activity and they  
25 were reclassified. There was no error.

1 (BRIEF PAUSE)

2

3 MR. RAYMOND OAKES: When did the mis-  
4 specification come to the Corporation's attention?

5 MR. DON PALMER: In the study that we did  
6 specifically for sport bikes, and that was done as a  
7 result of a Board recommendation of last year in Board  
8 Order 1 -- or two years ago, 148/'04 -- 148/'04.

9 So we analysed all the sport bikes. We  
10 had certainly input from the CMMG. And at that time we  
11 looked at some of the decision criteria and changed some;  
12 that would have been in about April of '06.

13 MR. RAYMOND OAKES: You'll agree with me  
14 and the reference I have is with respect to the third tab  
15 in the CMMG materials, excerpts from Digi-Tran from 2005  
16 MPI rate, specifically page 871 which is the third page  
17 of transcript contained in those materials.

18 At that -- the Corporation was made aware  
19 that there were a number of sport bikes or motorcycles  
20 categorized as sport bikes that turned out not to be  
21 sport bikes. The Corporation was aware as early as  
22 October 21st, 2004, that there are errors in the  
23 classification?

24 MR. DON PALMER: First of all, not  
25 errors. Second of all, at that time in April of '04 we

1 did have a meeting with the members of the CMMG. They  
2 endeavoured to help us out because they are the  
3 motorcycle experts and it was about fourteen (14) months  
4 before we got the answers back from them.

5 MR. RAYMOND OAKES: So you're -- you're  
6 pointing to a delay based on volunteers; is that what the  
7 Corporation relays on in its classification schemes, sir?

8 MR. DON PALMER: No, sir, they offered to  
9 help and we accepted that help.

10 MR. RAYMOND OAKES: But you'll agree with  
11 me as early as October 21st, 2004, the Corporation was  
12 aware that there was a mis-classification of a number of  
13 bikes?

14 MR. DON PALMER: We were aware of a  
15 question for us. We didn't know at that time that they  
16 were mis-classified. We said that we would endeavour to  
17 look into it and we did.

18 MR. RAYMOND OAKES: And how long did it  
19 take you to correct what the Corporation says was not an  
20 error?

21 MR. DON PALMER: Could you repeat the  
22 question, please?

23 MR. RAYMOND OAKES: When did the  
24 Corporation correct what they say was not an error in  
25 those classifications?

1 MR. DON PALMER: I don't think you can  
2 correct something that's not an error, Mr. Oakes.

3 MR. RAYMOND OAKES: When did they move  
4 the motorcycles out of the sport category that were mis-  
5 classified as sport bikes?

6 MR. DON PALMER: That's not correct  
7 either. They were classified as sport bikes with new  
8 information we're proposing under this application to  
9 reclassify them for the '07/'08 year.

10 MR. RAYMOND OAKES: And what does the  
11 Corporation ascribe to that long delay in attending to  
12 that matter?

13 MR. DON PALMER: There really isn't much  
14 information to go by. We had been ordered last year to  
15 re-look at the sport classifications. And you know,  
16 within our own priority setting, we have done it in the  
17 past year.

18 I can't tell you much more than that.  
19 But, there is not much information and maybe it was in  
20 good faith that we were relying on the word of the  
21 motorcyclists and they came through for us, but it took  
22 some time as you say because of volunteer information.

23 MR. RAYMOND OAKES: Mr. Palmer, would you  
24 agree that the onus for providing accurate classification  
25 and rates as well as proving the rate case, rests on the

1 Corporation?

2 MR. DON PALMER: I agree with that.

3 MR. RAYMOND OAKES: And with respect to  
4 vehicle classifications for private passenger vehicles,  
5 prior to making change, does MPI rely on local groups  
6 such as the car dealers?

7 MR. DON PALMER: Car dealers don't have  
8 rate groups.

9 MR. RAYMOND OAKES: Do you go to another  
10 community based volunteer organization to assist you with  
11 the classifications on those vehicles?

12 MR. DON PALMER: We have time to time --  
13 it was through discussions with delivery drivers that we  
14 had discussed changes with them. We have ongoing  
15 conversations with antique dealers and classic car  
16 collectors to discuss some of the modified groups.

17 So we have open dialogue with a number of  
18 groups, yes.

19 MR. RAYMOND OAKES: And MPI would have a  
20 group of internal staff whose responsibility includes  
21 correctly assigning descriptions to vehicles?

22 MR. DON PALMER: That's correct.

23 MR. RAYMOND OAKES: In the past, has the  
24 Corporation found errors in vehicle specifications and  
25 corrected them?

1 MR. DON PALMER: Yes.

2 MR. RAYMOND OAKES: And have there been  
3 refunds in that case, for example, when the Corporation  
4 dealt with Ford Crown Victorias?

5

6 (BRIEF PAUSE)

7

8 MR. DON PALMER: I'm not familiar with  
9 that particular case.

10 MR. RAYMOND OAKES: Have there been  
11 refunds in cases of mis-categorization of vehicles?

12 MR. DON PALMER: If there was a specific  
13 error made, then yes there would be -- sometimes there  
14 has been refunds, yes.

15 MR. RAYMOND OAKES: By way of undertaking  
16 could you identify what vehicles were involved, please?

17 MR. DON PALMER: No.

18 MR. RAYMOND OAKES: If there was an error  
19 in the rate application or change that came to the  
20 Corporation after the rate hearing process, could the  
21 Corporation apply for an interim order to deal with that  
22 situation?

23 MR. DON PALMER: I suppose we could, yes.

24 MR. RAYMOND OAKES: And has that been  
25 used in the past to change classifications of vehicles?

1                   MR. DON PALMER:    I think there might have  
2    been one (1) case just as I was starting with the  
3    Corporation in 1990, where there was some body style  
4    issues with farm trucks.    So one (1) in sixteen (16)  
5    years is what I recall.

6                   MR. RAYMOND OAKES:    In CMMG Interrogatory  
7    1-19, the CMMG asked about whether the classification  
8    being passed onto the Insurance Bureau of Canada and the  
9    Corporation's reply was in the negative.

10                   Can you advise us why that information  
11    wouldn't have been passed onto the Insurance Bureau of  
12    Canada?

13

14   (BRIEF PAUSE)

15

16                   MR. DON PALMER:    They don't specifically  
17    look for -- to us for a classification of motorcycles.  
18    They haven't updated their own relativities since, I  
19    think, 1986, so, no, we didn't pass it along.

20                   MR. RAYMOND OAKES:    Mr. Chairman, I'm  
21    moving from that area to a series of questions concerning  
22    the new pleasure use in the application.    And referring  
23    to CMMG Interrogatory 1-23, given that many motorcyclists  
24    will not have renewed their motorcycles for 2006/'07  
25    would you expect the number of pleasure use motorcycles

1 to rise over the course of the 2006/'07 year?

2 MR. DON PALMER: Probably.

3 MR. RAYMOND OAKES: Is the Corporation  
4 anticipating this is going to become an important  
5 insurance use for motorcyclists?

6 MR. DON PALMER: I don't know how you  
7 define "important", but it'll be one that's used by many  
8 motorcyclists, yes.

9 MR. RAYMOND OAKES: And as experience  
10 data becomes available for this use can motorcyclists  
11 expect that the 10 percent differential to pleasure use  
12 will be adjusted to reflect that experience?

13 MR. DON PALMER: Absolutely.

14 MR. RAYMOND OAKES: With respect to the  
15 Interrogatories CMMG-1-21 and 1-22, do the brokers  
16 specifically advise motorcyclists who are insuring under  
17 the pleasure use the limitations on that use?

18 MR. DON PALMER: That's the expectation  
19 as it is with our pleasure use for private passenger  
20 vehicles and for trucks -- for light trucks.

21 MR. RAYMOND OAKES: Can you tell me what  
22 documentation the brokers would use in that regard?

23

24

(BRIEF PAUSE)

25



1 MR. DON PALMER: The training in the  
2 resource material that we have for the brokers, we do an  
3 annual education process for all the brokers, so the  
4 pleasure use in motorcycles would have been included for  
5 this past year's renewal.

6 MR. RAYMOND OAKES: And would that be the  
7 same documentation and training as used for pleasure  
8 passenger vehicles, trucks and motor homes?

9 MR. DON PALMER: Well, for those other  
10 classifications it wasn't new in '06/'07 so there would  
11 have been a special highlight included.

12 MR. RAYMOND OAKES: Does the Corporation  
13 have any documentation to distribute to the motorcyclists  
14 related to the newly available pleasure use for  
15 motorcycles?

16 MR. DON PALMER: Not to my knowledge.

17 MR. RAYMOND OAKES: And are they in the  
18 process of preparing that documentation?

19 MR. DON PALMER: No.

20 MR. RAYMOND OAKES: Moving from that  
21 issue to operating costs, as a western public insurer do  
22 you have frequent contact with the other public insurers,  
23 namely ICBC and SGI?

24 MR. DON PALMER: Sorry, could you repeat  
25 the question, please?

1                   MR. RAYMOND OAKES:    As a western public  
2 insurer, do you have frequent contact with the other  
3 public insurers, namely ICBC and SGI?

4                   MR. DON PALMER:     Yes.

5                   MR. RAYMOND OAKES:    The reference is  
6 CMMG-1-57, looking at claims expenses. With respect to  
7 the table provided as a part of the answer to that  
8 interrogatory have claims expenses in Manitoba grown  
9 faster than other western public insurers?

10                  MR. BARRY GALENZOSKI:   When we're looking  
11 at normalizing the base with respect to either the 2001  
12 or 2002 fiscal year at a hundred (100) our expenses are  
13 showing as increasing more than others. However, they  
14 come from a different base and so, you know, they're not  
15 -- all the bases have been equalized to the same  
16 numerical value at those -- those years of '01 and '02.

17                  MR. RAYMOND OAKES:    So when I look at  
18 those numbers relative to ICBC the growth at MPI appears  
19 to be about 36 percent higher. As a result of your  
20 previous answer, are you telling me that we can't make  
21 that conclusion?

22                  MR. BARRY GALENZOSKI:   Yes, you can't  
23 make that conclusion because of the changes that ICBC  
24 incorporated where they had some drastic staff reductions  
25 because of a process that they had put in place, with

1 respect to their overall costs that they were trying to  
2 get under control.

3 MR. RAYMOND OAKES: Okay. How about SGI  
4 then? I look at those numbers and it looks like MPI's  
5 increasing costs about 12 percent higher than SGI.

6 Can we rely on those?

7

8 (BRIEF PAUSE)

9

10 MR. BARRY GALENZOSKI: Yes, these are  
11 simply just showing the growth that's occurred, if you  
12 take everybody at a hundred (100) at a point in time, the  
13 growth that's occurred since that point in time, but, it  
14 doesn't really look at the overall picture, with respect  
15 to what was the overall costs incurred by each of the  
16 organizations at that point in time.

17 In other words, when you see a hundred  
18 (100) for MPI starting in 2002 compared to a hundred  
19 (100) for ICBC and SGI, at 2001, there's no equivalency  
20 of the numbers at that point in time. This is just  
21 measuring the growth since that point in time.

22 And what this demonstrates is our growth  
23 has been a little bit higher than the other two (2)  
24 organizations.

25 MR. RAYMOND OAKES: Would you agree,

1 relative to SGI it's about 12 percent higher?

2 MR. BARRY GALENZOSKI: Yes I would.

3 MR. RAYMOND OAKES: Are you aware, Mr.  
4 Galenzoski, in BC are you aware of any significant  
5 customer complaints related to poor claims service over  
6 that period?

7 MR. BARRY GALENZOSKI: I know that their  
8 overall customer satisfaction is a lot lower than ours,  
9 so I've got to presume that that would include customer  
10 complaints regarding claims, as well as other processes  
11 that they have in their organization.

12 MR. RAYMOND OAKES: And then in  
13 Saskatchewan, is the basic program similar to Manitoba's?

14 MR. BARRY GALENZOSKI: It's somewhat  
15 similar to Manitoba's, yes.

16 MR. RAYMOND OAKES: And to your  
17 knowledge, do most customers in Saskatchewan select a no-  
18 fault option for injury coverage making it predominately  
19 a no-fault Province?

20 MR. BARRY GALENZOSKI: Yes, anecdotally,  
21 I would agree with that.

22 MR. RAYMOND OAKES: And can you provide  
23 an explanation of why claims expenses are rising as we  
24 indicated more rapidly in Manitoba than Saskatchewan?

25 MR. BARRY GALENZOSKI: Well again, you

1 have to look at the entire picture. As I said, we're not  
2 comparing apples to apples when we look at the 100  
3 percent numbers. So you really have to look back further  
4 than that.

5 This is just indicating that our costs  
6 have risen quicker than SGI's, if we're talking about SGI  
7 at this point in time, over those years 2001 to 2005,  
8 comparing them, and ours 2002 comparing 2006. That's all  
9 that's providing. It's not providing any more deeper  
10 analysis than that.

11 MR. RAYMOND OAKES: With respect to  
12 commissions and premiums taxes; are the bulk of these  
13 costs related to commissions?

14 MR. BARRY GALENZOSKI: Pardon me, could  
15 you say that again?

16 MR. RAYMOND OAKES: Certainly. With  
17 respect to commissions and premium taxes, are the bulk of  
18 these costs related to commissions?

19 MR. BARRY GALENZOSKI: The bulk of the  
20 costs would be relating to commission.

21 MR. RAYMOND OAKES: And has there been  
22 relatively rapid growth in the total amount for these for  
23 basic insurance for the last five (5) years?

24 MR. BARRY GALENZOSKI: Well, with respect  
25 to the basics, there are costs increased by approximately

1 \$6 million when we lost the advantage of the shared costs  
2 that we had with DVL a couple of years ago, when the  
3 Provincial Government withdrew the funding.

4 And I guess another thing I'll point out,  
5 when we're looking at the claims expenses, with respect  
6 to our 2006 year, that also includes road safety costs in  
7 that category, and those costs have been increasing  
8 because the immobilizer incentive program.

9 MR. RAYMOND OAKES: Okay. So I'm looking  
10 at that Schedule 1, MPI Commission and Taxes, and it  
11 shows from the baseline of a hundred (100) points in 2002  
12 up to the hundred an sixty-nine point five (169.5) in  
13 2006.

14 And are we to understand from looking at  
15 that the commissions -- commissions and taxes but,  
16 primarily commissions you've indicated, have gone up 69.5  
17 percent over those years?

18 MR. BARRY GALENZOSKI: Well, that's  
19 driven by volume. The commission factor itself hasn't  
20 gone up on the basic program. It's at 5 percent and  
21 there's some flat fees and whatnot. Premium taxes have  
22 also remained constant.

23 So it relates to the premiums that are  
24 applied against those commissions and to arrive at the  
25 expenditures that we see there.

1                   So you're -- you're not looking at the --  
2     at any increase in those -- in the cost factors.

3                   Another thing I'll point out is that  
4     things like when you're comparing the commissions and  
5     taxes in Saskatchewan, Saskatchewan obviously has less  
6     cover in their Basic program because they raised their  
7     base deductible to a much higher level than we have in --  
8     in Manitoba. Our base deductible is five hundred dollars  
9     (\$500) and I believe theirs is a seven hundred and fifty  
10    dollars (\$750).

11                  So there's less cover available under  
12    their Basic plan, therefore it would reflect in their  
13    overall premium structure and would reflect in their  
14    commission structure in taxes going forward.

15                  MR. RAYMOND OAKES: I understand that  
16    answer, sir.

17                  So, what you've just confirmed to us is  
18    that commissions are paid to brokers on a percent of  
19    premium basis and I think you indicated 5 percent, is  
20    that correct?

21                  MR. BARRY GALENZOSKI: Yes, that's  
22    correct.

23                  MR. RAYMOND OAKES: And given that rates  
24    on average, and I'm looking at private passenger  
25    primarily, have not increased over this time period, is

1 the bulk of the increase due to the natural growth in the  
2 premium base, for example due to newer vehicles receiving  
3 higher rate groups than the older vehicles they replace?

4 MR. BARRY GALENZOSKI: Probably about  
5 two-thirds (2/3's) is for that and one-third (1/3) would  
6 be because of the increase in the size of fleet.

7 MR. RAYMOND OAKES: Okay. And so we  
8 looked at the -- the amount of the increase and it was  
9 69.5 percent over those years, so on average that would  
10 be about 17.4 percent per year?

11 MR. BARRY GALENZOSKI: That's correct.

12 MR. RAYMOND OAKES: And I wonder if by  
13 way of undertaking if the Corporation can advise in  
14 dollars how much commissions have risen in that time  
15 period?

16 MR. RAYMOND OAKES: Yes, we can provide  
17 that.

18

19 --- UNDERTAKING NO. 18: MPI to advise CMMG how much,  
20 in dollars, commissions have  
21 risen from 2002 to 2006.

22

23 CONTINUED BY MR. RAYMOND OAKES:

24 MR. RAYMOND OAKES: And if you broke it  
25 down to your brokers, how much would the increase in



1 commission paid to each Autopac broker be?

2 MR. BARRY GALENZOSKI: I'm not sure I  
3 understand that question. It's going to be whatever the  
4 overall increase is in the commissions that are going to  
5 be shared by the brokers because the majority of our  
6 business is written through our brokers.

7 MR. RAYMOND OAKES: And how many brokers  
8 would that be?

9 MR. BARRY GALENZOSKI: A little over  
10 three hundred (300).

11 MR. RAYMOND OAKES: And you've mentioned  
12 the SGI experience in Saskatchewan, then commissions and  
13 taxes have risen at a much lower rate?

14 MR. BARRY GALENZOSKI: Well, the  
15 commissions in Saskatchewan are lower on their -- on  
16 their basic program than ours from what I understand.  
17 I've never really studied it that much. Commissions in  
18 BC I believe are a little bit higher on the basic  
19 program.

20 MR. RAYMOND OAKES: I'm just looking at  
21 the table that we've been examining, and in SGI it looks  
22 like the annual rate of growth has been about 6.6 percent  
23 based on the increase of 26.4 percent over those four (4)  
24 years.

25 MR. BARRY GALENZOSKI: Yes, that's true,

1 but again it's driven by volume of business and the  
2 upgrading factor. Those are the two (2) major factors so  
3 you -- it's hard to judge whether they've -- they've had  
4 the same level of upgrading that we've had or that  
5 they've increased the size of their fleet similar to what  
6 we have. Those -- those are the important factors you  
7 have to understand.

8 THE CHAIRPERSON: Mr. Galenzoski, correct  
9 me I'm wrong, but is not one (1) factor in the increase  
10 in the commissions the loss of the commission offset?

11 MR. BARRY GALENZOSKI: Well, I've  
12 mentioned that earlier that that had a big impact going  
13 back.

14 THE CHAIRPERSON: Because it would affect  
15 all the percentages?

16 MR. BARRY GALENZOSKI: It'll affect all  
17 the percentages going forward for MPI, yes.

18

19 CONTINUED BY MR. RAYMOND OAKES:

20 MR. RAYMOND OAKES: Thank you for that  
21 clarification. With respect to the discussion we were  
22 just having about Saskatchewan, I understand that broker  
23 commissions in Saskatchewan are played -- paid on a flat  
24 fee per transaction basis, is that correct, sir?

25 MR. BARRY GALENZOSKI: I believe that

1 that's correct.

2 MR. RAYMOND OAKES: If commissions grew  
3 at a similar rate as SGI, would motorcycle and all other  
4 vehicle rates be lower?

5 MR. BARRY GALENZOSKI: There would be  
6 less cost to pass onto everyone so all rates would  
7 probably be a little bit lower.

8 MR. RAYMOND OAKES: Thank you, Mr.  
9 Chairman, those are the only questions I have about that  
10 area.

11 Moving to the investment and safety by the  
12 Corporation I understand, and the reference that I have  
13 is both CMMG-1-53 as well as CAC/MSOS-1-20, I'm asking  
14 the Corporation to confirm that the amount spent has  
15 risen from 6,095,000 in 2001/'02 to 11,043,000 in  
16 2005/'06?

17

18 (BRIEF PAUSE)

19

20 MR. BARRY GALENZOSKI: Yes. The number  
21 is shown at CAC/MSOS/MPI-1-20, Part 1 attachment,  
22 indicates that in 2001/'02 the actual road safety  
23 expenditures, basic share, was \$6,095,000 and for the  
24 '05/'06 fiscal year the basic share was \$11,043,000.  
25 That \$11,043,000 included about \$2,937,000 in immobilizer

1 incentive fund expenditures. So if you took that out of  
2 there, it would show a number of \$8,106,000.

3 MR. RAYMOND OAKES: And for 2007/'08  
4 that's expected to rise to \$19,659,000, is that correct,  
5 sir?

6 MR. BARRY GALENZOSKI: Which year was  
7 that again?

8 MR. RAYMOND OAKES: '07/'08?

9 MR. BARRY GALENZOSKI: '07/'08 the number  
10 is \$19,659,000 which includes \$11,065,000 in immobilizer  
11 incentive fund. So the net number is \$8,594,000.

12 MR. RAYMOND OAKES: And in terms of the  
13 total claims incurred, we have 597 million for the basic  
14 program forecast for 2007/'08, and I'm looking at TI-2.

15 And the Corporation can respond to this  
16 question, if you wish, in writing because it is somewhat  
17 extensive, but looking at the total claims incurred, I  
18 believe that the Corporation's investment in safety for  
19 next year, the 19,659,000 that we talked about, that  
20 would be about 3.3 percent of the claims incurred?

21 MR. BARRY GALENZOSKI: Yeah, the  
22 reference of TI-2 is incorrect, I believe. I wonder if  
23 you have another reference with respect to the claims  
24 number?

25

1 (BRIEF PAUSE)

2

3 MR. BARRY GALENZOSKI: If you're looking  
4 at claims incurred numbers under TI-15(a), the claims  
5 incurred number for '07/'08 is projected to be  
6 \$582,419,000. And then we have the 19,659,000 road  
7 safety loss prevention expense which, as I previously  
8 indicate, includes \$11,065,000 in immobilizer incentive  
9 fund.

10 And if you'd like me to do a calculation  
11 as to what the 19 million is to the five eighty two  
12 (582), which I don't think is terribly relevant, I can do  
13 that for you. So if you -- I can do that right now.

14 MR. RAYMOND OAKES: If you can confirm  
15 it's in the order of about 3.3 percent?

16

17 (BRIEF PAUSE)

18

19 MR. BARRY GALENZOSKI: The number is 3.4  
20 percent -- or 3.34 percent and if you took it -- took the  
21 immobilizer incentive fund number out of there it would  
22 be 1.47 percent.

23 MR. RAYMOND OAKES: Looking at motorcycle  
24 safety initiatives, the actual expenditures in '05/'06 as  
25 referenced in CMMG I-52 were the sum of one hundred and

1 forty-six thousand two hundred and thirty-three dollars  
2 (\$146,233); can you confirm that, sir?

3 MR. BARRY GALENZOSKI: For 2005/'06 one,  
4 forty-six two twenty-three (146,223) is the number, yes.

5 MR. RAYMOND OAKES: And the forecast of  
6 claims incurred for motorcycles in 2007/'08, I have a  
7 forecast of 10,952,974.

8 I wonder if you could confirm that?

9 MR. BARRY GALENZOSKI: Yes, I can. And  
10 if you took the ratio that would be 1.33 percent and  
11 that's very close to the same ratio that I just provided  
12 you, if you took the immobilizer incentive fund money out  
13 of the overall numbers for basic.

14 MR. RAYMOND OAKES: And if you left it  
15 in because that's an initiative that benefits private  
16 passenger but doesn't benefit motorcyclists.

17 If you assume that 3.3 percent of the  
18 claims incurred for motorcyclists was spent on safety  
19 initiatives; would you agree with me that the Corporation  
20 then would more than have to double the investment and  
21 safety and spend about three hundred and sixty-one  
22 thousand dollars (\$361,000)?

23 MR. BARRY GALENZOSKI: Well, I wouldn't  
24 agree that the 3.3 percent would be applicable. As we've  
25 discussed many times at these hearings in the last two

1 (2) years, the immobilizer incentive fund expenditures  
2 are passing through the income statement, they happen to  
3 fall into the road safety category and then they come  
4 back out with respect to reimbursing the rate  
5 stabilization reserve within the retained earning section  
6 of the balance sheet.

7 So I don't think it's an apples-to-apples  
8 comparison that you're making.

9 MR. RAYMOND OAKES: The CMMG posed an  
10 interrogatory to the Corporation 1-55. It read as  
11 follows:

12 "With respect to pot hole filling by  
13 automatic machine in Winnipeg, has the  
14 Corporation discussed the extra risk  
15 this method of repair has to  
16 motorcycles due to the large amount of  
17 castoffs it creates?"

18 And could you confirm the Corporation's  
19 answer, please?

20 MR. WILF BEDARD: Yes, no discussion has  
21 taken place, Mr. Oakes.

22 MR. RAYMOND OAKES: And --

23 MR. BARRY GALENZOSKI: Mr. Oakes, if I  
24 just might add to that previous answer I gave with  
25 respect to the -- where you wanted us to do that

1 calculation on the expenditures for motorcycles.

2 Not all of the motorcycle related safety  
3 costs were captured under the motorcycle heading itself.  
4 The Corporation does a lot of other advertising with  
5 respect to speeding and drinking and driving. And that  
6 relates to all motorists in the Province, not just to one  
7 (1) particular category.

8 MR. RAYMOND OAKES: Okay. The  
9 Corporation asks some questions, and I appreciate your  
10 answer, about vulnerable road users and the reference is  
11 CMMG 1-94. With reference to that question and answer,  
12 can the Corporation tell us what other groups are  
13 included in that class of vulnerable road users?

14 MR. WILF BEDARD: Yes, that would include  
15 pedestrians, seniors; people of that nature.

16 MR. RAYMOND OAKES: Okay. You'd agree  
17 with me, Mr. Bedard, that motorcyclists are quite  
18 different than those other road users, being they operate  
19 at higher speeds than the main flow of traffic?

20 MR. WILF BEDARD: Yes, I would agree with  
21 that, to some extent.

22 MR. RAYMOND OAKES: Just getting back to  
23 the question, Interrogatory 1-55, Mr. Bedard, that's  
24 where you first jumped in this morning. And I asked why  
25 the Corporation had not discussed the matter of the



1 castoffs with the City of Winnipeg.

2 MR. WILF BEDARD: I'm not really sure if  
3 we've had an opportunity to do that. I do know that  
4 those discussions have not taken place over the course of  
5 the summer, however.

6 MR. RAYMOND OAKES: Have they taken place  
7 at all?

8 MR. WILF BEDARD: Not to my knowledge,  
9 no.

10 MR. RAYMOND OAKES: And if anyone at the  
11 Corporation would know, it would be yourself wouldn't it  
12 Mr. Bedard?

13 MR. WILF BEDARD: Myself or those in the  
14 Road Safety Department, yes.

15 MR. RAYMOND OAKES: Mr. Bedard, in the  
16 CMMG book of materials that were distributed this  
17 morning, Tab 5 is road signage. And there's a picture of  
18 a specific sign in usage in other jurisdictions where it  
19 says, motorcycles use extreme caution because of road  
20 construction.

21 Can you tell me whether MPI has advocated  
22 for any specific signage relative to road construction  
23 and motorcycles?

24 MR. WILF BEDARD: No, we have not.

25 MR. RAYMOND OAKES: So in those certain

1 jurisdictions where the Government takes a proactive  
2 approach to motorcycle safety, providing advance warning  
3 to motorcycles in the case where road work that is a  
4 special risk to them is underway, can you tell me whether  
5 the Corporation is prepared to fund such proactive steps  
6 on Manitoba roads?

7 MR. WILF BEDARD: That would be a  
8 consideration for -- for the Department of Transportation  
9 under the Highway Traffic Act. It would not necessarily  
10 be the -- something that MPI would participate in.

11 MR. RAYMOND OAKES: Well, we've seen the  
12 Corporation funding police units, are you telling me that  
13 this is such a wild stretch for MPI to be involved in  
14 proactive signage where there's a specific risk to  
15 motorcycles?

16 MR. WILF BEDARD: We do have the, at  
17 construction sites, the electronic speed signs; that's to  
18 draw your attention to -- to everyone using the roadway.  
19 But we have nothing specific to any particular class of  
20 vehicle.

21 MR. RAYMOND OAKES: With respect to  
22 driver education, Mr. Bedard, the new curriculum and  
23 manual for driver education, has it been -- has there  
24 been any testing of the motorcycle-related components as  
25 to their retention by students at all?

1                   MR. WILF BEDARD:    Yes.  There are  
2   learning outcomes just as there are for every module in  
3   the curriculum.

4                   MR. RAYMOND OAKES:    And has that final  
5   curriculum been released at this point?

6                   MR. WILF BEDARD:    Yes, it has as  
7   effective September 1st of this year.

8                   MR. RAYMOND OAKES:    I thank you, Mr.  
9   Bedard.  Those are likely the only questions that we'll  
10   require your expertise.  Moving now to questions on rate  
11   line.

12                   Does the Board wish to break now or at a  
13   later point in time?

14                   THE CHAIRPERSON:    We'll go another  
15   fifteen (15) minutes if that fits your approach.

16                   MR. RAYMOND OAKES:    Certainly, Mr.  
17   Chairman.  Thank you for that direction.

18

19   CONTINUED BY MR. RAYMOND OAKES:

20                   MR. RAYMOND OAKES:    With respect to the  
21   data used in calculating the motorcycle rate line  
22   adjustment as provided in CMMG-1-73, I understand at page  
23   7 of the Corporation's answer the total incurred costs  
24   are indicated of 41,449,421.

25                   Mr. Palmer, if you have 1-73 there at page

1 7 can you confirm that?

2

3

(BRIEF PAUSE)

4

5 MR. DON PALMER: That's correct. And I  
6 apologize. I was trying to find it in the CAC  
7 Information Requests.

8 MR. RAYMOND OAKES: And the other  
9 document I was looking at was TI.20 Exhibit 8. And it's  
10 showing total incurred costs of \$26,201,327.

11 Can the Corporation tell us why those two  
12 (2) numbers are so radically different?

13 MR. DON PALMER: Because we use a  
14 different number of years for those two (2) calculations  
15 so they shouldn't be the same.

16 MR. RAYMOND OAKES: With respect to the  
17 table prepared in response to CMMG-1-73, on the page  
18 numbered "7" it shows claims incurred by engine  
19 displacement range.

20 Has the Corporation undertaken an analysis  
21 of rate relativities by displacement range?

22 MR. DON PALMER: We have used the  
23 existing relativities; we haven't changed them.

24 MR. RAYMOND OAKES: So your answer is  
25 'No'?

1                   MR. DON PALMER:     The analysis is part of  
2 the relativity calculations for rate groups, but we  
3 haven't incorporated them into the rate model, no.

4                   MR. RAYMOND OAKES:    In other words, you  
5 haven't analysed the rate relativities by the  
6 displacement range?

7                   MR. DON PALMER:     That's not what I said.  
8 We haven't incorporated them -- incorporated them into  
9 this year's rate application.

10                  MR. RAYMOND OAKES:    So you -- you have  
11 done the analysis, you just haven't provided it to this  
12 Board, is that correct?

13                  MR. DON PALMER:     Not at this time.

14                  MR. RAYMOND OAKES:    Not at this time you  
15 haven't provided them?

16                  MR. DON PALMER:     We have not provided  
17 them, no.

18                  MR. RAYMOND OAKES:    And when are you  
19 anticipating providing that?

20                  MR. DON PALMER:     If we choose to -- if  
21 our analysis indicates that those should be changed, you  
22 know, that'll be part of our ongoing analysis.

23                  MR. RAYMOND OAKES:    Would you agree with  
24 me that displacement range is another component of the  
25 classification of motorcycles for rating purposes?

1 MR. DON PALMER: Yes.

2 MR. RAYMOND OAKES: Is it possible that  
3 even though the Corporation has been tinkering or  
4 adjusting with the rate line group that it may be  
5 incorrect since the engine displacement relativities are  
6 not being used at this time?

7 MR. DON PALMER: No. I wouldn't agree  
8 with that. With our existing engine displacement  
9 categories the vast, vast majority are in the RN1 CC. So  
10 really from a classification perspective the calculation,  
11 with our existing categories, would be irrelevant.

12 MR. RAYMOND OAKES: With respect to  
13 credibility has the Corporation changed its approach in  
14 calculating credibility in this rate application?

15 MR. DON PALMER: No.

16 MR. RAYMOND OAKES: In determining the  
17 amount of data that is fully credible is that a matter of  
18 actuarial judgment in this case?

19 MR. DON PALMER: Yes, it is.

20 MR. RAYMOND OAKES: And does that involve  
21 the determination of a number often called the  
22 credibility constant?

23 MR. DON PALMER: Yes, it -- yes, it does.

24 MR. RAYMOND OAKES: With respect to the  
25 credibility assigned to motorcycles by rate group was the

1 credibility for rate group zero 11.236 percent as shown  
2 on page 1 of the response to CMMG-1-72?

3 MR. DON PALMER: 1-72, sir?

4 MR. RAYMOND OAKES: Yes, that's the  
5 Interrogatory.

6 MR. DON PALMER: Yes. Yes, I have it.  
7 Yes.

8 MR. RAYMOND OAKES: And that's for unit  
9 count of seven thousand, five hundred and ninety-five  
10 (7,595) units, is that correct?

11 MR. DON PALMER: That's correct.

12 MR. RAYMOND OAKES: And if a lower  
13 credibility had been assigned what would the effect have  
14 been?

15 In other words, if a lower credibility had  
16 been assigned, would there be more weight assigned to the  
17 existing rate line differential and, thereby, less  
18 change?

19 MR. DON PALMER: I'm going to take that  
20 as an undertaking, Mr. Oakes.

21 MR. RAYMOND OAKES: If you would, please.

22

23 --- UNDERTAKING NO. 19: MPI to advise CMMG that if a  
24 lower credibility had been  
25 assigned to motorcycles by

1 rate group, would there be  
2 more weight assigned to the  
3 existing rate line  
4 differential and, thereby,  
5 less change.  
6

7 CONTINUED BY MR. RAYMOND OAKES:

8 MR. RAYMOND OAKES: Can you confirm  
9 whether the same credibility formula was used, including  
10 the credibility constant, for motorcycles as opposed to  
11 passenger vehicles and light trucks?

12 MR. DON PALMER: Same credibility  
13 constant is used for the insurance use and territorial  
14 relativities, yes.

15 MR. RAYMOND OAKES: How about in the rate  
16 line?

17 MR. DON PALMER: No. The -- the  
18 calculation is -- is different for the rate line. In  
19 fact, we've assigned zero credibility to the accident  
20 benefits costs. So really the credibility amount shown  
21 in the table of 1-72 are using the credibility constant.  
22 But it's -- zero credibility is actually assigned to the  
23 majority of the costs to flatten -- essentially flatten  
24 the rate group.

25 MR. RAYMOND OAKES: If the same formula



1 had of been used what would the effect have been on the  
2 rate line adjustment?

3 MR. DON PALMER: I will take that as an  
4 undertaking.

5 MR. RAYMOND OAKES: If you would.

6

7 --- UNDERTAKING NO. 20: MPI to advise CMMG what would  
8 be the effect on the rate  
9 line, if the credibility  
10 constant that is used for the  
11 insurance use and territorial  
12 relativities is used for the  
13 rate line.

14

15 CONTINUED BY MR. RAYMOND OAKES:

16 MR. RAYMOND OAKES: Can you confirm that  
17 the IBC has a system of classification for motorcycle  
18 rate groups?

19 MR. DON PALMER: One that was developed  
20 in the mid-1980s that hasn't changed, yes.

21 MR. RAYMOND OAKES: Is that the reason  
22 that MPI chooses not to use their system?

23 MR. DON PALMER: Not specifically. The  
24 benefits are -- are much different. The benefit levels  
25 given to motorcycles are much different. You -- you'd

1 really be looking at comparing two (2) things that were  
2 completely different, so I don't think that they're  
3 appropriate.

4 MR. RAYMOND OAKES: And is your answer  
5 based on some investigation or analysis of its  
6 applicability to Manitoba?

7 MR. DON PALMER: We haven't looked into  
8 applying those rate groups, no.

9 MR. RAYMOND OAKES: I have two (2)  
10 references for you, Mr. Palmer. They're CMMG 1-91 and  
11 PUB 1-54, if you would.

12

13 (BRIEF PAUSE)

14

15 MR. DON PALMER: I'm halfway there. I  
16 have them.

17 MR. RAYMOND OAKES: I'm asking whether  
18 the information contained as answers to those  
19 Interrogatories means that over 2007/'08 and 2008/'09  
20 that motorcyclists are assigned the lowest rate group can  
21 expect an increase of about 29 percent due to the rate  
22 line adjustment?

23 MR. DON PALMER: Solely due to the rate  
24 line adjustment, I would agree with that. But, you can't  
25 just isolate one (1) factor like that; that also means

1 that other rate groups are coming down. It depends what  
2 experience emerges. It depends on the other relatively  
3 differentials.

4 So if you look at that solely, yes I would  
5 agree with you. But, I don't think you can look at it in  
6 isolation.

7 MR. RAYMOND OAKES: Certainly if you're  
8 the motorcyclist who has one in that rate group  
9 classification, that's how you're going to look at it,  
10 isn't that correct?

11 MR. DON PALMER: No sir. There are many  
12 factors that will affect that particular individual; you  
13 talked about pleasure differentials, territorial  
14 differentials. This -- if we did absolutely nothing else  
15 I'd agree with you, but that won't happen.

16 MR. RAYMOND OAKES: Okay. One (1) of the  
17 most material other things that you will do is add an  
18 experience adjustment on the top of that 29 percent,  
19 isn't that correct?

20 MR. DON PALMER: If an experience  
21 increase is indicated, then yes we will.

22 MR. RAYMOND OAKES: Mr. Chairman, I have  
23 a few questions on declared value for motorcycles. In  
24 terms of rate group assignment, is the key to the rate  
25 group the value of the motorcycle as declared by the

1 owner?

2 MR. DON PALMER: Yes, it is.

3 MR. RAYMOND OAKES: And when MPI settles  
4 a motorcycle claim involving collision or comprehensive  
5 coverage, is one (1) of the things it examines the costs  
6 of repairs relative to the value of that motorcycle?

7 MR. DON PALMER: That's correct.

8 MR. RAYMOND OAKES: And if the cost of  
9 repairs is more than the value of the vehicle, it is  
10 usually written off?

11 MR. DON PALMER: That's correct.

12 MR. RAYMOND OAKES: And if it's less than  
13 the value, then it's usually repaired?

14 MR. DON PALMER: That's correct.

15 MR. RAYMOND OAKES: And how would the  
16 claims adjuster determine those values?

17 MR. DON PALMER: We have a number of ways  
18 and means: there's a number of publications; we use the  
19 internet, we use the local market; we use our estimator  
20 and adjuster knowledge. There's a variety of inputs that  
21 go into determining value.

22 MR. RAYMOND OAKES: And if the -- if MPI  
23 has these tools, Mr. Bedard, can you tell me why tools  
24 aren't provided to brokers to help motorcyclists insure  
25 their vehicles in the right declared value range?

1                   MR. WILF BEDARD:    I'm not sure what tools  
2 they use.   Certainly those tools that are on the internet  
3 they would have available to them.

4                   MR. RAYMOND OAKES:    So you're suggesting  
5 if I come into insure my motorcycle, the responsibility  
6 is on the broker to hop on the internet and look at bikes  
7 for sale to determine a value?

8                   MS. MARILYN MCLAREN:   Mr. Oakes, maybe I  
9 can jump in here.   The obligation is on the motorcycle  
10 owner to declare the value of that vehicle.

11                   The obligation on brokers is to assist in  
12 that regard at the motorcycle owner's request.   Does that  
13 clarify?

14                   MR. RAYMOND OAKES:    Yes, I appreciate  
15 that answer.   Mr. Chairman, this might be an appropriate  
16 time.   I'm going to move to another topic.

17                   THE CHAIRPERSON:    Very good, Mr. Oakes.  
18 Thanks again for filling in.   We'll take a break now and  
19 come back at 10:45.

20

21   --- Upon recessing at 10:25 a.m.

22   --- Upon resuming at 10:45 a.m.

23

24                   THE CHAIRPERSON:    Okay, Mr. Oakes...?

25                   MR. RAYMOND OAKES:    Thank you, Mr.

1 Chairman.

2

3 CONTINUED BY MR. RAYMOND OAKES:

4 MR. RAYMOND OAKES: The reference for  
5 these series of questions is CMMG-1-31 and 2-15.

6 1-31 said:

7 "Please provide a table showing the  
8 number of motorcyclists who also ensure  
9 either a private passenger vehicle or a  
10 private passenger light truck or both."

11 CMMG-2-15 said:

12 "For clarification, does this table  
13 mean that seven thousand one hundred  
14 fifty-seven (7,157) of the eight  
15 thousand five hundred and ninety-five  
16 (8,595) motorcycle customers have at  
17 least one (1) other vehicle? If not,  
18 how many have at least one (1) other  
19 vehicle?"

20 And the Corporation's response was that  
21 out of the pool of motorcyclists, 83 percent of the  
22 motorcyclists also own another vehicle and that's the  
23 relation of seven thousand one hundred fifty-seven  
24 (7,157) vehicles to the pool of eight thousand five  
25 hundred and ninety-five (8,595).

1                   And, Mr. Palmer, I see your calculator is  
2 going. When you have a chance, can you confirm that  
3 about 83 percent of motorcyclists also own another  
4 vehicle?

5                   MR. DON PALMER: I'll confirm that.

6                   MR. RAYMOND OAKES: And given that  
7 sizeable percentage, would motorcyclists also have a  
8 strong interest in rates for other vehicles they own?

9                   MR. DON PALMER: Hopefully, yes.

10                  MR. RAYMOND OAKES: And during the summer  
11 it's possible that some of these vehicles are taken off  
12 the road and put on lay-up coverage.

13                  MR. DON PALMER: That's speculation, but  
14 maybe.

15                  MR. RAYMOND OAKES: With respect to the  
16 assignment of CLEAR rate groups on the other vehicles  
17 motorcyclists own, is the most important factor the  
18 collision rate group based on MPI's weighting of point  
19 seven two (.72), decimal seven two (.72)? And the  
20 reference I have for you, sir, is CMMG-1-42.

21                  MR. DON PALMER: The -- the collision  
22 rate group from CLEAR is probably the predominant factor,  
23 yes, I would agree with that.

24                  MR. RAYMOND OAKES: Thank you for that.  
25 Referring to the response in CMMG-1-35 in the VICC --

1 VICC technical documentation at pages 22, is price a  
2 factor directly in collision frequency as the log of  
3 price?

4 MR. DON PALMER: The reference again,  
5 please?

6 MR. RAYMOND OAKES: CMMG-1-35.

7 MR. DON PALMER: That's correct.

8 MR. RAYMOND OAKES: Is it also a factor  
9 through mixed effects such as in combination with age,  
10 weight, horse power?

11 MR. DON PALMER: Mixed with price you're  
12 saying?

13 MR. RAYMOND OAKES: Yes.

14 MR. DON PALMER: There would be some  
15 correlation between -- among those factors, yes.

16 MR. RAYMOND OAKES: And if a person was  
17 to hold all other variables constant, say at their  
18 average values and then change price in the equation,  
19 could the sensitivity of collision frequency to price be  
20 determined?

21 MR. DON PALMER: All else being equal,  
22 you could do that test, yes.

23 MR. RAYMOND OAKES: Is that a Corporation  
24 -- a test that the Corporation could provide an analysis  
25 of as, say, part of its 2008 rate filing?



1 MR. DON PALMER: I'm not sure I  
2 understand what purpose -- that's part of the methodology  
3 that's used by CLEAR that we use in totality, so I  
4 wouldn't -- I wouldn't foresee us doing that.

5 MR. RAYMOND OAKES: Okay. Does price  
6 have an important effect on the collision severity  
7 equation?

8 MR. DON PALMER: You'd have to define  
9 "important". It's included in the collision severity  
10 equation, yes.

11 MR. RAYMOND OAKES: And one of the  
12 variables I didn't understand there was the letter  
13 "C\_PR"; could you advise what that is. The reference, I  
14 have that on page 23.

15 MR. DON PALMER: I'll take that as an  
16 undertaking. I'm not sure exactly what that stands for.  
17

18 --- UNDERTAKING NO. 21: MPI to define for CMMG "C\_PR"  
19 from page 23 of the collision  
20 severity report.  
21

22 CONTINUED BY MR. RAYMOND OAKES:

23 MR. RAYMOND OAKES: With a reference of  
24 CMMG-1-40 and CMMG-2-27 could you advise in the technical  
25 document where the assignment of a new to market vehicle

1 is addressed in the VICC literature, if it is addressed  
2 at all?

3

4 (BRIEF PAUSE)

5

6 MR. DON PALMER: The new vehicles are put  
7 through the multiple regression formula as stated in the  
8 documentation. I'm not sure if it specifically states  
9 that in the documentation.

10 MR. RAYMOND OAKES: So if there was, say,  
11 a new Dodge Calibre there would be no data in the VICC  
12 technical literature that would show the calculation of a  
13 specific rate group for that?

14 MR. DON PALMER: No. The -- the  
15 characteristics of the Dodge Calibre, all of the  
16 particular variables that are used in that multiple  
17 regression formula, would be assigned and calculated  
18 using that -- that formula. I'm not sure I understand  
19 the question.

20 MR. RAYMOND OAKES: If you could look at  
21 CMMG-2-18, please. And in the answer can you demonstrate  
22 if the calculation based on the raw input data to the  
23 VICC model is provided?

24 MR. DON PALMER: No, it's not. We -- we  
25 use the -- the model and the results of the model as

1 supplied to us from the Insurance Bureau of Canada.

2 MR. RAYMOND OAKES: And just looking at  
3 CMMG-1-35, and is the data needed to support those  
4 calculations provided in the VICC technical  
5 documentation?

6 MR. DON PALMER: The data is not there,  
7 no.

8 MR. RAYMOND OAKES: And I just have a  
9 couple more of these difficult technical questions that  
10 may be of limited interest to the Board but I'm told they  
11 are important in the grand scheme of things. Looking at  
12 2-21, the attachment; looking at the bottom section.

13 Is the weighting to accident benefits more  
14 than 30 percent, is the question?

15 MR. DON PALMER: In the algorithm we  
16 don't apply a weighting to accident benefits. We do a  
17 rate group modifier, so it would depend on the rate  
18 group.

19 MR. RAYMOND OAKES: Has the Corporation  
20 prepared any analysis of re-weighting the application of  
21 the CLEAR data to increase the weighting for accident  
22 benefits or in fact, provide a weighting for accident  
23 benefits, and decreasing the weighting to collision and  
24 comprehensive?

25 MR. DON PALMER: No.

1 MR. RAYMOND OAKES: If a --

2 MR. DON PALMER: If I can expand on that.  
3 The accident benefits rate groups that we get from  
4 Insurance Bureau of Canada, there are only five (5) as  
5 opposed to Insurance Bureau of Canada supplying a hundred  
6 (100) rate groups for collision and comprehensive.

7 So in order for us to provide some sort of  
8 equal weighting as you're suggesting, we would have to  
9 have a hundred (100) accident benefit rate groups. We  
10 don't.

11 So this is a methodology that we devised  
12 to incorporate that we have tested based on the amount of  
13 accident benefits and it -- and it seems to fit quite  
14 well.

15 So we've -- we've done a test from an  
16 order of magnitude perspective. But, we can't do a  
17 weighting the way that you suggest because we just don't  
18 have the CLEAR rate groups to let us do that.

19 MR. RAYMOND OAKES: Would that be another  
20 application of judgment?

21 MR. DON PALMER: Yes, that's -- that  
22 would be an algorithm that we developed probably, I'm  
23 guessing, six (6) or seven (7) years ago, within our  
24 department before I was leading the department.

25 MR. RAYMOND OAKES: Going to move to

1 questions regarding coverage. If a person owns a vehicle  
2 that is worth more than fifty thousand dollars (\$50,000)  
3 can they buy excess value coverage?

4 MR. DON PALMER: Yes, they can.

5 MR. RAYMOND OAKES: And they'd buy that  
6 from the Autopac extension division, I understand?

7 MR. DON PALMER: Or any other underwriter  
8 who offers that coverage.

9 MR. RAYMOND OAKES: And I -- we asked  
10 some questions in CMMG 1-34 about the average person's  
11 price of vehicles. In 2005/'06 according to the  
12 response, the average purchase price of vehicles was  
13 thirty-four thousand four hundred and forty-seven dollars  
14 (\$34,447); can you confirm that please?

15 MR. DON PALMER: That was data that we  
16 got from Stats Canada, yes.

17 MR. RAYMOND OAKES: And looking at the  
18 data that's in Appendix E of TI-19 and I have that for  
19 you at Tab 6 in the CMMG documents. And on Appendix E,  
20 can you confirm that there's forty-five thousand (45,000)  
21 new vehicle sales in Manitoba during the year?

22 MR. DON PALMER: That's close enough,  
23 yes.

24 MR. RAYMOND OAKES: Yes, I guess the  
25 actual number, forty-eight thousand one hundred and

1 twelve (48,112) -- for -- well that's 2010/'11. For  
2 2006/'07 we're forty-five thousand nine hundred and  
3 twenty (45,920).

4 MR. DON PALMER: Right.

5 MR. RAYMOND OAKES: Could this average be  
6 the results of vehicle sales being distributed in a  
7 manner where a lot of cheaper vehicles are being  
8 purchased and a smaller amount of expensive vehicles are  
9 being purchased?

10 MR. DON PALMER: There's no breakdown of  
11 value.

12 MR. RAYMOND OAKES: Okay. If I can ask  
13 you to turn to the next table that the CMMG has provided  
14 and it's entitled vehicle sales and it's entitled,  
15 Vehicle Sales and Average Prices.

16 Would the Corporation argue that that type  
17 of distribution is occurring?

18 MR. DON PALMER: I don't have any basis  
19 for this calculation, at all.

20 MR. RAYMOND OAKES: For all of the  
21 persons who bought vehicles worth more than fifty  
22 thousand dollars (\$50,000) would they need excess value  
23 coverage for protection?

24 MR. DON PALMER: If they were protecting  
25 their asset beyond fifty thousand dollars (\$50,000), yes.

1 MR. RAYMOND OAKES: As vehicle prices  
2 rise is one (1) of the effects that more and more  
3 vehicles end up being worth more than the maximum insured  
4 value and need to buy that coverage?

5 MR. DON PALMER: Sure.

6 MR. RAYMOND OAKES: And would you agree  
7 with me that one (1) of the effects of not increasing the  
8 maximum insured values pushes customers to the Autopac  
9 Extension side?

10 MR. DON PALMER: I don't know about  
11 pushes customers, but there would be more customers that  
12 would be interested in purchasing that, yes.

13 MR. RAYMOND OAKES: Can we look at CMMG  
14 second round of Interrogatories, Number 16, so 2-16.

15 And looking at that Interrogatory, Mr.  
16 Palmer, is the relevancy of the distribution of vehicle  
17 sales data by price range any clearer for you based on  
18 that response?

19 MR. DON PALMER: I don't know that that  
20 relevancy was ever unclear to me, Mr. Oakes.

21 MR. RAYMOND OAKES: Well, I -- I thought  
22 you'd -- you had just indicated that when we provided the  
23 CMMG tab that you couldn't accept that data or didn't  
24 have a basis for accepting that?

25 MR. DON PALMER: And I still can't.

1                   MR. RAYMOND OAKES:    Looking at CMMG-1-36  
2   and 1-39, if you would?

3                   And the question, Mr. Palmer, would be:  
4   If price is not the main factor in the rise in rate  
5   groups in this substantial manner, what other factors  
6   have resulted in that increase?

7                   MR. DON PALMER:    The CLEAR system is  
8   based on damageability, so as there are different  
9   materials that are used to construction of vehicles, that  
10  will affect the -- the rate groups as much as price.

11                  MR. RAYMOND OAKES:    Well, we had a number  
12  of discussions in that fairly dry, technical exchange of  
13  questions ten (10) or fifteen (15) minutes ago --

14                  MR. DON PALMER:    Dry for you; it was  
15  exciting for me, Mr. Oakes.

16                  MR. RAYMOND OAKES:    I don't know whether  
17  to offer you praise or consolation of that point.

18                  But when we looked at the VICC technical  
19  documentation we saw price and we saw age, weight,  
20  horsepower. I don't remember any equations for CLEAR  
21  that indicate repairability as a factor or a variable.

22                  MR. DON PALMER:    That's the outcome.  
23  There -- and all based on the actual experience that has  
24  been -- emerged from those vehicles. So that's -- that's  
25  a result more than an input.



1 MR. RAYMOND OAKES: So if you look at the  
2 equations that CLEAR uses you couldn't point me to a  
3 variable that says repairability?

4 MR. DON PALMER: No.

5 MR. RAYMOND OAKES: Just a few questions  
6 on vintaging if I might, and this -- we may drag Mr.  
7 Bedard back into the area.

8 An older vehicle, say a 1987 Dodge Caravan  
9 LE, it's typical value, would you agree may be a  
10 thousand/fifteen hundred dollars (1,000/15,000)?

11 MR. WILF BEDARD: I would agree with  
12 that; in that range, yes.

13 MR. RAYMOND OAKES: And just looking at  
14 CMMG-1-45, does the Corporation's answer mean that rate  
15 groups continue to be based on this previous CLEAR data  
16 in the future?

17 MR. DON PALMER: Based on -- there's a --  
18 the rate group unit looks at the -- the rate group tables  
19 and adjusts them based on vintaging. So "based on"  
20 doesn't mean equal to.

21 MR. RAYMOND OAKES: Just looking again  
22 with that Dodge Caravan; for 1989 it was in rate group 5;  
23 for 1988 and '87 it was four (4), and then three (3) for  
24 earlier model years.

25 Do you see that, sir?

1 MR. DON PALMER: No, could I have a  
2 reference, please?

3

4 (BRIEF PAUSE)

5

6 MR. RAYMOND OAKES: I've got it at page  
7 34 of 140 in AI.5 Part 3.

8 MR. DON PALMER: Page number again,  
9 please?

10 MR. RAYMOND OAKES: I believe it's 30.  
11 I'm sorry, page 34 of 140.

12

13 (BRIEF PAUSE)

14

15 MR. RAYMOND OAKES: Just to expedite I  
16 could hand you the -- the one (1) page. I realize that  
17 there's appearing -- seemingly hundreds of them.

18 MR. DON PALMER: I'm just looking at your  
19 reference. You gave me a page from last year's rate  
20 application, so I'm not surprised I couldn't find it.

21 MR. RAYMOND OAKES: I apologize for that.  
22 In terms of applicability to the current year's  
23 application would the rate groups stay the same then for  
24 -- we're showing rate group 3, for that Dodge Caravan,  
25 1987 Dodge Caravan?

1                   MR. DON PALMER:     Likely not.   We'll --  
2   we'll find the page.   What kind would you like, Mr.  
3   Oakes?

4                   MR. RAYMOND OAKES:     Yes, it was an '87  
5   Dodge Caravan LE.

6                   MR. DON PALMER:     Depending on the trim  
7   line it's either three (3) or a four (4).

8                   MR. RAYMOND OAKES:     And those rate groups  
9   would be based on the CLEAR model?

10                  MR. DON PALMER:     The CLEAR model goes  
11   back to 1991.   So to the extent that we look at the  
12   corresponding rate group -- sorry, eight (8), and then  
13   step it down from there, the older ones get stepped down.

14                  MR. RAYMOND OAKES:     If I can just refer  
15   you to CMMG-1-35 which is the last of the series in -- in  
16   this line of questioning, page 16 of the CLEAR technical  
17   documentation that's attached is a response to CMMG-1-35,  
18   it shows the minimum value capped at eighty-five hundred  
19   dollars (\$8,500) for the CLEAR model, is that correct?

20                  MR. DON PALMER:     Page number, please?

21                  MR. RAYMOND OAKES:     60.

22

23   (BRIEF PAUSE)

24

25                  MR. RAYMOND OAKES:     Under factors, price,

1 minimum --

2 MR. DON PALMER: I'm just getting the  
3 context, Mr. Oakes.

4 MR. RAYMOND OAKES: Certainly.

5 MR. DON PALMER: Those are the numbers  
6 that are used for modelling purposes, yes.

7 MR. RAYMOND OAKES: Okay. Moving from  
8 that line of questioning and I certainly hope that those  
9 valuable answers are recorded for use in my cross -- in  
10 argument. But, lack of competition is something that has  
11 been discussed somewhat to date in this Hearing.

12 Can MPI provide any knowledge they have  
13 with respect to private insurers who are making  
14 comprehensive coverage available to motorcyclists in  
15 Manitoba?

16 MR. DON PALMER: I don't see that that's  
17 germane to this Hearing.

18 MR. RAYMOND OAKES: Can you advise  
19 whether the only providers that you're aware of are MPI?

20 MR. DON PALMER: I'm personally not  
21 aware, but I've never shopped for motorcycle insurance.

22 MR. RAYMOND OAKES: Motorcycle coverage  
23 in Saskatchewan, does the Corporation know whether it  
24 includes comprehensive coverage?

25 MR. DON PALMER: It does.

1                   MR. RAYMOND OAKES:    And overall would  
2   Saskatchewan's basic program be similar to basic Autopac?

3                   MR. DON PALMER:    Other than not providing  
4   -- or providing comprehensive for motorcycles, they're  
5   very similar, yes.

6                   MR. RAYMOND OAKES:    And when a customer  
7   has a comprehensive claim, would they usually be  
8   considered, at fault?

9                   MR. DON PALMER:    There's no fault  
10  assigned.  Again, assignment of fault would be relevant  
11  for a comprehensive claim.

12                   MR. RAYMOND OAKES:    Moving to an area  
13  dealing with the investment information.  If I could  
14  refer the Corporation to CMMG-2-14 and that question  
15  read:

16                                "Please file pro formas and retained  
17                                earning statements for basic using  
18                                the same format and years as  
19                                PUB/MPI-1-1 with a one point five  
20                                (1.5) equity risk premium included."

21                   And the question I have, I assume from Mr.  
22  Galenzoski is, was the -- with respect to the financials  
23  filed in response to that undertaking, was the 1.5  
24  percent equity premium based scenario, based on the risk  
25  free asset being ninety-one (91) day T-bills?

1 MR. BARRY GALENZOSKI: Ten (10) year  
2 Government of Canada.

3 MR. RAYMOND OAKES: And if we look at TI-  
4 19 and page 34 specifically of the revenue forecast book,  
5 and we have that in the CMMG Tab of materials, Tab 8, the  
6 question being, was the return on equity set at 5.5  
7 percent for Canadian equities for 2008?

8 MR. BARRY GALENZOSKI: Could you repeat  
9 the question please?

10 MR. RAYMOND OAKES: Yes. If we look at  
11 page 34 of the revenue forecast book, filed as TI-19;  
12 does it mean that the return on equity was set at 5.5  
13 percent for Canadian equities for 2008? And I believe  
14 what it shows is the 4 percent for TI-19 plus one 1 1/2  
15 percent.

16

17 (BRIEF PAUSE)

18

19 MR. BARRY GALENZOSKI: If you're talking  
20 about the 1.5 from the previous exhibit, if that's  
21 included in there or would that be over and above?

22 MR. RAYMOND OAKES: That was what I was  
23 asking.

24 MR. BARRY GALENZOSKI: That would be over  
25 and above. And again it's not over the '91 T-bill rate,

1 it's over the ten (10) year Canada Bond rates which are  
2 shown in the fourth column over.

3 MR. RAYMOND OAKES: And the Corporation  
4 is saying that's a risk free asset?

5 MR. BARRY GALENZOSKI: That's right.

6 MR. RAYMOND OAKES: And when we look at  
7 2007 numbers, is that about .25 percent lower for 2007  
8 versus 2008?

9 MR. BARRY GALENZOSKI: Yeah. The average  
10 is slightly more than a quarter, if you compare the four  
11 point five three (4.53) to the four point seven five  
12 (4.75), it's slight more than a quarter percent. And  
13 then four point six (4.6) compared to five (5) and four  
14 point six five (4.65) compared to five point two-o  
15 (5.20). And four point six five (4.65) compared to five  
16 point three-o (5.30).

17 MR. RAYMOND OAKES: Thank you. We  
18 started looking at CMMG-2-14, and assuming no rate  
19 changes with the equity risk premium set at 1.5 percent,  
20 does the Corporation generate profits for the near  
21 future?

22 MR. BARRY GALENZOSKI: Yes, it increases  
23 whatever was expected on the bottom line. And you can  
24 see that for the '07/'08 projected it shows a net income  
25 including the immobilizer incentive fund of \$9.1 million.

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Then the immobile -- transfer to immobilizer incentive fund of eleven point zero six five (11.065), net income for rating purposes of \$20.2 million.

MR. RAYMOND OAKES: And if we compared the retained earnings in the next tab of materials in the CMMG book, and the reference would be PUB-1-1, if we compare those retained earnings with those in CMMG-2-14 as at the end of 2010/'11, does the application of the equity risk premium result in retained earnings being about \$38 million higher?

MR. BARRY GALENZOSKI: Yes, that's correct, going out to the year 1011.

MR. RAYMOND OAKES: And roughly we would expect the same change in retained earnings in the event that the proposed rate reduction occurred in 2007/'08, but an equity risk premium was applied?

MR. BARRY GALENZOSKI: That's correct.

MR. RAYMOND OAKES: Mr. Galenzoski, in your pre-filed testimony dated June 2004, the bottom of page 2, you indicated that investment income for 2003/'04 was \$27.3 million more than forecast?

MR. BARRY GALENZOSKI: Which page was that again?



1 (BRIEF PAUSE)

2

3 MR. RAYMOND OAKES: Yes, it's at the next  
4 tab in the CMMG materials entitled, PUB/MPI-1.1 -- oh,  
5 I'm sorry, entitled, Pre-filed Testimony.

6 MR. BARRY GALENZOSKI: Yes, that's  
7 correct.

8 MR. RAYMOND OAKES: And then referring to  
9 pre-filed evidence for Mr. Galenzoski dated June of 2005,  
10 investment income for 2004/'05 was 12.2 million then --  
11 more than forecast?

12 MR. BARRY GALENZOSKI: Yes, that's  
13 correct.

14 MR. RAYMOND OAKES: And then referring to  
15 your pre-filed testimony this year dated June 2006 at the  
16 middle of page 2, investment income for 2005/'06 was  
17 \$26.9 million more than forecast.

18 Can you confirm that?

19 MR. BARRY GALENZOSKI: Yes, I can.

20 MR. RAYMOND OAKES: And again referring  
21 to that same pre-filed evidence of yourself at June 2006  
22 at the bottom of page 2, the forecast investment income  
23 for 2006/'07 is expected to be \$28.1 million more than  
24 previously forecast?

25 MR. BARRY GALENZOSKI: That's correct.

1 MR. RAYMOND OAKES: In all of those  
2 years, sir, was better performance of the equity  
3 portfolio a major factor in the improvement?

4 MR. BARRY GALENZOSKI: Yes, some of these  
5 gains were because of the bond portfolio, but the  
6 majority would have been overall from the equity  
7 portfolios.

8 MR. RAYMOND OAKES: And in each of those  
9 years the financial forecast used in setting rates was  
10 based on an assumption that there was no equity risk  
11 premium?

12 MR. BARRY GALENZOSKI: That's correct.

13 MR. RAYMOND OAKES: For 2007/'08 where  
14 the rate indicator for motorcyclists, and this is in the  
15 Tab 11, TI.2 in the CMMG book, the rate indicator for  
16 motorcycles as shown in TI.2 is 13.7 percent.

17 Would the effect that the rates paid by  
18 motorcyclists be lower if MPI included a risk -- an  
19 equity risk premium?

20 MR. BARRY GALENZOSKI: Yes.

21 MR. RAYMOND OAKES: And then the next tab  
22 in the CMMG material is AI-16 Exhibit D.

23 And referring to MPI's value at risk  
24 report as shown at AI-16 Exhibit D, was the rate of  
25 return used for equity 7 percent while bonds were 5 1/2

1 percent?

2 MR. BARRY GALENZOSKI: Yes, it was.

3 MR. RAYMOND OAKES: And when MPI had  
4 external consultants prepare its most recent investment  
5 allocation was it prepared assuming there is no equity  
6 risk premium?

7 MR. BARRY GALENZOSKI: They would have  
8 used the actual data that would have been evident over a  
9 long time period and used that in their analysis so that  
10 -- that would have include years where there would have  
11 been equity risk premium attainable as well as years when  
12 it was not attainable.

13 MR. RAYMOND OAKES: Would that be  
14 contained in a board that MPI would wish to share with  
15 this Board?

16 MR. BARRY GALENZOSKI: No, I think there  
17 was some evidence that was filed by the -- the PUB  
18 advisors that talked about equity risk premium and it  
19 showed a graph where we -- where there was significant  
20 variability on equity risk premiums over the last number  
21 of years. It was quite a large number of years.

22 That is reflective of the -- the results  
23 achieved in the industry, actual results achieved, and  
24 those actual numbers would have been used in an analysis  
25 that would have occurred when we last looked at our asset

1 liability review.

2 MR. RAYMOND OAKES: Thank you for that.  
3 Moving to the issue of single and multi-vehicle fault  
4 data. And CMMG-1-11 asks or reproduced parts of the  
5 transcript from 2004, and there was a discussion as shown  
6 as -- on pages 801 and 802 of that transcript related to  
7 the rate of single vehicle accidents in other  
8 jurisdictions based on material MPI had filed as part of  
9 the motorcycle risk study.

10 Does one of the Corporation's witnesses  
11 have that material for discussion?

12 MR. DON PALMER: I have it and again the  
13 page number on the transcript?

14 MR. RAYMOND OAKES: 801 and 802, and  
15 that's from 2004 again.

16 MR. DON PALMER: I have it.

17 MR. RAYMOND OAKES: And that material  
18 suggested that the rate of single vehicle accidents was  
19 about 25 percent in the other jurisdictions that are  
20 cited, is that correct?

21 MR. DON PALMER: That's in the United  
22 States jurisdictions, yes.

23 MR. RAYMOND OAKES: And comparatively  
24 when we look at CMMG Interrogatory 1-12, since 2000 more  
25 than 44 percent of accidents involving motorcycles were

1 classified as single vehicle accidents. Can you confirm  
2 that?

3 MR. DON PALMER: That's correct.

4 MR. RAYMOND OAKES: And would the effect  
5 of loss transfer on rates be reduced if there were a  
6 greater number of single vehicle accidents attributed to  
7 motorcycles?

8 MR. DON PALMER: Yes.

9 MR. RAYMOND OAKES: And that's because  
10 those accident costs wouldn't be transferred?

11 MR. DON PALMER: That's correct.

12 MR. RAYMOND OAKES: Moving from that  
13 issue to reserves and the reference is CMMG 2-10 and 2-  
14 11, I'll be asking you Mr. Palmer, when the margins are  
15 selected for the PfaD is judgment involved?

16 MR. DON PALMER: Not exclusively. There  
17 is an acceptable range that's included in the Canadian  
18 Institute of Actuary Standard of Practice. So but --  
19 within that range, yes judgment is involved.

20 MR. RAYMOND OAKES: Okay. And looking at  
21 CMMG-2-13, how is the allowance for doubtful accounts  
22 determined; is there judgment in that allowance?

23 MR. BARRY GALENZOSKI: There is some  
24 judgment in that allowance. That judgment is based on  
25 some past experience that the Corporation would have and

1 that would be approved by our audit committee of the  
2 Board.

3 MR. RAYMOND OAKES: And on the topic of  
4 unrealized capital gains which for basic of -- range from  
5 \$24,672,000 in 2001/'02 to \$79,936,000 in 2004/'05; which  
6 is -- and the reference for that is CMMG-1-26, is there  
7 judgment involved related to taking gains?

8 MR. BARRY GALENZOSKI: First of all,  
9 there's -- the Corporation has a set policy on when it  
10 would consider taking gains. And then there is some  
11 judgment involved as to whether the gains would be taken,  
12 or not, particularly as it relates to the equity  
13 portfolio.

14 With respect to the bond portfolio, that  
15 is left to the manager that is looking after the bond  
16 portfolio and that's the Department of Finance.

17 MR. RAYMOND OAKES: And if you could turn  
18 to the tab in the CMMG documents that says, "investment  
19 policy statement", and it's dated June 14th, 2006; came  
20 out of AI.24.2

21 MR. BARRY GALENZOSKI: Okay. I have  
22 that.

23 MR. RAYMOND OAKES: And the first two (2)  
24 paragraphs of that document indicates that:

25 "The Corporation will continue to

1 account for realized capital gains  
2 and losses in the current year. In  
3 order to be able to manage the fund  
4 effectively the Corporation expects  
5 to book approximately 5 million in  
6 gains or losses from fix income  
7 assets in each fiscal year. This is  
8 a guideline only and does not  
9 preclude taking more or less gains  
10 in response to changing market  
11 conditions or equity market  
12 volatility."

13 The next paragraph says:

14 "The Corporation may from time to time  
15 request external equity investment  
16 councils to realize capital gains that  
17 have accumulated."

18 Your answer touched on some of the other  
19 factors in determining their investment policy strategy,  
20 but would you agree with me that certainly the  
21 Corporation's judgment is in large part responsible in  
22 determining what gains to take?

23 MR. BARRY GALENZOSKI: No, the -- on the  
24 bond portfolio, let's just deal with that. We're --  
25 we're expecting to take about \$5 million worth of gains

1 and that -- that may or may not happen because it has to  
2 be done in a manner that is not going to adversely affect  
3 future income flows.

4                   So that the result of a transaction isn't  
5 that you take a gain today and in the long run if you  
6 look at the new investment purchase you'd end up making  
7 less money over an extended period of time if you added  
8 the whole transaction up. So we try to avoid that.

9                   So if market conditions allow that to  
10 occur, and that is to -- to actually make money on both  
11 ends of that, then the Department of Finance would  
12 proceed in taking some gains.

13                   And some years are more successful than  
14 others and -- and some years they're not able to take the  
15 5 million; sometimes they can take a little bit more.

16                   With respect to the equity portfolios,  
17 again we're looking at two (2) equity portfolios  
18 classified as the Canadian portfolio and the US  
19 portfolio, so we're not too worried about individual  
20 managers within that. And we look at them in their  
21 totality in their native currencies and again if there is  
22 sums above the 105 percent of the book value, then we'll  
23 consider taking those gains.

24                   And that -- that is more dependent on just  
25 how much more is available and whether it would be



1 economically feasible to do that. If we decide to take  
2 the gains, we do not direct the managers on which assets  
3 to dispose of to get the gains or what to repurchase or  
4 purchase after they've made the gains.

5 MR. RAYMOND OAKES: I understand your  
6 answer, Mr. Galenzoski, can I summarize part of it as  
7 saying that there is more judgment on the equity side?

8 MR. BARRY GALENZOSKI: There's -- there's  
9 policy covering both sides. The judgment on the equity  
10 side only comes into play once we're over the 105 percent  
11 as to whether it looks like there would be sufficient  
12 gains to make it reasonable to take them.

13 In some of the portfolios, the way they're  
14 dispersed among smaller holdings, you'd have to sell far  
15 too much of the portfolio to get a gain out of it and it  
16 may not be reasonable to do so. And that's -- we rely on  
17 the advice of the individual managers before we would  
18 instruct them to take any gains.

19 So there is some judgment involved  
20 obviously if you get well over that 105 percent level.

21 MR. RAYMOND OAKES: As of July 31st,  
22 2006, as demonstrated in Interrogatory CMMG-2-12, was  
23 Basic's share of unrealized gains approximately \$31  
24 million?

25 MR. BARRY GALENZOSKI: Yes, that was up

1 from about \$9 million the month prior to that.

2 MR. RAYMOND OAKES: And with respect to  
3 doubtful accounts in the re-insurers' sure of Basic  
4 unpaid claims, is judgment involved in the selection of  
5 that allowance?

6 MR. BARRY GALENZOSKI: There is some  
7 judgment obviously in that allowance. That allowance was  
8 set up a number of years ago when there was some  
9 uncertainty with respect to whether or not the re-  
10 insurers would be able to sustain all the claims that  
11 they were incurring at the time, so we did make some  
12 allowances with respect to that. It wasn't based on our  
13 -- our own experience entirely; it was just based on an  
14 overall assessment of the situation.

15 MR. RAYMOND OAKES: And the allowance for  
16 doubtful accounts in the re-insurers' share would be a  
17 different allowance for doubtful accounts that we had  
18 reference earlier in CMMG-2-13; is that correct?

19 MR. BARRY GALENZOSKI: Yeah, the doubtful  
20 accounts I believe on that side are relating to  
21 receivables that the Corporation has and so they would be  
22 different for each of the types of receivables that we  
23 have based on experience. So they are different from one  
24 (1) to the other.

25 MR. RAYMOND OAKES: I wanted to ask some

1 questions relative to the minimum capital test and it's  
2 the fourteenth tab in the CMMG materials and I apologize  
3 for the fact that these materials came back from the  
4 printer without numbers on the tabs; and instead they  
5 elected to put titles on.

6 But it's section TI-19, the revenue  
7 forecasting book and you'll see that tab, when performing  
8 the historical trend review described on page 6, which is  
9 tabbed, how many years of data were used?

10 MR. DON PALMER: There's eleven (11).

11 MR. RAYMOND OAKES: Thank you. And how  
12 many years into the future is that data used for  
13 forecasting purposes?

14 MR. DON PALMER: We trend our financials  
15 out five (5) years.

16 MR. RAYMOND OAKES: And referring to the  
17 MPI rate methodology, if you turn the tab to the next  
18 one, which is TI-20 at pages 11 to 14; how many years of  
19 data were used in forecasting income replacement  
20 indemnity and accident benefits either using the  
21 exponential or linear methods?

22 MR. DON PALMER: I'm -- are you talking  
23 about the calculation of the trend or are you talking  
24 about the calculation of the loss cost?

25 MR. RAYMOND OAKES: I believe it's the

1 loss cost.

2 MR. DON PALMER: The loss cost is based  
3 on four (4) years of data. The trend inherent in that is  
4 based on all the PIPP years of data, which would be  
5 twelve (12).

6 MR. RAYMOND OAKES: In terms of rate  
7 requirements for 2007 and '08, are these a major  
8 component of the costs?

9 MR. DON PALMER: They're a significant  
10 component, yes.

11 MR. RAYMOND OAKES: If I could refer you  
12 to CMMG 2-27, in its answer MPI concludes:

13 "That serious losses and non-serious  
14 losses should be combined."

15 How many years was the analysis based on?

16 MR. DON PALMER: Twelve (12).

17 MR. RAYMOND OAKES: Referring to the  
18 claims forecast book, how many years of data are used in  
19 forecasting PIPP benefits?

20 MR. DON PALMER: We break it down,  
21 depending on coverage. So, in some categories of three  
22 (3) years and in some it's more than that.

23 MR. RAYMOND OAKES: And when you say,  
24 more than that, some of them would be at twelve (12)  
25 years?

1                   MR. DON PALMER:     The vast majority of the  
2 coverages would be three (3) to five (5) years of data.

3                   MR. RAYMOND OAKES:     And how many years of  
4 data would you use in forecasting collision and  
5 comprehensive costs?

6                   MR. DON PALMER:     Again, if you're talking  
7 about the lost costs calculation its -- I believe it's  
8 two (2) years for collision and three (3) years for  
9 comprehensive.

10                   But again the trends that are inherent in  
11 those calculations would be using twelve (12) years of  
12 data.

13                   MR. RAYMOND OAKES:     When MPI calculates  
14 the historical value at risk numbers for use by its  
15 Board, how many years of data does it use?

16                   MR. BARRY GALENZOSKI:     Three (3) years of  
17 data.

18                   MR. RAYMOND OAKES:     With respect to MPI's  
19 Board decision to support the MCT, what external advice  
20 did they receive?

21                   MR. BARRY GALENZOSKI:     The external advice  
22 we would have received is talking to our external actuary  
23 with respect to the use of the MCT, as well as, any  
24 discussions we may have had with SGI and ICBC about their  
25 experience.     That would be it.

1 MR. RAYMOND OAKES: With respect to the  
2 external actuary, was there a report prepared?

3 MR. BARRY GALENZOSKI: There's the DCAT  
4 analysis that's filed at these hearings the last number  
5 of years that have contained information on MCT.

6 MR. RAYMOND OAKES: And how about the  
7 views of the public, at large? Was there any canvassing  
8 of them?

9 MR. BARRY GALENZOSKI: Not that I'm aware  
10 of.

11 MR. RAYMOND OAKES: How about the views  
12 of the business community?

13 MR. BARRY GALENZOSKI: Similar answer.

14 MR. RAYMOND OAKES: That answer is no?

15 MR. BARRY GALENZOSKI: That I'm not aware  
16 of.

17 MR. RAYMOND OAKES: Who would be aware at  
18 the Corporation whether they canvassed the business  
19 community or the public at large?

20 MR. BARRY GALENZOSKI: Well, I would  
21 probably be aware if it happened. I'm not aware of it.

22 MR. RAYMOND OAKES: So it didn't happen?

23 MR. BARRY GALENZOSKI: If we want to go  
24 around two (2) or three (3) more rounds, I can get to a,  
25 "no, it didn't happen".



1 that would be to lower operating costs?

2 MR. BARRY GALENZOSKI: There was a  
3 corresponding offset, yes.

4 MR. RAYMOND OAKES: And if one was  
5 calculating the correlation between claims expenses and  
6 revenues, that would -- that change in data would change  
7 the correlation coefficient?

8 MR. BARRY GALENZOSKI: It would change  
9 the overall ratio, yes.

10 MR. RAYMOND OAKES: And if we continue in  
11 the tabs -- I have PUB/MPI-1-26 tabbed in the next tab  
12 and I would ask whether and specifically with respect to  
13 question and answer for Sub C of that Interrogatory;  
14 could this change have affected the correlations between  
15 claims expenses in each of the other variables?

16

17 (BRIEF PAUSE)

18

19 MR. BARRY GALENZOSKI: Yes.

20 MR. RAYMOND OAKES: And similarly, since  
21 operating expenses change also would it also affect the  
22 correlations between operating expenses and other  
23 variables such as claims expenses, loss costs, and  
24 revenues?

25

MR. DON PALMER: Yes.



1                   MR. RAYMOND OAKES:    I'm going to turn the  
2 Corporation to the next tab which is a -- a transcript  
3 from last year's hearing.

4                   Ms. McLaren, do you recall the discussion  
5 we had related to risk management and it starts at line  
6 16 of page 968 and continues through 970. And we had a  
7 discussion there about MPI's risk profile. Do you have  
8 that, Ms. McLaren?

9                   MS. MARILYN MCLAREN:    Yes, I do.

10                  MR. RAYMOND OAKES:    And do you still  
11 consider MPI a strong, well-run insurance company?

12                  MS. MARILYN MCLAREN:    Yes.

13                  MR. RAYMOND OAKES:    And does MPI's Board  
14 of Directors still have defined roles and  
15 responsibilities that meet or exceed what is necessary?

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

17                  MR. RAYMOND OAKES:    And how about senior  
18 management?

19                  MS. MARILYN MCLAREN:    Yes.

20                  MR. RAYMOND OAKES:    Does MPI's mandate,  
21 organization, structure, resources, and methodologies and  
22 practices related to risk management still meet or exceed  
23 what is necessary?

24                  MS. MARILYN MCLAREN:    I believe so.

25                  MR. RAYMOND OAKES:    Do audit and

1 financial analysis standards still exceed what is  
2 necessary?

3 MS. MARILYN MCLAREN: Meet or exceed, I  
4 believe.

5 MR. RAYMOND OAKES: And does the Company  
6 still comply with laws, regulations, and guidelines?

7 MS. MARILYN MCLAREN: Yes.

8 MR. RAYMOND OAKES: I'm wondering, Mr.  
9 Chairman, we've concluded the -- the grades and scorecard  
10 for the Corporation. I'd be moving to another area and I  
11 don't -- well, I could probably finish in the next  
12 fifteen (15) minutes or less.

13 THE CHAIRPERSON: Just before you do,  
14 just following up on something that was queried with  
15 relationship to the allowance for doubtful accounts, I  
16 take it the allowance pertains to motor vehicle owners  
17 and drivers only; is that true? Is there other --

18 MR. BARRY GALENZOSKI: Any type of  
19 receivable that the Corporation might have. Primarily  
20 it's the two (2) that you mentioned.

21 THE CHAIRPERSON: What were the bad debt  
22 write-offs, say, over the last three (3) years? The  
23 actual charge offs against the allowance?

24 MR. BARRY GALENZOSKI: They're actually  
25 relatively small with respect to write off to expense

1 in --

2 THE CHAIRPERSON: I was thinking, you set  
3 up the provision with a charge to expense and then  
4 presumably when you actually write an account off you  
5 charge it off against the allowance; is that how it's  
6 done?

7 MR. BARRY GALENZOSKI: Yes. That's  
8 correct. It's relatively small. I could get some  
9 numbers for you if you would be interested in looking at  
10 them. The biggest part of that is -- is the write down  
11 to the claims with respect to subrogation receivables.

12 THE CHAIRPERSON: Very good. I'd  
13 appreciate that. Say, just for the last three (3) fiscal  
14 years.

15 MR. BARRY GALENZOSKI: Okay. We'll do  
16 that.

17

18 --- UNDERTAKING NO. 22 MPI to provide CMMG actual  
19 amounts written off in the  
20 last 3 years.

21

22 THE CHAIRPERSON: If a policyholder owes  
23 MPI money can that person get a license?

24 MR. BARRY GALENZOSKI: It depends on the  
25 reason for the policyholder owing us money. For

1 instance, if it's a subrogation receivable and the  
2 individual is adhering to their payment schedules that  
3 have been pre -- that have been agreed to then, yes, that  
4 could actually -- that could happen.

5 So there would be circumstances where,  
6 yes, that could happen.

7 THE CHAIRPERSON: Okay.

8 MS. MARILYN MCLAREN: And generally  
9 policyholders who are in arrears on their vehicle  
10 registration and insurance cannot renew or continue to  
11 process transactions against that vehicle registration  
12 and insurance unless they are for a significant period of  
13 time in arrears and failing to come forward. We don't  
14 generally take early action against the driver's license.

15 THE CHAIRPERSON: Thank you. Is the  
16 allowance developed in a mechanical way or is it an  
17 account by account review? By "mechanical" I mean, say,  
18 for example, over ninety (90) days?

19 MR. BARRY GALENZOSKI: In some -- most  
20 cases it's a mechanical review on the larger receivable  
21 types because there is many thousands of them. But on  
22 some very specific ones, for instance if it was regarding  
23 a fleet surcharge, it would be based on an individual  
24 assessment of the fleets that are out there as to whether  
25 we set any up as an allowance for doubtful accounts.

1                   Those are generally smaller value items  
2 with respect to the allowance that we would set up.

3                   THE CHAIRPERSON:    Is there an annual  
4 review to, sort of, purge the, what do you call it, very  
5 dated provisions and things of that nature?

6                   MR. BARRY GALENZOSKI:    Yes.  We -- we  
7 look at it annually and we get board approval for write  
8 offs and we get board approval for setting up the policy  
9 with respect to allowance for doubtful accounts.

10                  THE CHAIRPERSON:    Thank you.

11                  Mr. Oakes...?

12                  MR. RAYMOND OAKES:    Just a few more  
13 questions, Mr. Chairman.

14

15 CONTINUED BY MR. RAYMOND OAKES:

16                  MR. RAYMOND OAKES:    In CMMG Interrogatory  
17 I-98 we talked about Territory 1 and 2.  Does the  
18 Corporation believe that one of the reasons for the  
19 anomaly is that perhaps people in Territory 1 are  
20 registering their vehicles through relatives or persons  
21 they know who live in Territory 2?

22                  MR. DON PALMER:    We don't have specific  
23 information on that, no.

24                  MR. RAYMOND OAKES:    Is there a concern  
25 that may be happening?

1 MR. DON PALMER: Could be happening.

2 Yes.

3 MR. RAYMOND OAKES: And if they did that  
4 they would pay lower rates; is that correct?

5 MR. DON PALMER: There's two (2) effects.  
6 There would be lower rates. It would also have the  
7 effect of if there were people misrepresenting themselves  
8 that presumably would have worse experience, it could  
9 lower Territory 1 rates and maybe increase Territory 2  
10 rates.

11 MR. RAYMOND OAKES: Territory 2 rates are  
12 about 40 to 45 percent lower on average than Territory 1;  
13 aren't they?

14 MR. DON PALMER: I'll take your word for  
15 that, subject to check.

16 MR. RAYMOND OAKES: It sounds in the  
17 realm?

18 MR. DON PALMER: Yes.

19 MR. RAYMOND OAKES: And, if, in fact,  
20 that phenomenon is occurring is that a potential  
21 indicator that rate shock is forcing people to take this  
22 particular subterfuge?

23 MR. DON PALMER: No. I don't think it's  
24 rate shock that would be driving that.

25 MR. RAYMOND OAKES: You don't think it's

1 excessive rates in Territory 1?

2 MR. DON PALMER: Not excessive. They're  
3 higher, you've mentioned that. And I would not disagree  
4 with that.

5 MR. RAYMOND OAKES: Mr. Chairman, I only  
6 have five (5) short questions and they finish up with lay  
7 up coverage.

8 And I am aware that lay up coverage on  
9 motorcycles is something that's sold in the AutoPac  
10 extension. I realize the limits of the Board's  
11 jurisdiction.

12 But I had five (5) quick questions and the  
13 purpose for the question is it shows an anomaly with  
14 respect to use of basic, if I might be allowed to proceed  
15 subject to what My Learned Friend has to say.

16 THE CHAIRPERSON: Well, ask the  
17 questions, Mr. Oakes, and we'll see what their response  
18 is.

19 MR. RAYMOND OAKES: Thank you.

20

21 CONTINUED BY MR. RAYMOND OAKES:

22 MR. RAYMOND OAKES: When a motorcyclist  
23 takes their other vehicle off the road to ride their  
24 motorcycle over the summer, does MPI advise them to put  
25 that vehicle on lay-up coverage?

1 MS. MARILYN MCLAREN: Since most of our  
2 transactions happen through brokers, it wouldn't be the  
3 Corporation speaking directly to these people. It's our  
4 practice to -- brokers are obligated and expected to  
5 provide Manitobans with information, with an  
6 understanding of the consequences of various courses of  
7 action, but to lay out the optional courses of actions to  
8 them.

9 We would not expect them to advise people  
10 to move a vehicle to lay up coverage or cancel the  
11 coverage. They are to advise them on the consequences  
12 and the options available to them.

13 MR. RAYMOND OAKES: And if they were to  
14 put the options to them and discuss lay up coverage for  
15 their car when their motorcycle is on the road, that  
16 coverage would essentially include comprehensive  
17 insurance, is that correct?

18 MS. MARILYN MCLAREN: Yes.

19 MR. RAYMOND OAKES: And so would it  
20 include third-party liability if the vehicle burns and  
21 destroys, say a storage compound or some other property?

22 MR. DON PALMER: Yes, it does.

23 MR. RAYMOND OAKES: And that third party  
24 liability, if it was a motorcycle that burned and  
25 destroyed some other third party's property, a storage



1 compound or whatever; that's not coverage that they could  
2 buy for their motorcycle through the SRE division, that  
3 third party liability coverage?

4 If for instance, the bike isn't insured  
5 under basic and it's in storage, it has an electrical  
6 fire and burns down the storage compound; there's no  
7 third party liability on the extension side, is there?

8

9 (BRIEF PAUSE)

10

11 MR. DON PALMER: We'll check on that for  
12 you, Mr. Oakes.

13

14 --- UNDERTAKING NO. 23: MPI to check for CMMG on the  
15 availability of third party  
16 insurance for motorcycles.

17

18 CONTINUED BY MR. RAYMOND OAKES:

19 MR. RAYMOND OAKES: If in the event that  
20 it's not available from -- on the extension side, you'd  
21 agree with me that in essentially then the customer would  
22 be forced to leave the vehicle under basic AutoPac year  
23 round; to have that coverage?

24 MS. MARILYN MCLAREN: Do you mean during  
25 the non-riding season when they have the coverage without

1 a premium being charged?

2 MR. RAYMOND OAKES: Thanks for that  
3 clarification, I guess I'll wait for the answer to the  
4 previous question.

5 At this point, I'll close, subject to the  
6 undertakings, Mr. Chairman.

7 THE CHAIRPERSON: Thank you, Mr. Oakes.  
8 And thank you again for your cooperation and assistance  
9 in this going ahead.

10 We'll take our lunch break now and I  
11 understand when we come back we'll have RCM/TREE with us.

12 So that's again. 1:30

13

14 --- Upon recessing at 11:55 a.m.

15 --- Upon resuming at 1:34 p.m.

16

17 THE CHAIRPERSON: Okay. Welcome back  
18 everyone. Professor Miller from RCM/TREE will be joining  
19 us, but first of all, Mr. McCulloch?

20 MR. KEVIN MCCULLOCH: Yes, Mr. Chairman,  
21 during the afternoon of the Thursday, October 5th,  
22 hearing you posed a question to Mr. Galenzoski and it had  
23 to do with influences the Board's behaviour may have had  
24 on the -- or in past orders on the development of the  
25 Corporation's philosophy in assessing or estimating

1 investment income.

2 Ms. McLaren is ready to put a response on  
3 the record at this time.

4 THE CHAIRPERSON: Very good. Ms.  
5 McLaren...?

6 MS. MARILYN MCLAREN: Thank you. Mr.  
7 Chairman, we understand that your comments were  
8 specifically related to the Corporation's approach to  
9 forecasting investment income.

10 THE CHAIRPERSON: Specifically, it was  
11 more than just forecasting, it was the general approach  
12 to investments and the concern over sort of next year's  
13 results. I was sort of suggesting that if the Board was  
14 influencing the Corporation in some way that it would  
15 take a particular pre-occupation with the next year as  
16 opposed to the long term.

17 MS. MARILYN MCLAREN: Okay. Well, our --  
18 our response to that is that we do have that concern and  
19 we reflect that concern in the forecasting process, not  
20 in the management of the investment portfolio.

21 The management of the investment  
22 portfolio, we take a long-term -- a long-term view, but  
23 with respect to forecasting investment income you asked  
24 that, you know, are we concerned about next year's  
25 results and -- and if we had a bias against relying on

1 the -- on that general experience over a longer period of  
2 time that might be better than what could be expected in  
3 the short term.

4 Mr. Galenzoski agreed that we have that  
5 concern and we have that bias really within the context  
6 of the forecasting process. The way we forecast  
7 investment income is different than the long-term view we  
8 take to managing the investment portfolio. That's  
9 important for us to have that on the record.

10 So -- but then when you asked the  
11 question, is there anything in this Board's behaviour in  
12 particular or in general that's been a factor in  
13 developing the policy, again what I will respond to is  
14 the policy with the respect to the forecasting because I  
15 think that's where we -- where we, you know, do not take  
16 a particularly optimistic approach is within the  
17 forecasting process. That's different from the way we  
18 manage the investment portfolio.

19 So that's what I want to respond to and I  
20 think there are really two (2) key reasons that the  
21 Corporation would say yes, this Board has been a factor  
22 in developing this approach to forecasting and I would  
23 take you back really. It was significant concerns about  
24 rates sufficiency as well as reserve sufficiency that  
25 caused us to find ourselves part of this Public Utilities

1 Board process back in the late 1980's.

2 Most of our history with respect to the  
3 Public Utilities Board has really been focussed on the  
4 PUB establishing confidence that -- that the  
5 Corporation's processes really do generate sufficient  
6 rates.

7 You know, in our formative years before  
8 this Board optimism was -- was strongly discouraged and I  
9 think what we all continue to try very hard to do is to  
10 be realistic and pragmatic and neither optimistic nor  
11 pessimistic.

12 So that's one thing, I think, just sort of  
13 the history of our early years in front of the Public  
14 Utilities Board has been very much one of concern about  
15 sufficiency. In the early years and at a few times  
16 through our history sufficiency of reserve also but,  
17 fundamentally, sufficiency of the rates themselves on a  
18 going forward basis.

19 Clearly, we've seen things from this Board  
20 that -- that support its belief that we share  
21 responsibility for providing stable and predictable rates  
22 to Manitobans. And I think there's been a -- a very  
23 clear acceptance of the Corporation's position with  
24 respect to what to do if we have excess retained  
25 earnings; that's the other piece of that.



1 Exactly. Yes.

2 THE CHAIRPERSON: Thank you very much.  
3 Appreciate that.

4 MR. KEVIN MCCULLOCH: Mr. Chairman,  
5 there's one (1) other item if I could. There's a matter  
6 of correction to be made by Mr. Palmer in -- on a  
7 response that he gave to Mr. Oakes this morning.

8 THE CHAIRPERSON: Mr. Palmer...?

9 MR. DON PALMER: This morning Mr. Oakes  
10 was asking about the coverage extended on extension lay  
11 up policies and I should have stuck to my guns and said  
12 it wasn't germane to the application. But I didn't and I  
13 got the answer wrong. In fact, lay-up coverage does not  
14 provide third-party liability coverage.

15 THE CHAIRPERSON: Thank you, sir. I'm  
16 sure Mr. Oakes will notice it in the transcript or Mr.  
17 Saranchuk will bring it to his attention.

18 Okay. Mr. Saranchuk, do you have anything  
19 else right now? Okay.

20 MR. WALTER SARANCHUK: No, sir.

21 THE CHAIRPERSON: Professor Miller, thank  
22 you very much for stepping into the breach today. I know  
23 it's earlier than originally planned.

24 DR. PETER MILLER: Well, actually it's  
25 one (1) of the two (2) times that was offered to me and

1 so the advantage is I get it over with sooner. The  
2 disadvantage is I'm less prepared. So I hope you'll  
3 indulge me.

4 And I do -- I do want to thank the other  
5 parties for -- for accommodating my schedule.

6

7 CROSS-EXAMINATION BY DR. PETER MILLER:

8 DR. PETER MILLER: I'm -- I'm going to  
9 focus mostly on matters of, you know, policy and so on  
10 because we don't have any technical submission in this  
11 hearing and I guess the basic message -- I know, I'm not  
12 supposed to deliver messages, but where there's a will  
13 there's a way and so I want to get that direction  
14 established.

15 Please confirm that -- that the  
16 Corporation is subject to the Sustainable Development  
17 Act? I think that was amply stated?

18 MS. MARILYN MCLAREN: Confirmed.

19 DR. PETER MILLER: And that the  
20 Sustainable Development Act is not in the list of  
21 statutes in the corporate strategic plan that's page 3 of  
22 the corporate strategic plan; that was one (1) of our  
23 Interrogatories.

24 MS. MARILYN MCLAREN: Yes, I believe  
25 that's true.



1 DR. PETER MILLER: And so is that  
2 something you would consider adding to it?

3 MS. MARILYN MCLAREN: I expect it will be  
4 there in the next iteration of the strategic plan, yes.

5 DR. PETER MILLER: Thank you very much.  
6 Now, I want to turn in RCM/TREE-1-2, to the corporate  
7 directive G-23. See if I can figure out my own  
8 arrangements here.

9 It's RCM-1-2. It's sustainable  
10 development policy and guidelines directive G-23. And  
11 I'll also be referring to the year end, environmental  
12 audit, which was attached to PUB 180. What I'm trying to  
13 do is identify the documents that you use for your  
14 sustainable development guidelines and reporting.

15 So those would be two (2) of them. The  
16 third one (1) would be the sustainable development  
17 awareness module, you provided a link in RCM/TREE-2-1, to  
18 that.

19 Now, that document mentioned a sustainable  
20 development action plan and I don't believe that has been  
21 provided. That's the awareness module.

22

23 (BRIEF PAUSE)

24

25 MS. MARILYN MCLAREN: Can you help us

1 find the reference to the action plan?

2 DR. PETER MILLER: Okay. Let me see.

3 That may not be in the part that you have, you have to go  
4 to 2-1 and then click on the link and I think it's right  
5 in the early part of it.

6 MS. MARILYN MCLAREN: Okay. We'll have  
7 to follow up more specifically on that.

8 DR. PETER MILLER: Okay. It's under  
9 sustainable development at Manitoba Public Insurance and  
10 it talks about our corporate action plan; education,  
11 pollution, prevention and so on. So it's on the first  
12 page of sustainable development at MPI.

13 MS. MARILYN MCLAREN: We don't have it in  
14 front of us, but if there's something specific --

15 DR. PETER MILLER: Okay.

16 MS. MARILYN MCLAREN: -- we'll try our  
17 best to answer it.

18 DR. PETER MILLER: I guess my request is,  
19 could you provide it?

20 MS. MARILYN MCLAREN: And that's the  
21 action plan that's referenced there.

22 DR. PETER MILLER: The action plans  
23 that's referenced there.

24 MS. MARILYN MCLAREN: We will take that  
25 as an undertaking.

1 DR. PETER MILLER: Yes, either that or  
2 point out where it is in your documentation.

3 MS. MARILYN MCLAREN: Yes, we will -- we  
4 will respond subsequently.

5 DR. PETER MILLER: Thank you.

6

7 --- UNDERTAKING NO. 24: MPI to provide RCM/TREE with  
8 action plan referenced on MPI  
9 website.

10

11 CONTINUED BY DR. PETER MILLER:

12 DR. PETER MILLER: And another sort of  
13 document that's mentioned is sustainable development  
14 impact analyses and these are mentioned on page 6 of  
15 directive G-23, in the second paragraph there various  
16 items, a lot of items including Board of Directors  
17 submissions requiring a decision, departmental policies,  
18 contracts and agreements and so on; should include a  
19 sustainable development impact analysis.

20 So -- and I asked for the sustainable  
21 development impact analyses, a) for any rate -- your most  
22 recent submission and b) for your education program and  
23 you said you had not created them for either of those.

24 So, my first question is: What items have  
25 you prepared it for? And my second is: Can you produce

1 one?

2 MS. MARILYN MCLAREN: Again, we'll take  
3 that as an undertaking.

4 DR. PETER MILLER: Thank you.

5

6 --- UNDERTAKING NO. 25: MPI to provide RCM/TREE with  
7 the sustainable development  
8 impact analysis.

9

10 CONTINUED BY DR. PETER MILLER:

11 DR. PETER MILLER: And then also in G-23  
12 I want to refer to page 2, point 'E' towards the bottom,  
13 and the preface is:

14 "To ensure -- to ensure consistency  
15 with the above principles the  
16 Corporation shall further strive to  
17 develop and provide environmental sound  
18 and sustainable products and services."

19 What do you consider your core products  
20 and services?

21 MS. MARILYN MCLAREN: Core products and  
22 services would primarily be related to insurance. We now  
23 have some responsibility for licencing and registration  
24 activities, also some of our road safety programming.

25 A couple of examples that I think would be

1 consistent with this statement with respect to the things  
2 the Corporation will -- will strive to do as the context  
3 to this statement, moving to different kinds of payment  
4 methods for Manitobans who finance their Autopac  
5 insurance policies eliminated significant paper and  
6 postage and mailing through the online, automatic  
7 withdrawal and charges to credit cards, things like that,  
8 have had a positive impact on sustainability.

9                   Having the driver's handbook online and  
10 available rather than printing many, many copies that  
11 often become out of date is another example of things  
12 that are related to our -- our core business activities.

13                   DR. PETER MILLER:     Thanks for those  
14 examples but in 24, RCM-24, you indicate that the rates  
15 themselves and your public education proposals are not  
16 subject to these considerations, is that correct?

17                   MS. MARILYN MCLAREN:    Yeah.   The response  
18 is, to RCM-24, that we -- we do not prepare sustainable  
19 development impact analysis for both those items that you  
20 mentioned.

21                   DR. PETER MILLER:     Now, the -- the first  
22 question, A, 24A, says, do you consider rates to be  
23 within the scope of financial decisions, economic  
24 decisions, environmentally sound and sustainable products  
25 and services referenced in the Code of Practice and

1 whether or not you prepare sustainable development impact  
2 analyses for them, how have sustainable principles been  
3 brought to bear on rate making and your answer was a  
4 simple "no" to that.

5 MS. MARILYN MCLAREN: They -- they have -  
6 - those principles have not been brought to bear in rate  
7 making.

8 DR. PETER MILLER: Okay. And on page 6  
9 again and 7 this is under the heading, Procedure;  
10 presumably for implementing the -- the Code of Practice  
11 and financial management guidelines and procurement  
12 policies. And it mentions administrative services,  
13 business services, corporate controllers, and premises  
14 departments.

15 And those are the only departments that  
16 are -- are mentioned. What other departments do you have  
17 besides the ones that have responsibilities with respect  
18 to the Corporate Code of Practice?

19 MS. MARILYN MCLAREN: I'm not going to be  
20 able to list them all off the top of my head. There are  
21 many, many others. There are claims management  
22 departments. There are broker services departments.  
23 There is a call centre department. There are other  
24 components of the financial department. There are more  
25 departments in the computer technology area.

1                   Did you want us to come forward with a  
2 finite list of departments?

3                   DR. PETER MILLER:    No, that's -- that's  
4 fine and presumably there's an actuarial department or  
5 something like that?

6                   MS. MARILYN MCLAREN:    Yes, absolutely.

7                   DR. PETER MILLER:    Yeah.

8                   MS. MARILYN MCLAREN:    That's one of the  
9 other financial ones.   Yes.   For the most part the  
10 Corporation's activities in this area to-date have been  
11 related to its internal business practices, its -- its  
12 acquisitions, its purchases and its behaviour as a  
13 corporation rather than with respect to quantum changes  
14 in its core products and services.

15                   DR. PETER MILLER:    Is there any intention  
16 to change the code of practice to include the  
17 responsibilities of other departments?

18                   MS. MARILYN MCLAREN:    There is an  
19 intention to review the Corporation's actions and  
20 activities in this area and modify them.   This is  
21 something that continues to take on a greater profile in  
22 the world in general that we live in that Manitoba Public  
23 Insurance is part of.

24                   I think there are other things that we do  
25 that are not directly referenced here that we may be well

1 served simply by referencing. We do -- some of the  
2 people who are responsible for activities with respect to  
3 sustainable development are within Mr. Bedard's, the  
4 claims, organization, taking fuel out of vehicles out at  
5 the physical damage centre. Things like that.

6 So there's other activities that are not  
7 reflected here necessarily and there may very well be  
8 other activities that we do not do today that we will be  
9 doing in the future.

10 DR. PETER MILLER: Thank you. What is  
11 the path for getting new items in your action plan?

12

13 (BRIEF PAUSE)

14

15 MS. MARILYN MCLAREN: The path would be  
16 similar to that of other new initiatives within the  
17 Corporation where someone in a particular area with a  
18 particular mandate has an idea of things that the  
19 Corporation ought to do tomorrow that it doesn't do  
20 today. Business cases are developed. Presentations are  
21 made to the management committee, and that's the  
22 executive management team, and more substantive,  
23 significant new initiatives would also require the  
24 approval of the Corporation of the board of directors.

25 Once that is -- the approvals are in



1 process, the approvals in principle generally that would  
2 be, to proceed then we go through a more formal project  
3 initiation. Things like that, generally, happen by  
4 receiving approval in principle and then a more formal  
5 project was established and then undertaken.

6 DR. PETER MILLER: Thank you. Is there  
7 any external point of entry into that or is it all just  
8 internal process?

9 MS. MARILYN MCLAREN: No, there's often  
10 external points of entry. Often things will come to our  
11 attention through this process. Sometimes it is through  
12 other existing liaison or reporting processes the  
13 Corporation has and sometimes it is by interested parties  
14 coming forward to ask to meet with us on a topic and  
15 it'll happen in that -- that way.

16 DR. PETER MILLER: Presumably things that  
17 stem from Board Orders or -- or the discussion that takes  
18 place before the PUB would be another?

19 MS. MARILYN MCLAREN: Yes. Those are the  
20 ones I -- I --

21 DR. PETER MILLER: Okay.

22 MS. MARILYN MCLAREN: -- meant to  
23 reference first.

24 DR. PETER MILLER: The -- I'd like to  
25 refer to the awareness module now and you have just one

1 (1) section, I think, in the handout. I referred to it  
2 earlier but I didn't duplicate that. But the outline is  
3 -- appears in the bold in the left there, the different  
4 sections, and this is the "what can you do" section.

5 First of all, this whole module is  
6 available only to employees on the Internet and not to  
7 the public or is that correct?

8 MS. MARILYN MCLAREN: I believe so, yes.  
9 I believe it is part of the resource material for  
10 employees.

11 DR. PETER MILLER: Have you ever  
12 considered making it available to a wider public?

13 MS. MARILYN MCLAREN: We certainly could  
14 consider that. I think what we tried to do, you know,  
15 there's -- as I understand it, there's not a lot of you  
16 know, brand new information here. We tried to collect  
17 information and put it in a readily accessible place for  
18 employees.

19 I think our perspective is that it might  
20 have been somewhat redundant to make it more generally  
21 available to the public. But we would certainly take  
22 your advice on that if you think that simply providing  
23 this kind of information by Manitoba Public Insurance is  
24 -- would be helpful information for our policyholders, we  
25 certainly wouldn't argue with that.

1 DR. PETER MILLER: You might want to  
2 adapt the format and so on. But, I'm thinking, in  
3 particular, with -- in the handout, the on the road  
4 section, which has the items, it says:

5 "Half of all carbon dioxide  
6 emissions and other air pollution  
7 comes from cars and trucks."

8 I don't think that's a Manitoba statistic,  
9 but it might be if you include the farms cars and trucks.  
10 Would you consider using the content suitably adapted and  
11 amplified if necessary, for one (1) of your public  
12 education ads, in particular, the little message, did you  
13 know taking transit reduces greenhouse gas emissions by  
14 66 percent and is cheaper and much safer than driving an  
15 automobile?

16 MS. MARILYN MCLAREN: Our paid media  
17 advertising tends to be very focussed on the  
18 Corporation's core business. And I'm a little hesitant,  
19 you know, to give you enthusiastic yes at this point,  
20 because it really is outside of our core responsibility  
21 of focussing on road safety and those priorities.

22 If you continue to look a little further  
23 into this though, I think the record would show that we  
24 have attempted to provide those environmental messages  
25 with a road safety message, when it's -- when it's

1 applicable.

2                   Improperly inflated tires are a risk, as  
3 well as being far less fuel efficient. So, I think if,  
4 you know some of the information that we have provided to  
5 people through paid media on how to lower your risk on  
6 the road, when it does also -- and sometimes there is a  
7 pretty good link between fuel efficiency and safer  
8 driving.

9                   And when we have the opportunity to make  
10 those links, we pursue them and we'll try to find more  
11 opportunities to pursue those in the future. I'm much  
12 more comfortable with spending money where there is, at  
13 least, a partial direct link to road safety and to our  
14 core insurance business.

15                   DR. PETER MILLER:       Thanks for that. I  
16 can understand that point. I hadn't noted the inflation,  
17 but I had noted the transit message. It seems to do just  
18 what you were talking about; combing reducing greenhouse  
19 gasses and is safer than driving an automobile.

20                   So wouldn't one risk reduction be: leave  
21 your car at home and take the bus?

22                   MS. MARILYN MCLAREN:     As I said, you  
23 know, we will continue to look for opportunities where  
24 those messages align.

25                   DR. PETER MILLER:       Such as that. Might

1 you add to that, if you do that often enough, we'll  
2 reduce your premiums by classifying -- allowing you to  
3 classify your car for pleasure and not all-purpose?

4 MS. MARILYN MCLAREN: That would be true,  
5 yes, if people rarely used their vehicle to get to work,  
6 they would qualify for pleasure.

7 DR. PETER MILLER: And perhaps that  
8 would be worthwhile calling to their attention. Okay.  
9 Just a question with your own employees, do you provide  
10 parking spaces for your employees?

11 MS. MARILYN MCLAREN: Where we have space  
12 available, not in all locations.

13 DR. PETER MILLER: Do you provide the  
14 transit Ecopasses as employer subsidized bus passes?

15 MS. MARILYN MCLAREN: We did very briefly  
16 several years ago; haven't done it again.

17 THE CHAIRPERSON: Professor Miller, I  
18 think part of that story might be that they were severely  
19 criticized for it at the time; were you not?

20 MS. MARILYN MCLAREN: Yes, very much so.  
21 We were one (1) of the very first adopters of that  
22 program and roundly criticized and changed our mind with  
23 respect to supporting that program.

24

25 CONTINUED BY DR. PETER MILLER:

1 DR. PETER MILLER: By the public? Who  
2 criticized you?

3 MS. MARILYN MCLAREN: Yes, the media  
4 started it and, you know, enough feedback from the public  
5 that it became very clear to us that it was not a widely  
6 accepted use of premium payer's funds.

7 DR. PETER MILLER: Now, I'm going to --  
8 I'd like to just extend this whole question of  
9 sustainable development awareness at the Corporation and  
10 I -- I ask the indulgence of your -- your Counsel just to  
11 produce the -- the cover and one (1) graph from  
12 Manitoba's action plan, climate change action plan. So  
13 it's the one with the polar bears.

14 THE CHAIRPERSON: Mr. Singh, do you know  
15 what exhibit number that would be? Okay. We'll entitle  
16 all of the handouts as RCM/TREE-3.

17 DR. PETER MILLER: Thank you.

18

19 --- EXHIBIT NO. RCM/TREE-3: Handouts by RCM/TREE.

20

21 CONTINUED BY DR. PETER MILLER:

22 DR. PETER MILLER: I presume there --  
23 there are many items in the corporate awareness thing  
24 about how you reduce greenhouse gases. There seems to  
25 be an assumption that everyone knows why that the reasons

1 for it are there.

2 Can I also assume that at least amongst  
3 senior management that there would be a high awareness of  
4 the extent that your customers contribute to that?

5 In this graph on the pages -- the third  
6 sheet there, energy use, vehicle transportation is about  
7 a third; that is greenhouse gasses from energy use and  
8 vehicle transportation, about 31.5 percent here.

9 MS. MARILYN MCLAREN: Yes, I see that.

10 DR. PETER MILLER: And you would assume  
11 that -- that's general knowledge, at least at management  
12 levels?

13 MS. MARILYN MCLAREN: I think that's  
14 fair.

15 DR. PETER MILLER: And so my question is:  
16 Although it's everyone's business to do their bit, does  
17 the Corporation recognize any special responsibilities  
18 stemming from its position as a Crown under the  
19 Sustainable Development Act, in a province which has made  
20 climate change mitigation a signature policy, with a  
21 customer base responsible for almost a third of the  
22 greenhouse emissions in Manitoba, not just an internal  
23 one, but an external one?

24 MS. MARILYN MCLAREN: I certainly accept  
25 legitimacy of that question. It's a very good question

1 and I would ask you to consider the role of this  
2 particular Crown in Manitoba as one charged with  
3 responsibility for providing guaranteed access to  
4 automobile insurance, the concept that this Corporation  
5 was created because automobiles and therefore automobile  
6 insurance were deemed to be a necessity for Manitobans.

7                   That puts our response to a question about  
8 what exactly is our role in assisting in the reduction of  
9 greenhouse gasses generated by those vehicles to which  
10 insurance has been determined a necessity is a very  
11 difficult answer.

12                   I believe that it may be appropriate at  
13 some time in the future for the Government, the  
14 shareholder, to say quite clearly what role they expect  
15 this Corporation to play in this effort and, as yet, that  
16 has not yet happened.

17                   I think it will be one of the more  
18 challenging tasks for us over the next, hopefully, short  
19 period of time because I think there is also a general  
20 awareness amongst the executive management of Manitoba  
21 Public Insurance that there's not a lot of time to spare  
22 on this issue.

23                   I think it will be one of the more  
24 challenging questions that we have to develop an answer  
25 to. So, certainly, there needs to be a role.



1 Specifically what would be an appropriate role for this  
2 Corporation, that -- that has yet to be determined.

3 DR. PETER MILLER: Thank you for that.  
4 Have you ever been yanked back from taking any  
5 initiatives in this area? Well, I -- you did mention the  
6 Ecopass example.

7 MS. MARILYN MCLAREN: That would be the  
8 one that immediately springs to mind. Yes. Off the top  
9 of my head I don't think -- I cannot think of others.  
10 No.

11 DR. PETER MILLER: Now, you indicated  
12 that the criticism came from the papers and the public;  
13 what did the government have to say on that?

14

15 (BRIEF PAUSE)

16

17 THE CHAIRPERSON: I think in all  
18 fairness, Professor Miller, you probably should ask the  
19 government.

20 DR. PETER MILLER: Yes. All right.  
21 That's fine.

22

23 CONTINUED BY DR. PETER MILLER:

24 DR. PETER MILLER: You indicate you're --  
25 you're looking for some direction from government before

1 you go too far, and I think last year you said that it  
2 would be improper for you to provide too much leadership  
3 in that area, let government provide the leadership.

4 You have a Sustainable Development Act  
5 which, in fact, talks about, this is in RCM-1-3 it's  
6 quoted, guideline 1:

7 "Encouraging and facilitating  
8 development and application of systems  
9 of proper resource pricing, demand  
10 management and incentives to encourage  
11 efficient use of resources."

12 So, isn't that the direction you need?  
13 It's the laws of the land.

14 MS. MARILYN MCLAREN: The specific  
15 application of those guidelines, I think, could be quite  
16 broad and I don't think that is -- I would certainly not  
17 interpret that as this Corporation's direction from  
18 government on exactly what to do with the basic  
19 compulsory Autopac program, no.

20 THE CHAIRPERSON: Ms. McLaren --

21 MS. MARILYN MCLAREN: Particularly in the  
22 context of things like demand management. I see  
23 potentially depending on how the Corporation would  
24 respond. An inherent conflict with trying to -- rating  
25 structures that try to decrease demand fundamentally in

1 conflict with guaranteed access to something that's been  
2 deemed a necessity, automobile insurance.

3           There's a fundamental principle, as I  
4 understand it, amongst those who encourage significant  
5 reduction in the use of automobiles. And the fundamental  
6 assumption is that there is a great deal of discretionary  
7 driving going on. A great deal of discretionary  
8 automobile use. I'm not sure the extent to which that is  
9 true and I'm quite sure that many Manitobans would  
10 disagree about the extent of discretionary driving in  
11 their lives.

12           So I think there -- you know, that there  
13 is a lot to be done in this area. There's a lot to be  
14 understood and this is an area we have to tread very,  
15 very carefully given the role of the basic compulsory  
16 Autopac program.

17           Sorry, Mr. Chairman, I --

18           THE CHAIRPERSON: You did just fine. I  
19 was going to -- not that I'm evaluating your statements,  
20 but I was going to remind Professor Miller that you'd  
21 said before that you thought that your primary mandate in  
22 a sense was, provide guaranteed access to affordable auto  
23 insurance, rates for service, you want -- as to modelling  
24 in some way the behaviour of your policyholders.

25           MS. MARILYN MCLAREN: Right.

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CONTINUED BY DR. PETER MILLER:

DR. PETER MILLER: One of the arguments for the pay-as-you-drive, is that insurance can be made affordable by folks curtailing their driving.

What is your comment on that?

MS. MARILYN MCLAREN: Well, Manitobans have ready access to affordable automobile insurance without onerous restrictions on the extent to which they use it.

By any comparison Manitoba automobile insurance is amongst the lowest cost in the country, the coverage is the best and it would be easier to attempt to use the cost of insurance as a lever for environmental purposes if there was an affordability issue at hand.

Manitoba has affordable automobile insurance by any measure across this country and you know, through North America, easily.

DR. PETER MILLER: Thank you. I wonder if you could simply list the various problems you see with the pay-as-you-drive approach. And you've been answering a lot. Mr. Palmer could answer some on this score, if he wishes.

THE CHAIRPERSON: Professor Miller, do you want to hit your button there because otherwise we'll

1 get --

2 MR. DON PALMER: I see a couple of  
3 issues. And these were pretty well documented in our  
4 answers to one (1) of your second round questions; when  
5 we were taking out excerpts from the Foundations of  
6 Casualty Actuarial Principles.

7 Number 1. I'm not absolutely convinced  
8 that mileage driven is an indicator of risk. And I don't  
9 have any data that could confirm or deny that.

10 But, I'll give you an example, if you have  
11 two (2) drivers that are pre-disposed to have one (1)  
12 accident a year and one (1) of them is a commercial  
13 operator and drives 200,000 kilometres a year.

14 And one (1) is the, I guess, the mythical  
15 individual who drives to church every Sunday, who drives  
16 very, very little and hence doesn't have the driving  
17 skills to possibly have more accidents.

18 From an insurance perspective, the risk of  
19 those two (2) drivers is the same. Because they have one  
20 (1) accident a year. So I don't necessarily see that,  
21 you know, the mileage driven is an a priori condition for  
22 the risk on the road. So that's number 1.

23 Second issue I see is measurement. And  
24 not only measurement but verifyability of the  
25 measurement. How do we necessarily know the mileage that

1 individuals can drive? Is it self-reporting? That  
2 certainly can cause some issues. Is there some sort of  
3 mechanical intervention? GPS has been mentioned; that's  
4 very costly.

5 So again do you -- I think the example in  
6 the Foundation's textbook was if the administration of it  
7 costs more than you expect to save, why do it?

8 Those are -- those are a few examples of  
9 some of the -- the issues that I see off the top of my  
10 head.

11

12 CONTINUED BY DR. PETER MILLER:

13 DR. PETER MILLER: Thanks for that.  
14 Let's just consider those -- those two (2). What ability  
15 do you have with your current database to assess whether  
16 or not your -- your assumption -- you can cite individual  
17 cases but we're talking about aggregate cases as all  
18 insurance is that on the whole, say, a class of pleasure  
19 drivers in a -- a particular area, you know, some drive  
20 more, some drive less.

21 Do you have any capacity to look at your  
22 database and look at collision frequencies in relation to  
23 distances driven?

24 MR. DON PALMER: As I mentioned at the  
25 outset, I don't have data to confirm or -- or deny the

1 assertion that mileage driven is directly correlated with  
2 accident frequency.

3 DR. PETER MILLER: I think you said in a  
4 reply that the mileage is recorded at -- at initial  
5 registration, re-registration, and write-offs, and an  
6 accident report; is that correct?

7 MR. DON PALMER: As -- as one who just  
8 sold a car today I -- I can tell you that as part of the  
9 transfer of ownership documentation, mileage is put on --  
10 on that so, yes, that is there at the initial  
11 registration.

12 By re-registration, that's re-registration  
13 of an automobile, it's not done every year so it's not  
14 part of the annual renewal process. And it's done at the  
15 time of write-offs, yes.

16 DR. PETER MILLER: Taking the case of  
17 sales and -- and registration to a new owner, is the  
18 serial number preserved? Could you find out the  
19 registration when the original owner registered it and  
20 then when they sold it?

21

22 (BRIEF PAUSE)

23

24 MR. DON PALMER: I'm -- it's -- it's  
25 somewhere on our systems. It may not be easily -- easy

1 to get so I can't confirm or deny that. I -- I'm not  
2 familiar enough with the registration system to -- to say  
3 that we -- we could or could not do it.

4 MS. MARILYN MCLAREN: Maybe just another  
5 point of information for you with respect to the  
6 Corporation's rating systems and classification systems,  
7 this is your second year at these proceedings there's a  
8 lot of history below -- behind that.

9 The Corporation insures, you know, about  
10 six hundred and fifty thousand (650,000) private  
11 passenger vehicles, somewhere in that category and given  
12 that body of data over many years we have really reliable  
13 statistical information with respect to the costs of  
14 providing insurance in the all -- all-purpose and  
15 pleasure categories across the different territories in -  
16 - in the Province.

17 So at that level, insurance use and  
18 territory, the data is very reliable and we can use it in  
19 terms of setting our insurance rates.

20 When you get within that though in terms  
21 of the different kinds of make, model, model year  
22 vehicles and the particular statistics related to the  
23 individuals who drive those vehicles, Manitoba simply  
24 doesn't have enough data to rely on for those purposes.

25 We use nation-wide information about



1 should the 1997 Dodge Caravan cost about the same to  
2 insure compared to a 1994 Chevy Cavalier? We use  
3 national data for that, so if you think, sort of, just  
4 beyond the very basic insurance use and territory,  
5 Manitoba data isn't enough.

6 So even if we had the data that you're  
7 asking about in terms of trying to get a handle on  
8 crashes related to distances driven within Manitoba, if  
9 we had the data it wouldn't be very sound and usable  
10 within our small 4 percent of the Canadian total context.

11 DR. PETER MILLER: So you're looking for  
12 national statistics -- nationally based statistics  
13 relating driving distances to collisions?

14 MS. MARILYN MCLAREN: I'm just making the  
15 point that when it comes to comparing the relative risk  
16 of smaller categories of risk, not the big insurance uses  
17 and territories, but the smaller categories of risk, in  
18 our context today that means make, model, model year  
19 comparisons, we have to go well outside of Manitoba.

20 And I'm just using that same principle to  
21 say that if you wanted to look at crash data in relation  
22 to people who drive less than 10,000 kilometres, 10 to  
23 20,000 kilometres, those kinds of smaller groupings,  
24 again, Manitoba would not be -- would not have enough  
25 data to make it credible. Just like it's not big enough

1 to have credible data on the vehicle makes and models.

2 DR. PETER MILLER: Does this mean that  
3 when you adjust the insurance premiums annually on the  
4 basis of experienced claims that those are not  
5 experienced by you?

6 MS. MARILYN MCLAREN: No, that's not what  
7 that means. It means our rates are solely driven by the  
8 cost to provide the automobile insurance to Manitobans.  
9 They're totally driven by our costs.

10 The thing that we don't have enough to use  
11 ourself is in terms of the relative risk of all those  
12 hundreds and hundreds of different make, model, model  
13 year vehicles. It's the relative risk of one vehicle to  
14 another vehicle, that's what we get some help with by  
15 using nationwide data.

16 The actual loss cost, the claims cost, and  
17 what it costs to provide the insurance, is it two hundred  
18 (200) or is it two thousand (2,000); that's all based on  
19 Manitoba data.

20 DR. PETER MILLER: Okay. I guess I'm  
21 puzzled. When it comes to makes and models, yes, but it  
22 seems to me that when it comes to distances that is  
23 within your database for every car that's been sold to  
24 another Manitoban?

25 MR. DON PALMER: But only -- not

1 necessarily within finite periods. If someone owns a car  
2 for fifteen years we have it at the beginning of the  
3 fifteen (15) year period and maybe not again if it's --  
4 if it's then retired, so to speak.

5 DR. PETER MILLER: It's true, single  
6 owner cars would be omitted. Let's consider another way  
7 of gathering data which is a pilot project which, as you  
8 are aware, a number of private insurers have done and  
9 it's done in the Netherlands. I'm not sure if that's  
10 public or private.

11 Why not conduct a pilot project and gather  
12 your own data on that?

13 MS. MARILYN MCLAREN: I think the first  
14 answer to that is because to jump into a pilot would not  
15 come close to meeting my requirement of treading very  
16 carefully. You don't jump into something before you  
17 really truly understand what it is you're trying to do,  
18 what's the context and -- and what is the fundamental  
19 policy approach.

20 You don't start with a pilot project;  
21 that's the first thing. I think the second thing is Mr.  
22 Palmer will talk about things like anti-selection and  
23 some of those other concerns from a rating perspective,  
24 but I would like to bring you back, as well, to the  
25 insurers who have started some pilots and I'd like to

1 speak to Canada because that's what I'm more familiar  
2 with.

3 In Ontario, Aviva started a pilot and it  
4 was really a marketing approach for them. I've spoken to  
5 the people that started that particular strategy. It was  
6 not an environmental initiative. It was primarily an  
7 initiative to attract parents whose younger drivers will  
8 be taking their vehicles and parents who wanted to have a  
9 pretty good idea, as to how these vehicles were used when  
10 they were out of their sight.

11 And after two (2) years they have yet to  
12 obtain, I think it was the five thousand (5000) voluntary  
13 participants they were looking for.

14 I understand as well, that ICBC has  
15 started a pilot but, again it's not an environmental  
16 initiative and it's not pay-as-you-drive insurance. It's  
17 specifically targeted on a very specific high risk group  
18 of lower mainland people who have a particularly high  
19 powered vehicles, for the most part, and they are trying  
20 to create an incentive to use those vehicles more  
21 responsibly -- more responsibly and to lower roadway  
22 risk.

23 So those are the two (2) pilots that I'm  
24 aware of in Canada. And I think it would be highly  
25 inappropriate for Manitoba Public Insurance to just start

1 up a pilot of pay-as-you-drive insurance for sustainable  
2 and greenhouse gas emissions purposes, without fully,  
3 fully doing the upfront work that I spoke of earlier  
4 first.

5 DR. PETER MILLER: Part of the problem  
6 with doing the upfront work as we were exploring is the  
7 absence of the right data to do it. What about  
8 augmenting your database by, on annual renewal of the  
9 Autopac having another line which enters the mileage?

10 It wouldn't -- there wouldn't be an  
11 incentive to save or so on, it's just a form of data  
12 collection to enhance your research capability?

13 MS. MARILYN MCLAREN: My hesitation in  
14 moving aggressively in this areas, is not related to a  
15 lack of data. This is a fundamental policy issue,  
16 particularly for this Corporation. And that's what has  
17 to be addressed first.

18 It's a fundamental policy issue for this  
19 Corporation, how do you balance provincial objectives  
20 with respect to reducing greenhouse gas emissions with  
21 Crown Corporation mandated to provide guaranteed access  
22 to necessary automobile insurance?

23 It's a huge policy issue, that's where we  
24 have to start. It's not a lack of data. I don't foresee  
25 a time when we answer those fundamental questions that I

1 will sit here and say, Well, now we've got all that  
2 sorted out and I'd really love to do it, but I just don't  
3 have the data.

4 We will find a way to do whatever is  
5 determined to be the appropriate thing for this  
6 Corporation to do. We will do that. We will find an  
7 appropriate way to do whatever is determined to be an  
8 appropriate course of action.

9 Now, to answer your more specific  
10 question. We would have concerns about asking people to  
11 voluntarily submit data for us that we don't really have  
12 an intended purpose for at this time. There's some  
13 prohibitions on that sort of thing with respect to FIPPA,  
14 I imagine. We would also have some concerns about -- if  
15 it's just voluntary, what do you do about the people who  
16 don't comply. I don't think we want to be denying them  
17 registration and insurance privileges if they don't bring  
18 it.

19 Are we going to rely on self-reported  
20 data? I have real concerns about that. For --  
21 fundamentally this insurance program is about objectively  
22 determined rating criteria, that we don't rely on the  
23 customer to report to us.

24 I would have concerns about asking brokers  
25 to do more work and making people bring the vehicle to

1 the broker's office so the broker can trot outside and  
2 have a look at the odometer to have an independent third  
3 party verify it.

4 So, why not just collect it. I think  
5 there's lot of administrative concerns about that, but  
6 clearly, clearly our fundamental issue is well before the  
7 administration. It's the fundamental policy issues  
8 first.

9 DR. PETER MILLER: Thanks for making that  
10 so clear. And I guess that accords with my notion that  
11 where there's a will, there's a way. It's a question of  
12 getting the direction right.

13 And just to confirm that I've understood  
14 it; the basic issue is that you see distance based  
15 premiums as in fundamental conflict with low cost  
16 insurance?

17 MS. MARILYN MCLAREN: No, that's a little  
18 too broad. I think insurance rating for the purpose of  
19 discouraging vehicle use may be inherently -- in inherent  
20 conflict with our -- our mandate to provide guaranteed  
21 access to automobile insurance; that's my point.

22 So it's using an insurance system to  
23 achieve other objectives, maybe in conflict with  
24 achieving the objective the Corporation was initially  
25 established to deliver on.

1 DR. PETER MILLER: But you have other  
2 objectives, low cost insurance or the original mandate is  
3 -- is one, but road safety and reduction of risk surely  
4 is right up there?

5 MS. MARILYN MCLAREN: Absolutely. And  
6 that was one (1) of the founding principles when the  
7 Corporation was established, that it had a mandate to try  
8 to work to reduce the risk of using the roadway.

9 DR. PETER MILLER: And would -- and your  
10 -- and your belief is that distance/space premiums would  
11 have no effect or little effect on risk reduction to meet  
12 that particular objective?

13 MS. MARILYN MCLAREN: I -- there's -- I  
14 have no information right now that tells me that pay-as-  
15 you-drive insurance or distance-based insurance is a  
16 better form of assessing risk than what we have today.  
17 That's -- the insurance answer on why not have pay-as-  
18 you-drive is that there's no evidence anywhere and I -- I  
19 do not have any information on some of the other  
20 countries that have -- that have been discussed in this  
21 forum and -- and we will look into that, but my knowledge  
22 in Canada and with what I know about some other pilots  
23 that have happened within North America they are -- they  
24 are not risk reduction strategies.

25 They are not road safety initiatives.



1 They are to achieve other objectives with respect to  
2 whether it's marketing or whether it is a very specific  
3 road safety concern like I talked about in BC, that is  
4 very, very targeted and it's not particularly -- it's not  
5 at all distance-based. So I have no model in the world  
6 that I'm familiar with where distance-based insurance is  
7 a risk reduction tool.

8 So that -- we're having this conversation  
9 not because someone has identified a potential flaw in  
10 our risk rating, our -- our rate making methodology, but  
11 because there's a perception that this might be a lever  
12 to reduce greenhouse gas emissions; that's the way it has  
13 been discussed and I have a concern with that.

14 I'm very concerned about just assuming  
15 that there might be a truly legitimate insurance link.  
16 There's no evidence to say that. There's no model to  
17 look to that says that.

18 Is the Corporation committed to living up  
19 to its obligations under the Sustainable Development Act?  
20 Is there more work to do to define an appropriate role  
21 for the Corporation in that regard?

22 The answers to all of the -- both of those  
23 are, yes.

24 Are we willing to consult well outside the  
25 walls of the Corporation to help identify an appropriate

1 role for this Corporation? Absolutely.

2 I am very concerned about a perceived  
3 answer to as -- an as yet undefined question.

4 DR. PETER MILLER: I'm -- would it be  
5 fair and please feel free to say it's unfair to say that  
6 you don't want the data that would drive some people's  
7 premiums because others went down legitimately from an  
8 insurance standpoint because as a group they caused lower  
9 claims?

10 MS. MARILYN MCLAREN: No, that wouldn't  
11 be fair.

12 DR. PETER MILLER: Okay.

13 THE CHAIRPERSON: Professor Miller, I  
14 think we're going to take a short break and then return.  
15 Before --

16 DR. PETER MILLER: I -- I think I can  
17 close off here then.

18 THE CHAIRPERSON: No, no. We don't want  
19 to rush you. Just before we have the break -- I just  
20 don't want to rush you, that's all.

21 DR. PETER MILLER: Well, I -- I -- I  
22 think we've -- we've been around the -- the issues and --  
23 well, if it's a short break I will -- I will reflect on  
24 what I've done.

25 THE CHAIRPERSON: Okay. I would reflect.

1 Before you go we've just got a couple of things.

2 Ms. McLaren, I think you would agree that  
3 there are many elements to the Sustainable Development  
4 Act? It's not all totally related to carbon emissions?

5 MS. MARILYN MCLAREN: Yes.

6 THE CHAIRPERSON: And perhaps in other  
7 lines of activity in words, MPI has walked part of this  
8 road. I'll give you a few examples. I think MPI would  
9 agree, for example, that surcharges for accidents likely  
10 reduce accident injuries and claims?

11 MS. MARILYN MCLAREN: Yes.

12 THE CHAIRPERSON: And that's a lever that  
13 you were talking about earlier, for example?

14 MS. MARILYN MCLAREN: Yes.

15 THE CHAIRPERSON: You clearly hold that  
16 reduced auto theft achieved by MPI action through the  
17 immobilizers will lead to lower accidents and claims and  
18 that's another lever, is it not?

19 MS. MARILYN MCLAREN: Yes, definitely.

20 THE CHAIRPERSON: MPI held in the past,  
21 not to raise a difficult subject, that ever increasing  
22 motorcycle premiums to recognize costs, that was a  
23 linkage, that cost and the premiums would reduce the  
24 number of motorcycles on the road and perhaps accidents  
25 related thereto.

1 I wasn't trying to unearth it. I was  
2 simply pointing out you indicated at one time that the  
3 safest vehicle on the road when you're talking about  
4 single vehicle accidents that were larger vehicles?

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

6 THE CHAIRPERSON: I presume you'd agree,  
7 for example, that more aggressive traffic law enforcement  
8 might affect motorists behaviour and lower accident  
9 counts?

10 MS. MARILYN MCLAREN: It might.

11 THE CHAIRPERSON: I suppose you'd  
12 probably even agree, for example, that safer roads, no  
13 snow or ice or potholes might perhaps also contribute to  
14 less accidents?

15 MS. MARILYN MCLAREN: Yes.

16 THE CHAIRPERSON: My point I'm making  
17 here is that the Sustainable Development Act talks about  
18 sustainability in many features beyond carbon emissions  
19 and a lot of the actions that you have ongoing in one  
20 shape or other relate directly to bringing down certain  
21 costs and accidents which are far from desirable  
22 accidents, injuries, deaths, and things of that order?

23 MS. MARILYN MCLAREN: Absolutely.

24 THE CHAIRPERSON: And none of that is  
25 contrary to your professed purpose of MPI?

1 MS. MARILYN MCLAREN: No.

2 THE CHAIRPERSON: Okay. We'll have a  
3 short break, Dr. Miller, and we'll come back and you can  
4 wind up after having a chance to reflect.

5 DR. PETER MILLER: Thank you.

6

7 --- Upon recessing at 2:40 p.m.

8 --- Upon resuming at 3:00 p.m.

9

10 THE CHAIRPERSON: Mr. McCulloch, I see  
11 you've been active again over the break.

12 MR. KEVIN MCCULLOCH: I wish I could take  
13 credit but other hands have been active, Mr. Chairman,  
14 and there's two (2) undertakings that I'd like to file as  
15 exhibits.

16 The first is the response to Undertaking  
17 number 17 and by my count that would be MPI Exhibit  
18 number 13.

19

20 --- EXHIBIT NO. MPI-13: Response to Undertaking No.  
21 17.

22

23 MR. KEVIN MCCULLOCH: And, secondly, the  
24 response to Undertaking No. 21 which would be MPI Exhibit  
25 No. 14.

1 --- EXHIBIT NO. MPI-14: Response to Undertaking No.  
2 21.  
3

4 THE CHAIRPERSON: So, Mr. Galenzoski, 9.6  
5 million isn't very much, I guess?

6 MR. BARRY GALENZOSKI: Well --

7 THE CHAIRPERSON: What's a million?

8 MR. BARRY GALENZOSKI: What's a few  
9 million among friends, right.

10 THE CHAIRPERSON: I'm just kidding.

11 MR. BARRY GALENZOSKI: I'd just -- I  
12 would like to speak to this though just because it will  
13 put it into context, okay?

14 THE CHAIRPERSON: Please.

15 MR. BARRY GALENZOSKI: This is the amount  
16 of writeoffs, with respect to the last three (3) fiscal  
17 years and on the '05/'06 year it showing \$9.6 million.  
18 And that's against receivables in total of over \$357  
19 million, when you take a look at the big picture on this  
20 thing.

21 Okay. The biggest one is subrogations.  
22 We have about \$163 million at risk there and the writeoff  
23 is \$9.4 million, approximately. That's done based on an  
24 assessment of different files, keeping in mind that a lot  
25 of this money is due from people that may be deceased or

1 incarcerated or you know, quite young of age and not able  
2 to pay back at this stage.

3 That represents about 5.72 percent of that  
4 overall receivable that's out there. And even though we  
5 classify it as written off, it is really always held in  
6 abeyance with respect to future recovery.

7 We do run against a database any claim  
8 payments that we're making, looking for matches against  
9 people who have written money off. And if we are able to  
10 get a match, we scoop the money that we would potentially  
11 make in a claim payment.

12 For instance, if it was a payment for  
13 physical damage on a vehicle, we would scoop the money  
14 and apply it against the receivable rather than pay the  
15 claim. And that is fairly successful in getting back  
16 modest amounts of money on a regular basis.

17 I should also add that through our  
18 subrogation process we do collect in cash, about \$7  
19 million a year. So that is a substantial amount of money  
20 that is collected from all sorts of organizations and  
21 individuals with respect to some recoveries from other  
22 insurance companies, some are recoveries obviously from  
23 individuals, some of it would be recoveries from youths  
24 that have been involved in car theft, criminal  
25 activities.

1                   So that's the biggest part of our  
2 writeoff. That's charged against our claims incurred, so  
3 it's not showing up on our expenses as actual writeoffs.  
4 Our actual writeoffs are usually under three hundred  
5 thousand dollars (\$300,000) a year.

6                   THE CHAIRPERSON:     Thank you, sir.  
7 Professor Miller, you've had an opportunity to reflect?

8

9 CONTINUED BY DR. PETER MILLER:

10                   DR. PETER MILLER:     Yes.   And the way I'd  
11 like to wrap it up is to make a proposal and get a  
12 response to the proposal.

13                   Centra Gas recently held a meeting of  
14 stakeholders with a consultant who provided background  
15 information.   The stakeholders identified issues -- this  
16 was with respect to a new request for proposals for gas;  
17 a very different issue.

18                   My proposal is, why not engage a  
19 consultant because you folks are very busy and hold a  
20 stakeholders meeting to identify the various issues that  
21 should be considered.

22                   I would, you know, put on the list the  
23 following:   What information is available on the  
24 relationship of distance and risk?

25                   What information is there that -- what is



1 the elasticity of demand, I guess, would be the economic  
2 way of doing it, of driving in relation to incentives  
3 such as distance based premiums?

4 And what issues are there in reconciling  
5 the various goals that you mentioned of the Corporation?  
6 You tended to focus on two (2) of them, the legitimacy of  
7 your risk rating and the importance of low cost  
8 insurance.

9 And the question is: Are there models  
10 that are there or that could be created that address  
11 those while also introducing the incentives and the  
12 purported benefits of the system of insurance?

13 So that's the proposal, get stakeholder  
14 input, have a consultant who has the time to examine the  
15 range of issues and provide a report to the Corporation  
16 and the stakeholders.

17 THE CHAIRPERSON: Thank you, Professor  
18 Miller. Does MPI want to respond at this point in time,  
19 or do you want to wait until closing statements?

20 MS. MARILYN MCLAREN: We'll probably wait  
21 for closing statement, but we certainly take it under  
22 advisement. We certainly would not reject it out of  
23 hand.

24 THE CHAIRPERSON: Thank you. Thank you  
25 Professor Miller. Do you have anything else?

1 DR. PETER MILLER: No, I'm done. Thank  
2 you very much.

3 Mr. Roberts, Manitoba Used Car Dealers'  
4 Association?

5 MR. NICK ROBERTS: Thank you, Mr.  
6 Chairman.

7

8 CROSS-EXAMINATION BY MR. NICK ROBERTS:

9 MR. NICK ROBERTS: I'm going to start  
10 with some stuff on the Immobilizer Program but I did want  
11 to mention, back in September I did a newspaper interview  
12 with the Winnipeg Sun on the Immobilizer Program which we  
13 were very keen on.

14 The article was excellent with one (1)  
15 exception. The reporter decided to tell everybody that  
16 I owned an immobilizer shop. So that's not true and so I  
17 don't want you to think I'm sort of padding this for my  
18 own good.

19 Ms. McLaren, would it be fair to say that  
20 expanding the Immobilizer Program to all of Manitoba is  
21 an issue of the quality of access? Would that be fair to  
22 say?

23 MS. MARILYN MCLAREN: Yes.

24 MR. NICK ROBERTS: And is it fair to say  
25 and I -- I don't know if I have these figures exactly

1 right, but I -- is it fair to say that 20 percent of the  
2 fleet was -- or probably the hundred and fifty (150) most  
3 at risk are responsible for some 60 percent of the auto  
4 thefts in Manitoba? Am I close on that or is...?

5 MS. MARILYN MCLAREN: Yeah, I think  
6 you're close on that, yes.

7 MR. NICK ROBERTS: Okay. And I'll be  
8 careful asking about the WATSS program. I'm not looking  
9 for too much of a response.

10 But the WATSS program as I understand it  
11 is based on a program that was started in Regina, is that  
12 correct?

13 MS. MARILYN MCLAREN: Yes.

14 MR. NICK ROBERTS: And I was told I guess  
15 a story; I can't confirm it or deny it. Maybe you've  
16 heard it about the police having to be pulled off this  
17 program for some reason for a major manhunt in Regina and  
18 basically within twenty-four (24) to thirty-six (36)  
19 hours the theft rates had gone right back up.

20 Did you ever hear about that?

21 MS. MARILYN MCLAREN: Yes.

22 MR. NICK ROBERTS: So it's fair to say  
23 that the -- the auto theft suppression program or WATSS  
24 is really a stopgap measure until more of the fleet is  
25 immobilized?

1 MS. MARILYN MCLAREN: Yes, I would agree  
2 with that.

3 MR. NICK ROBERTS: And just as a matter  
4 of interest is Saskatchewan -- are they watching with a  
5 lot of interest the Immobilizer Program in Manitoba?

6 Are they considering that or do you know?

7 MS. MARILYN MCLAREN: I do not now that.

8 MR. NICK ROBERTS: Okay. The Province of  
9 Manitoba is leading by example by having their fleet of  
10 government vehicles immobilized. Are the provincial  
11 vehicles entitled to receive, and I -- I'm not sure if  
12 this is the right term, to receive the hundred and forty  
13 dollar (\$140) rebate from the Corporation or...?

14 MS. MARILYN MCLAREN: The rebate is  
15 available on all vehicles, yeah.

16 MR. NICK ROBERTS: Okay. So in the last  
17 two (2) months the City of Winnipeg Police Service has  
18 had two (2) police cars stolen. This obviously shows  
19 that no one is safe from auto theft in Manitoba. Surely  
20 if the Province of Manitoba is installing immobilizers in  
21 their vehicles the City of Winnipeg I -- I believe should  
22 certainly follow suit.

23 So I guess you already answered my  
24 question. I was just going to ask whether the City of  
25 Winnipeg and Winnipeg Police Service, whether they would

1 be eligible for that hundred and forty dollars (\$140);  
2 they would be for that?

3 MS. MARILYN MCLAREN: Yes, they would.

4 MR. NICK ROBERTS: And would you agree  
5 with me that, Ms. McLaren, that the top one hundred and  
6 fifty (150) most at risk vehicles is -- is a moving  
7 target meaning that many of that list will -- it'll  
8 change as more of that hundred and fifty (150) vehicles  
9 become immobilized; like, can you see that list  
10 expanding?

11 MS. MARILYN MCLAREN: It is a fixed group  
12 right now. We expect it to remain fixed group for  
13 probably the next year, but we certainly leave ourselves  
14 the option of expanding beyond a hundred and fifty (150)  
15 makes and models if others start to exhibit the same  
16 increasing risk of theft as that group itself has.

17 MR. NICK ROBERTS: So, there are -- there  
18 are a lot of -- I think earlier in the week you mentioned  
19 there are a lot of vehicles that have some sort of a, for  
20 lack of a better term, factory installed immobilizer,  
21 either some kind of chip in the key or whatever, but  
22 those are -- can be fairly easily defeated can they not?

23 MS. MARILYN MCLAREN: Yes. There are  
24 some factory installed immobilizers in vehicles in  
25 Manitoba today that do not meet the national standard and

1 have, in fact, proven themselves to be fairly vulnerable  
2 to be stolen.

3 MR. NICK ROBERTS: And the -- was the  
4 decision made to give the top one hundred and fifty (150)  
5 most at risk vehicles a free immobilizer; was it because  
6 there was a, for lack of a better word, a slowdown in the  
7 program? Was there less uptake?

8 MS. MARILYN MCLAREN: I think that -- not  
9 quite. That's part of it. In the first six (6) or eight  
10 (8) months of the program Manitoba Public Insurance and  
11 others worked very hard to build up the capacity to  
12 install immobilizers and once that capacity had been  
13 built to near a thousand (1,000) a week demand started to  
14 fall off.

15 But probably our bigger concern is that  
16 the people coming forward in the early months were not  
17 the people who owned the most at risk vehicles. So it  
18 wasn't just that demand was falling off it was a failure  
19 to elicit a strong desire to participate from the target  
20 group.

21 Right from the beginning we said the  
22 target group really was the people who owned the most at  
23 risk vehicles. And we did a lot of work in terms of  
24 listening to feedback through our own website, running  
25 some focus groups, trying to get a handle on what was

1 preventing these people who owned the most at risk  
2 vehicles from participating.

3 And what they told us really was that even  
4 at a hundred and forty dollars (\$140) and about a two (2)  
5 year payback period it just wasn't really motivating them  
6 to participate because they didn't see the vehicles as  
7 particularly valuable. They weren't motivated to go out  
8 of their way and spend the money up front to protect the  
9 community.

10 And in response to the reasons they gave  
11 us for not participating we did the math, we did the  
12 analysis and said, if we pay for the whole thing we can  
13 still make this a go and that's really the core reason  
14 why we changed it.

15 MR. NICK ROBERTS: Well, I'll ask you --  
16 I'll ask you this and it's something we'd like to see  
17 happen but if the -- if the program slows down or, you  
18 know, sort of, just not as many people wanting to have  
19 them put in, at some point would the Corporation, I guess  
20 if the -- the moving target list moves or whatever, more  
21 people would be on that, but would you consider just  
22 opening it up to all Manitobans that would be eli --  
23 like, just give them an immobilizer?

24 MS. MARILYN MCLAREN: I think we would  
25 really need to have a strong rationale to do that. I

1 think -- you know, I can conceive of a couple of  
2 rationales. I mean, if -- if the theft problem continued  
3 to be very compelling, very -- you know, continuing high  
4 levels of theft, even after we immobilize the most at  
5 risk category and there seemed not to be much -- much  
6 more of a most at risk group, if it was more widely  
7 dispersed, there might be a financial rationale to do  
8 that.

9                   There continues to be, you know, just the  
10 rationale on its face of improving community safety. You  
11 know, so I think we would really need to look at the  
12 circumstances and have a very strong rationale for making  
13 it that wide open. I suspect that it will not happen  
14 just given what we've seen the evolution of theft to be  
15 so far, but we have to respond to an emerging situation.

16                   MR. NICK ROBERTS: But I -- you know, we  
17 -- we started to come across people that say, well, and I  
18 -- I don't really fall for the argument, but they say,  
19 well, if -- Why do I have to pay a hundred and forty  
20 dollars (\$140) and the next guy doesn't, he gets it for  
21 free? I don't -- I don't know what -- what you say to  
22 those people?

23                   MS. MARILYN MCLAREN: Well, you know, I -  
24 - the -- the answer, I guess, is that it really -- it  
25 really is free for everybody in a reasonably short period



1 of time because of the forty dollar (\$40) discount that  
2 you get immediately. Another forty dollars (\$40) as soon  
3 as you renew; sometimes that's in another month or two.

4 So clearly, you know, there is a financial  
5 payback for everybody. And the harder more -- more  
6 business driven answer as to why is it free for your  
7 neighbour and not for you, because your neighbour simply  
8 poses a much greater risk than you do.

9 MR. NICK ROBERTS: Yeah, I'm going to  
10 move on otherwise I'll spend another hour on the  
11 immobilizer.

12 I just wanted to -- some questions about  
13 if there were commercial type vehicles in the private  
14 passenger major class.

15 If a person had a car and used it to make  
16 sales calls for a commercial printing company, for  
17 example, under what insurance use would that vehicle be  
18 insured?

19 MR. DON PALMER: That would be all-  
20 purpose.

21 MR. NICK ROBERTS: And would that be  
22 similar if they say, if they had a light truck say a Ford  
23 F-150, in the same thing?

24 MR. DON PALMER: As long as it wasn't  
25 used for delivery purposes or something like that, yes I

1 would agree, all-purpose.

2 MR. NICK ROBERTS: And would you agree  
3 that farming is a business?

4 MR. DON PALMER: I would agree with that.

5 MR. NICK ROBERTS: And about how many  
6 light trucks are insured under the -- insured under the  
7 farm are all-purpose use?

8 MR. DON PALMER: In territory 2, which is  
9 most of them, this is light farm trucks--

10 MR. NICK ROBERTS: Right --

11 MR. DON PALMER: -- there's thirty-one  
12 thousand nine hundred and one (31,901). The heavy farm  
13 trucks, that would be greater than 4,540 kilograms, they  
14 are commercial vehicles and there are fourteen thousand  
15 seven hundred and five (14,705) of them.

16 MR. NICK ROBERTS: Okay. Thanks. I'm  
17 going to come back to that a little bit later on. I just  
18 had some questions on loss transfer. And I'm going to  
19 refer you to MUCDA/MPI-1-2, our first round  
20 Interrogatories.

21 MR. DON PALMER: I have it.

22 MR. NICK ROBERTS: Can you confirm that  
23 the total reported losses for dealer all uses for  
24 territories would have been \$19,247,023 for 2001 through  
25 2005?

1 MR. DON PALMER: Say again. Was it  
2 19,427,023?

3 MR. NICK ROBERTS: I got, I maybe -- have  
4 a little dyslexia, but I thought it was 19,247,023.

5 MR. DON PALMER: I've got 427, but close  
6 enough.

7 MR. NICK ROBERTS: Okay. Which means the  
8 rest of my math will be wrong. And with loss transfer as  
9 shown in section TI-20, Exhibit 15, page 5, we'll see if  
10 I got this number right, is the total cost -- I'll wait  
11 until you have that.

12

13 (BRIEF PAUSE)

14

15 MR. DON PALMER: I've got 20,573,463.

16 MR. NICK ROBERTS: Sorry, can you give me  
17 that number one more time? I have one written down here,  
18 and you know I didn't write these figures out, it was  
19 18,075,728. TI-20, Exhibit 15, page 5.

20 MR. DON PALMER: What I've got, TI-20 --

21 MR. NICK ROBERTS: Exhibit 15, page 5.

22 MR. DON PALMER: -- Exhibit 13, is the raw  
23 losses. Exhibit 15 that you're referring to --

24 MR. NICK ROBERTS: Okay.

25 MR. DON PALMER: -- is with some smoothing

1 of the serious losses. So the comparable exhibit that  
2 you should be look at TI-20 is Exhibit 13.

3 MR. NICK ROBERTS: Okay. So -- well,  
4 what I'm after here and maybe you can answer this  
5 question for me, I'm just looking to see if there's a  
6 decrease in costs, you know, to see if loss transfers had  
7 a positive effect for dealer plates.

8 MR. DON PALMER: According to this, there  
9 was an increase in costs due to loss transfer or to PIPP  
10 classed allocation.

11

12 (BRIEF PAUSE)

13

14 MR. DON PALMER: I'm sorry. I've been  
15 corrected. Yes, it's the fifteen (15) to fifteen (15) --  
16 you were correct in the 20 million to eighteen (18)  
17 somewhat.

18 MR. NICK ROBERTS: Eighteen thousand and  
19 seventy-five (18,075) or 18,000,075?

20

21 (BRIEF PAUSE)

22

23 MR. DON PALMER: I guess it would be  
24 really wrong of me to say there's too many numbers in  
25 here.

1 MR. NICK ROBERTS: Yeah, it would, yeah.

2 MR. DON PALMER: Okay. Without loss --  
3 or without PIPP Plus cost allocation eighteen four twenty  
4 (18,420) -- 19,427,023 and after the allocation is  
5 18,005,728.

6 MR. NICK ROBERTS: Is Mr. Galenzoski  
7 whispering the difference to you?

8 MR. DON PALMER: That's what he -- that's  
9 what he did.

10 MR. NICK ROBERTS: I'd love to hear it.

11 MR. BARRY GALENZOSKI: 1,421,295.

12 MR. NICK ROBERTS: So seeing as I don't  
13 have a calculator I -- I had down here that that's -- the  
14 required rate for dealer plates is about 6 percent lower  
15 with loss transfer than if loss transfer had not been put  
16 in place?

17 MR. DON PALMER: It seems to me we filed  
18 the exact difference and -- and I'll take that as an  
19 undertaking.

20 MR. NICK ROBERTS: Thanks.

21

22 --- UNDERTAKING NO. 26: MPI to supply MUCDA the  
23 difference between dealer  
24 plates with loss transfer and  
25 without.

1 CONTINUED BY MR. NICK ROBERTS:

2 MR. NICK ROBERTS: Now, I just wanted to  
3 touch on -- on dealer plates and how -- and how they're  
4 used so -- or how a dealer vehicle is used.

5 Can we describe the use of dealer-plated  
6 vehicles in two (2) main ways; first to allow members of  
7 the public to test drive a vehicle for sale and second  
8 for use by dealership owners and their staff to drive  
9 vehicles in everyday use as a form of advertising.

10 MR. DON PALMER: I'd accept that.

11 MR. NICK ROBERTS: Can you describe the  
12 process that was used by the Corporation in assigning the  
13 various insurance uses such as pleasure/passenger vehicle  
14 to major classes?

15 MR. DON PALMER: That goes back about  
16 fifteen (15) years and I -- I really hesitate to say  
17 this, but it was on the basis of management judgment and  
18 so it was vetted through this Board some fifteen (15)  
19 years ago and accepted by this Board at that time.

20 MR. NICK ROBERTS: So were -- I'm -- I'm  
21 going to guess the answer to -- oh, I shouldn't guess the  
22 answer. Were members of -- or were dealers invited to  
23 participate in the assignment process how those dealer  
24 plates would be put in place?

25 MR. DON PALMER: No, this was part of the

1 actuarial rate-setting exercise, so we don't invite  
2 public consultation into the actuarial rate-setting  
3 exercise.

4 MR. NICK ROBERTS: Okay. Thank you. And  
5 I just wanted to touch briefly on this data anomaly we  
6 had a couple of years ago.

7 MR. DON PALMER: I remember it.

8 MR. NICK ROBERTS: Yeah, so do I.  
9 Referring to MUCDI -- MUCDA/MPI-1-8, if you can get that.  
10 Can you offer any further comfort to dealers that the  
11 bulk of the data anomaly has now been accounted for in  
12 the rates?

13 MR. DON PALMER: The -- the reason that  
14 we could not confirm that is that you'd have to have the  
15 -- the wrong data as well as the right data to -- to  
16 really confirm the differences.

17 Once we discovered a couple of years ago  
18 the -- the issue with the dealer plate data we fixed it.  
19 And so it didn't generate new data on the wrong basis, so  
20 to speak, to compound the error.

21 It's looking at the fairly low rate  
22 increases that we're seeing this year in dealer and the  
23 fact that they are -- anything less than 10 percent  
24 indicates that the full value of the data is accounted  
25 for in the rate increases. There's no capping. There's

1 no smoothing.

2 So, my answer from that standpoint would  
3 be, it appears that all of the -- the data anomaly has  
4 been -- has worked through the -- the data. But to be  
5 100 percent sure of that fact, I can't be.

6 MR. NICK ROBERTS: Yeah. And you don't  
7 think there's any other little anomalies or gremlins  
8 kicking around in there still or?

9 MR. DON PALMER: Not from that  
10 standpoint. No.

11 MR. NICK ROBERTS: I've just had -- now  
12 I'm going to be back onto the RSR. Other than its board  
13 and consulting actuary who else has MPI management  
14 consulted with with respect to the size of the RSR?

15 MR. BARRY GALENZOSKI: With our external  
16 actuary.

17 MR. NICK ROBERTS: Does that -- okay,  
18 that answers my second questions. In terms of funding  
19 the basic program has all the funding for the Corporation  
20 come from basic premiums paid by the ratepayers?

21 MR. BARRY GALENZOSKI: No. There's  
22 funding that comes from the investment income that's  
23 earned on reserves held for various things in the -- by  
24 line of business. As well as, with respect to rate  
25 stabilization reserve, we were funding that with



1 transfers of excess retained earnings from extension and  
2 SRE lines of business.

3 MR. NICK ROBERTS: So when you say it  
4 includes returns to investments, were they not funded by  
5 the ratepayers?

6 MR. BARRY GALENZOSKI: Well, they're  
7 funded by the ratepayers as far as the dollars set aside.  
8 However, the income earned is not funded by the  
9 ratepayers; that's funded through the various investments  
10 that you -- you consciously make, so that it's just, in  
11 my mind, a different area where money is coming from.

12 The money is set aside for a certain  
13 purpose and then it has the ability to earn additional  
14 funds over and above the original input that the customer  
15 would have put in when they paid their premium.

16 MR. NICK ROBERTS: And as I understand  
17 it, the current RSR level has been set by the PUB for  
18 rate setting purposes, 65 million to 100 million?

19 MR. BARRY GALENZOSKI: Yes. I believe  
20 that's correct.

21 MR. NICK ROBERTS: And in this  
22 application MPI is suggesting that the level be increased  
23 to 107 million to 214 million as of the end of 2006/2007?

24 MR. BARRY GALENZOSKI: Yes.

25 MR. NICK ROBERTS: And is that level

1 expected at the end of 2006/2007 -- would it be 160.8  
2 million?

3 MR. BARRY GALENZOSKI: I believe that's  
4 the number that we have in our TI's. I could look that  
5 up if you'd like.

6 MR. NICK ROBERTS: No. I had it under  
7 your pre-filed testimony.

8 MR. BARRY GALENZOSKI: Then it would be  
9 correct.

10 MR. NICK ROBERTS: So the excess is 60.8  
11 million above the top of the PUB range and within the MPI  
12 suggested range?

13 MR. BARRY GALENZOSKI: That's correct.

14 MR. NICK ROBERTS: Since this money came  
15 from premiums paid by ratepayers, in essence, you're  
16 holding their money for them?

17 MR. BARRY GALENZOSKI: No. That's not  
18 correct. This money, a large part of it, came from  
19 monies transferred from extension and SRE.

20 MR. NICK ROBERTS: Mr. Chairman, I'm out  
21 of -- I'm out of questions.

22 THE CHAIRPERSON: Very economical. Okay,  
23 thank you, Mr. Roberts.

24 I'm wondering, Mr. Dawson, do you know  
25 approximately how much time that you expect to take?

1 MR. ROBERT DAWSON: If it helps,  
2 Mr. Chairman, I could do some quick short snappers, but  
3 the bulk of my questions will certainly fill the more  
4 than the half an hour that I suspect the Board is willing  
5 to sit.

6 I'm at the Board's discretion, entirely.

7 THE CHAIRPERSON: Why don't you begin and  
8 take 15 to 20 minutes and then we'll adjourn and start  
9 with the witnesses tomorrow and return on Thursday.

10 MR. ROBERT DAWSON: Would the Board mind  
11 if I move to the front so that --

12 THE CHAIRPERSON: No, that would be a  
13 very good idea.

14 MR. ROBERT DAWSON: Thank you.

15

16 (BRIEF PAUSE)

17

18 THE CHAIRPERSON: Thank you, Mr. Roberts.  
19 Okay, Mr. Dawson, I understand that it will be possible  
20 for you to finish off tomorrow morning before the  
21 witnesses start. So if that --

22 MR. WALTER SARANCHUK: Mr. Chairman, the  
23 thought was that while we will proceed with the witnesses  
24 as agreed tomorrow, if there is time remaining tomorrow  
25 afternoon then perhaps we can then be accommodated by Mr.

1 Dawson and perhaps by Ms. Reilly.

2 But, depending on when we are through  
3 tomorrow with the witnesses.

4 THE CHAIRPERSON: Thank you, Mr.  
5 Saranchuk. As we get older our ears get harder of  
6 hearing and we lose something in the translation,  
7 although it's not that many feet separating us.

8 Okay. Mr. Dawson...?  
9

10 CROSS-EXAMINATION BY MR. ROBERT DAWSON:

11 MR. ROBERT DAWSON: Thank you Mr.  
12 Chairman. Selecting more for available time than  
13 probably dramatic punch, I'll start if I may with Mr.  
14 Bedard, not that he's not dramatic.

15 MR. WILF BEDARD: I'll do my best.

16 MR. ROBERT DAWSON: Mr. Bedard, if I  
17 could trouble you please to Public Utilities Board, first  
18 round, Interrogatories number 13.

19 And specifically, if I may trouble you to  
20 turn to the attachment which is marked Schedule 1 --

21 MR. WALTER SARANCHUK: This is -- for  
22 everyone's information document 20 in the book of  
23 documents of the Public Utilities Board.

24 MR. ROBERT DAWSON: Thank you, Mr.  
25 Saranchuk, that's helpful.

1 CONTINUED BY MR. ROBERT DAWSON:

2 MR. ROBERT DAWSON: And just to help the  
3 Board, the short topic that I've selected to begin with  
4 deals with the way in which the applicant is handling  
5 claims for personal injury, specifically any cost control  
6 measure that it's attempting to implement.

7 And Mr. Bedard, when we look at that  
8 table, if I understand correctly what it's done is it's  
9 broken down by injury type; the various injury claims  
10 that the Corporation has received over the years.

11 Is that a fair description of what we see  
12 there?

13 MR. WILF BEDARD: Yes, it is.

14 MR. ROBERT DAWSON: And would you agree  
15 with me looking especially in the current year, that's  
16 the last year that's projected there which is 2006, or  
17 just going back in a few -- couple of years, that by and  
18 large the majority of the forms of injury that the  
19 Corporation has received claims for, relates to whiplash.

20 Am I correct on that?

21 MR. WILF BEDARD: Yes, you are.

22 MR. ROBERT DAWSON: And just before -- to  
23 avoid confusion if I remember correctly, the reasons why  
24 that there's a sudden -- supposedly sudden jump in 2004  
25 of whiplash is because of the way in which the other

1 category prior to 2003 had been recat -- reclassified for  
2 2004 going forward, is that right?

3 MR. WILF BEDARD: Yes, that's correct.

4 MR. ROBERT DAWSON: You would agree with  
5 me that given that whiplash constitutes by far the  
6 majority of the kinds of injury that have been sustained  
7 that it certainly -- that form of injury would certainly  
8 be a target for any cost controls that the Corporation  
9 might propose to implement, am I correct?

10 MR. WILF BEDARD: Certainly, it has been  
11 our history over time that the preponderance of injury  
12 reported are whiplash disorders, no question. And that  
13 is even before we re-calibrated the other category. It  
14 was always the case.

15 And as a consequence, yes, it is an area  
16 where we are concentrating on controlling our costs,  
17 absolutely.

18 MR. ROBERT DAWSON: If I could trouble  
19 you to turn one, Interrogatories 4, to PUB-1-14,  
20 specifically schedule 1. And just so that everyone is on  
21 the correct page I'll just recite for reference sake the  
22 first financial number that appears under 1995 Income  
23 Replacement is twenty-three thousand three hundred and  
24 sixty-six (23,366).

25 Do you have that, Mr. Bedard?

1 MR. WILF BEDARD: Yes, I do.

2 MR. ROBERT DAWSON: When I look at  
3 relatively recent years of the way in which these claims  
4 costs or claims have been incurred, it seems that the  
5 majority of costs on this table suggest that most of the  
6 costs relate to income replacement, is that correct?

7 MR. WILF BEDARD: Yes, that's correct.

8 MR. ROBERT DAWSON: And I know that in  
9 2006 -- we won't concentrate on why there's a deficit  
10 number or why the percentages are out of line. I believe  
11 it was Mr. Galenzoski who had earlier explained that.

12 I'm just speaking in the broadest terms  
13 that when we look at this, just as we had seen in the  
14 previous table that whiplash would account for the most  
15 kinds of injuries, here when it comes to costs it relates  
16 to income replacement; that's what I'm saying.

17 Are we on the same page, Mr. Bedard?

18 MR. WILF BEDARD: Yes, we are.

19 MR. ROBERT DAWSON: And would you agree  
20 with me that just as whiplash was a target for cost  
21 control given that it constituted most of the kinds of  
22 injury that income replacement costs is also a target, a  
23 logical target, for cost controls here?

24 MR. WILF BEDARD: I wouldn't categorize  
25 it as a target. Clearly it is a large expenditure to the

1 Corporation. We do monitor that on an ongoing basis and  
2 through our efforts in case management and getting people  
3 back to work resuming normal activity at the earliest  
4 possible convenience is a goal of the Corporation, yes.

5 MR. ROBERT DAWSON: Anecdotally, would  
6 you agree with me that a significant number of the  
7 whiplash types of injury account for the income  
8 replacement costs that we see on this table?

9 MR. WILF BEDARD: It certainly would be a  
10 portion of it, perhaps a large portion, but many of the  
11 other injury categories contribute to that -- that line  
12 as well.

13 MR. ROBERT DAWSON: I note that in the  
14 Corporation's reply and I don't think we need to turn to  
15 it just at the moment, in reply to the Manitoba  
16 Chiropractors' Association First Round Interrogatory  
17 Number 2 the Corporation described in its reply something  
18 called the Prolonged Recovery Unit.

19 Very briefly could you just summarize what  
20 that is.

21 MR. WILF BEDARD: Yes, it's a two (2)  
22 year pilot project where we have three (3) or four (4)  
23 case managers looking at our older cases; cases that are  
24 perhaps more than three (3) -- four (4) years of age  
25 where there is a chronicity associated with them, where



1 people have not been able to return to work, resume  
2 normal activity.

3 And we are looking at those and seeing if  
4 there is anything that we can do to re-validate their  
5 entitlement, make sure that there are no other  
6 extenuating circumstances preventing them from returning  
7 to normal activity and just taking a -- a good hard  
8 second look at insuring that we've done everything  
9 possible to rehabilitate these individuals.

10 MR. ROBERT DAWSON: And I understand that  
11 as a result of that pilot that the savings have been  
12 approximately 2.86 million as of the 30th of June of this  
13 year, is that correct?

14 MR. WILF BEDARD: I believe that response  
15 is in one (1) of the IR -- IR's and, yeah, I believe that  
16 is correct.

17 MR. ROBERT DAWSON: I may have misled you  
18 when I said there was no need to turn to it.

19 Continuing on, the way in which those  
20 savings were achieved among other things would have been  
21 what you've described in that same IR and that's Manitoba  
22 Chiropractors' Association-1-2, first a reevaluation  
23 relating to a reassessment of the medical evidence; is  
24 that right?

25 MR. WILF BEDARD: That's one (1) of them,

1 yes.

2 MR. ROBERT DAWSON: And going on it's  
3 discussed as an evaluation of the individual's functional  
4 capacity?

5 MR. WILF BEDARD: Yes, that's correct.

6 MR. ROBERT DAWSON: And also an  
7 evaluation of the residual earning capacity is listed  
8 here, is that right?

9 MR. WILF BEDARD: Yes.

10 MR. ROBERT DAWSON: And when we say,  
11 "reassessment" or "reevaluation", effectively what we're  
12 saying is that the Corporation casts another eye over the  
13 file to see whether or not benefits should continue or  
14 should stop or should change, is that right?

15 MR. WILF BEDARD: I think that's fair,  
16 yes.

17 MR. ROBERT DAWSON: Would it be fair to  
18 say that based -- even though it's a pilot corporation  
19 that the Corporation or, sorry, pilot project, that the  
20 Corporation is pleased with the outcome of that  
21 particular approach to cost controls when it comes to  
22 some of its more chronic and long-lasting files?

23 MR. WILF BEDARD: Well, we are pleased  
24 and the -- the claimants are pleased as well. You know,  
25 this is not merely to find a way to reduce benefits.

1 We're just wanting to re-validate, re-affirm. Many of  
2 these individuals have pre-existing conditions and  
3 looking at the medical information, challenging it a  
4 little bit more, we're seeing that these individuals  
5 perhaps have recovered from their automobile accident and  
6 what's precipitating the ongoing disability is their  
7 previous condition.

8 Others, due to our -- our support, with  
9 retraining and rehabilitation they're able to find  
10 employment. So it's not just a -- the focus is not just  
11 saving money. But it's just making sure that we've done  
12 everything possible to support people to resume their  
13 normal activities post-accident and post-recovery.

14 MR. ROBERT DAWSON: Is any thought being  
15 given to extending this kind of, shall we say, re-  
16 examination of files to other forms of injury, ones that  
17 may not have been around for three (3), four (4) or five  
18 (5) years or longer?

19 MR. WILF BEDARD: There's been no work  
20 done on that at this point. We set up the parameters of  
21 the two (2) year pilot and we're working within those.  
22 We're very pleased with the outcomes to date. Once the  
23 two (2) years is up we will do an evaluation of that  
24 program and determine its future.

25 MR. ROBERT DAWSON: At this stage in the

1 pilot program has there been an identification of an  
2 earlier date at which some of these files might have  
3 perhaps been re-evaluated earlier thus triggering earlier  
4 savings?

5 MR. WILF BEDARD: Offhand that's --  
6 that's difficult to say. You know, each one of these is  
7 very complex, very unique. Many of these cases have gone  
8 on for a number of years. There's psychiatric issues.  
9 There's stress disorder issues. There's pre-existing  
10 conditions. There's many, many factors that -- that come  
11 into play when evaluating these things.

12 We don't look at it in terms of gee whiz,  
13 we should have done something more a year or two (2) ago.  
14 We're looking at the case as it is today and seeing what  
15 we can do to benefit.

16 MR. ROBERT DAWSON: It may be something  
17 of a leap but, of course, the Corporation, in its filings  
18 and additional information 22 has talked about the PIPP  
19 benchmarking study that it's beginning to undertake and I  
20 realize that, as I say, it is something of a leap, but do  
21 you see a connection between the eventual benchmarks that  
22 the Corporation hopes to establish and perhaps the kind  
23 of evaluation that's been taken on these particular files  
24 in the prolonged recovery unit as a form of cost saving?

25 MR. WILF BEDARD: Certainly, with the

1 benchmarking, as we envision it at this point in time,  
2 it'll give the opportunity for the case manager to  
3 evaluate things in a very proactive way. It'll -- it'll  
4 provide flags and -- and suggestions in terms of what  
5 ought to be done at particular times on -- on files going  
6 forward.

7 Will it have any benefit to cases like  
8 this? I think, generally speaking, I'm sure it will.  
9 But in terms of back-casting that to the existing group,  
10 I don't think it'll have, really, any impact.

11 MR. ROBERT DAWSON: If we can stay on the  
12 PIPP benchmarking study then, if I understand correctly,  
13 and I don't want to spend a lot of time because it's well  
14 known both to the board, as well as it's on the record,  
15 the background to this benchmark embarking study arose  
16 from the 2005 GRA in which the Board ordered that MPI  
17 develop, in its words, claim benchmarks for the duration,  
18 frequency and cost for comparison with its own experience  
19 and that of other no-fault jurisdictions and agencies; is  
20 that correct?

21 MR. WILF BEDARD: Yes, I do recall having  
22 a conversation in this forum some time ago. Although  
23 creating benchmarks, establishing them and -- and  
24 monitoring our own business and comparing it with -- with  
25 other organizations of like programs, it's been around



1 can pause and let you do that, I'm just mindful of the  
2 time. But, I'm just going to very quickly quote and keep  
3 moving.

4 I understand, and you can correct me if  
5 I'm wrong, that the aim is to arrive at outcomes that  
6 result in better managed costs; is that right?

7 MR. WILF BEDARD: Yes, that's part of the  
8 mandate, certainly.

9 MR. ROBERT DAWSON: And just for the  
10 record, that appears at paragraph 2.03 of that contract  
11 that appears at the first Interrogatory of the MBA first  
12 round.

13 Can you explain what you mean by "outcomes  
14 that result in better managed costs"?

15 MR. WILF BEDARD: Well, it's based on  
16 what we were talking about in terms of benchmarks.  
17 Really, allowing the system to provide you with data in  
18 terms of how you're performing, in terms of the frequency  
19 and duration of treatments, length of income replacement  
20 based on injury type, the demographics of the type of  
21 claimants you're dealing with; giving -- allowing you to  
22 have more data in which to understand your business,  
23 understand what the drivers area and, ultimately,  
24 understand where your cost implications are.

25 MR. ROBERT DAWSON: Do I understand that

1 one (1) of the problems though of implementing  
2 benchmarks, especially in your industry is that, as you  
3 had suggested earlier and hinted at, is that data is not  
4 standardized obviously between insurers or between other  
5 companies that might have comparable collections of data  
6 as your own?

7 MR. WILF BEDARD: In most companies, the  
8 data does not exist. And in those companies that do have  
9 data, they don't gather it similarly -- or similar to  
10 other organizations. It's basically many times comparing  
11 oranges to apples, which makes the comparison and the  
12 benchmarking exercise particularly challenging.

13 MR. ROBERT DAWSON: Can you explain one  
14 question that comes to mind to me, is that if, in fact,  
15 you're going to try and create benchmarks in which you  
16 will examine the practices across the Board, beyond MPI,  
17 if you're telling us that the data doesn't exist in other  
18 Corporations, how will you effectively retrieve that data  
19 to compare your own operations to that activity?

20 MR. WILF BEDARD: It is going to be  
21 difficult. The benchmarking can start within the  
22 company, benchmarking our performance over time, given  
23 our own experience. But, you're absolutely right,  
24 benchmarking with sister organizations like SGI, SAC,  
25 other Worker's Compensation Boards is going to be



1 difficult.

2                   Some have a lot of data, others have  
3 little, others have none. Some of it's differently  
4 calculated, many of the databases are financially driven  
5 rather than performance outcomes on case management. And  
6 that's a difficulty that we are going to have to wrestle  
7 with here.

8                   MS. MARILYN MCLAREN:    Mr. Dawson, a point  
9 of clarification. This contract is for an initiative  
10 that we have referred to internally as to create a  
11 roadmap for the personal injury protection plan.

12                   The ability to establish a benchmarking  
13 process is part of this. It is not the entire -- and I  
14 just want to sort of clarify the differences. Because  
15 when you talked about the implementation plan and the  
16 objectives of this initiative are not the objectives of  
17 the benchmarking process.

18                   And just a further clarification of the  
19 language that you used, I think you tended to mix the  
20 objectives of the -- the first and second. This project  
21 is really intended to allow for better managed outcomes  
22 of PIPP, better managed claim files. That's not the same  
23 thing as better managed costs. They're -- they're  
24 separate and distinct and sometimes they go hand in hand,  
25 but they are two (2) objectives of this broader PIPP

1 project that we have recently completed.

2 Now, the Corporation has some decisions to  
3 make with respect to undertaking work to achieve the  
4 roadmap that -- that we've been given to consider. We  
5 haven't made those decisions yet. And one (1) of the  
6 myths, the -- the benchmarking component, it will be  
7 expensive to implement that benchmarking framework. It  
8 will also be expensive for the Corporation to be going  
9 out and -- and getting reliable, legitimate data with  
10 which to benchmark ourselves.

11 Those are the consequences of adopting the  
12 entire framework that, you know, I think a model of which  
13 was included in the material somewhere within our  
14 application that there -- it will be expensive and the  
15 Corporation has some decisions to make. It will not only  
16 be difficult, it will be labour intensive and it will be  
17 expensive.

18 MR. ROBERT DAWSON: On a day when we are  
19 pressed for time, I appreciate that because it actually  
20 moves me straight ahead to where I want to go.

21 I'm going to read Order Number 5 from  
22 Board Order 148/04 and this is quoted on page 1 of AI-22  
23 and it says:

24 "Manitoba Public Insurance develop  
25 claim benchmarks for duration,

1 frequency, and cost for comparison with  
2 its own experience and that of other  
3 no-fault jurisdictions and agencies and  
4 file a summary of the benchmarks  
5 established by Manitoba Public  
6 Insurance with the Board at the next  
7 General Rate Application."

8 Assuming that's a correct description of  
9 what the Board Order is, I'm going to suggest to you that  
10 as you seem to have already stated that the work that MPI  
11 has been doing goes far beyond what the Board has ordered  
12 MPI to do; would you agree with that?

13 MS. MARILYN MCLAREN: Yes, within a  
14 strict interpretation of the language of that Order, I  
15 would agree with that.

16 MR. ROBERT DAWSON: There are two (2)  
17 components to it which I think that MPI has gone beyond  
18 what the Board has asked.

19 The first is, and I'll repeat and quote  
20 only one (1) small part relating to that same Order.

21 "They're supposed to develop claim  
22 benchmarks for comparison with its own  
23 experience and [and I'll emphasize  
24 here] other no-fault jurisdictions and  
25 agencies."

1                   And then when we skip ahead to page 10 of  
2 AI-22, we get a list of what those agencies and other  
3 comparative bodies are according to you and we're told  
4 that it includes Work Loss Data Institute, the Insurance  
5 Bureau of Canada, the Association of Workers'  
6 Compensation Boards of Canada, SGI, SAC, and I'll pause  
7 here and say, so far I'm with you; so far I think these  
8 are within the kinds of bodies that the Board had  
9 suggested you ought to be trying to establish benchmarks  
10 against, Ward and Associates, private P&C insurers, and  
11 then it goes on IBM benchmark studies and IBM engagement  
12 experience to confirm this observation.

13                   Would you not agree with -- that private  
14 P&C insurers certainly goes beyond the benchmarks that  
15 the Board had ordered in its 2004 Order?

16                   MS. MARILYN MCLAREN:    No.   Within the  
17 fairly narrow context of the private P&C insurers engaged  
18 in automobile insurance in the province of Ontario which  
19 its threshold no-fault program is -- is in many ways  
20 quite similar to our pure no fault program; that's the  
21 extent of the relevance I would see to the private P&C  
22 insurers in this initiative.

23                   MR. ROBERT DAWSON:    How would you respond  
24 to a criticism that instead of filing the benchmark study  
25 at the time that the Board had requested, MPI has now

1 delayed two (2) years in making a reply to what I think  
2 the Board probably thought was a fairly straightforward  
3 and simple request?

4 MS. MARILYN MCLAREN: I can't speak to  
5 what the Board thought, but the Corporation sees this as  
6 anything but simple and straightforward.

7 MR. ROBERT DAWSON: So you would reject  
8 an interpretation of what seems to be the scenario I'm  
9 trying to paint, namely, that by including agencies and  
10 corporations beyond strictly no-fault bodies that MPI is  
11 not doing, essentially, more work in creating benchmarks  
12 than it had been requested by the Board?

13 MS. MARILYN MCLAREN: I would disagree  
14 with that characterization. Definitely.

15 MR. ROBERT DAWSON: And would you  
16 continue to disagree with that characterization, keeping  
17 in mind that the more bodies that you add to this study  
18 the more difficulty you will have in creating benchmark  
19 standardization with which to conduct the comparisons?

20 MS. MARILYN MCLAREN: Oh, certainly. The  
21 more we expand it, the more difficult it will be to have  
22 it complete. But, I don't presume that we would fail to  
23 begin until we're sure we can be complete.

24 I think this is something that will be  
25 very much an iterative process. Should we decide to, you

1 know, head down this road, it is something that will be  
2 an iterative process that we'll -- that we'll build  
3 through time. I think the most important consideration  
4 for Manitoba Public Insurance is benchmarking itself  
5 against its past experience.

6 I think that is the first thing that would  
7 certainly be our priority and the extent to which we can  
8 learn from others or compare ourselves to others would  
9 certainly be helpful to us. And, you know, specifically  
10 on that final point with respect to the P&C insurers, IBM  
11 was able to bring a fair bit of learning from -- to the  
12 table because they've worked with a number of those  
13 companies in Ontario providing a no-fault benefits  
14 program for automobile insurance victims that are not too  
15 -- not too different from us.

16 MR. ROBERT DAWSON: Mr. Chairman, I'm  
17 prepared to go on to another subject, although I think  
18 the Board has other ideas.

19 THE CHAIRPERSON: Interesting beginning,  
20 Mr. Dawson, and I think enough for today. Thank you very  
21 much.

22 So we'll return tomorrow at 9:00 a.m. and  
23 I believe we'll start -- Mr. Saranchuk, do you want to  
24 give everyone a rough idea of how the day should unfold,  
25 barring unforeseen events.

1 MR. WALTER SARANCHUK: Yes. Yes, sir.

2 The idea is to have the expert witness of MPI produced as  
3 the first witness for the day.

4 Then, following direct examination of him  
5 by MPI counsel, there will be cross-examination by Board  
6 counsel and then the list of Intervenors according to the  
7 procedural outline.

8 And following that, to the extent there is  
9 any re-examination by MPI counsel that'll take place.

10 After that process, the two (2) CAC/MSOS  
11 experts will be produced; both for direct examination  
12 purposes by, I'm assuming, we hope if he's well to do so,  
13 Mr. Williams tomorrow and then there will be cross-  
14 examination by MPI counsel, followed by Board counsel and  
15 then the list of Intervenors or at least the Intervenors  
16 according to the list.

17 And depending on the conclusion of that  
18 process, I'm assuming that we will be able to complete  
19 that tomorrow, depending on the timing we, hopefully,  
20 will be able to accommodate Mr. Dawson for the balance of  
21 his cross-examination and anything that is to be -- that  
22 remained to be done will be done on Thursday, the day  
23 after tomorrow, starting at 10:30 in the morning. And we  
24 assume that that will be the continuing cross-examination  
25 of the MPI Panel by counsel for CAC/MSOS, followed by

1 cross-examination of MPI's Panel by the counsel for the  
2 Manitoba Chiropractic Association.

3 So that, in a nutshell, is what is the  
4 plan and hopefully it will be borne out.

5 THE CHAIRPERSON: We're all fine. Thank  
6 you, Mr. Saranchuk. We stand adjourned.

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8 (PANEL RETIRES)

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10 --- Upon adjourning at 4:00 p.m.

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13 Certified Correct,

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18 Wendy Warnock, Ms.

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