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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE  
2006 INSURANCE RATES

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 6th, 2005

APPEARANCES

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1 --- Upon commencing at 9:05 a.m.

2

3 THE CHAIRPERSON: Good morning, everyone.  
4 Mr. McCulloch, you have more exhibits?

5 MR. KEVIN MCCULLOCH: Mr. Chairman, I  
6 have the Response to Undertaking Number 8, which was a  
7 request to provide investment management fees paid to the  
8 equity managers for the year ended February 28th, 2005.  
9 And I would ask that that be filed as MPI Exhibit Number  
10 18.

11 THE CHAIRPERSON: Very good, thank you.

12

13 --- EXHIBIT NO. MPI-18: Response to Undertaking  
14 Number 8.

15

16 THE CHAIRPERSON: So, Mr. Williams, the  
17 floor is yours.

18 MR. BYRON WILLIAMS: Thank you, Mr.  
19 Chairman, and good morning to other members of the Panel.  
20 I hope you're feeling refreshed.

21

22 MARILYN MCLAREN, Resumed

23 DONALD PALMER, Resumed

24 WILF BEDARD, Resumed

25 BARRY GALENZOSKI, Resumed

1 CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

2 MR. BYRON WILLIAMS: Just by way of  
3 introduction or outline of the issues that I'm going to  
4 cover today, we'll start out with the Rate Stabilization  
5 Reserve and issues related to that. We'll hop over to  
6 the variety of issues related to auto theft, including  
7 the IIP/IIF, as well as the WATSS. I liked it better  
8 when it was called METSI. I thought that gave me more  
9 poetic license.

10 And then we'll move to road safety. We  
11 may come back to the Rate Stabilization Reserve. There's  
12 a few of my notes that I -- that I have to check through  
13 on that subject, towards the end of the -- of the cross-  
14 examination.

15 There are some important subjects we won't  
16 be covering in -- in cross-examination, that are of great  
17 interest to my client, and the reason for that is the --  
18 the job done by Board Counsel, which I again commend both  
19 Board Counsel and some of those other issues that my  
20 client will be addressing in closing argument relate to  
21 DVL, to the volume upgrade and to a couple of other  
22 issues, which escape me at this moment.

23 But -- so the failure to cross-examine on  
24 this point should be more a testimony to -- or testament  
25 to the -- the conduct of Board Counsel than to any lack

1 of interest on my client's part.

2 And just a couple of other introductory  
3 remarks, Mr. Chair. We -- I sit in these Hearings and  
4 feverishly work on my cross-examination, and do listen to  
5 what Board Counsel is doing, so we do try and minimize  
6 duplication. There will be times in the course of this  
7 cross-examination where I briefly cover ground covered by  
8 Board Counsel but that's merely for the purposes of  
9 context.

10 Finally, for the Board and hopefully the -  
11 - all parties in this room's assistance, we are providing  
12 a couple of documents. One is a big -- I'm not sure what  
13 to call it, but we'll call it a document, the CAC/MSOS  
14 book of references. And it's got three (3) headings, RSR  
15 -- four (4) headings, excuse me, RSR, Road Safety, Loss  
16 Prevention and DVL.

17 And, Mr. Chairman, perhaps you could  
18 remind me later in the day, most of the material in this  
19 book of reference is from the record that's currently  
20 before the Panel. But there are four (4) tabs being tabs  
21 2, 3, 4 -- actually five (5) tabs, 5 and 6, which are  
22 excerpts from the annual reports of either Saskatchewan -  
23 - the Saskatchewan Auto Fund, SGI Canada, or ICBC.

24 So, at some point in time, assuming that  
25 the Board decides that they're admissible, I'd like to



1 make this an exhibit. And later in the day we -- we have  
2 some exhibits on -- or hopefully later in the morning,  
3 some exhibits on road safety and auto theft which we've  
4 shared with my friends from Manitoba Public Insurance and  
5 hopefully we'll introduce those as exhibits a bit later.

6 THE CHAIRPERSON: Mr. Williams, given  
7 that Board Counsel oftentimes refers to the Board's book  
8 of documents by tab numbers, you probably will too so why  
9 don't we just give this an exhibit number. It might  
10 simplify someone reading the transcripts or something.

11 MR. BYRON WILLIAMS: That's fine, from my  
12 perspective. The only question to any objections from  
13 Mr. McCulloch.

14 THE CHAIRPERSON: Mr. McCulloch, do you  
15 have any problem with that? I'm just suggesting, he's  
16 going to be referring to tab numbers in here.

17 MR. KEVIN MCCULLOCH: No, there's no  
18 difficulty, I think, assigning it an exhibit number at  
19 this stage. The five (5) items referred to I think we  
20 can, even though we haven't checked it, take Mr. Williams  
21 at his word that these are excerpts from those annual  
22 reports which are public documents.

23 THE CHAIRPERSON: Very good. Do we have  
24 a number, Mr. Barron? So it would be number 4. Thank  
25 you.

1 --- EXHIBIT NO. CAC/MSOS 4: Book of Documents.

2

3 THE CHAIRPERSON: Back to you, Mr.  
4 Williams.

5

6 CONTINUED BY MR. BYRON WILLIAMS:

7 MR. BYRON WILLIAMS: Ms. McLaren, we're  
8 going to start on the subject of the RSR. I'm not sure  
9 if it's you or Mr. Galenzoski, but I'm going to direct my  
10 questions in that general direction.

11 And we're going to cover a few questions  
12 again which you may you have trenched or crossed over  
13 with Board Counsel but just for the purposes of setting  
14 some context; okay? That's fine, you're nodding your  
15 head.

16 And it's my understanding that by  
17 resolution of the board of directors of Manitoba Public  
18 Insurance on April 27th, 2005 the decision was made by  
19 MPI to set an RSR target of 100 percent of the most  
20 recent year's minimum capital test (MCT) calculation; is  
21 that correct?

22 MS. MARILYN MCLAREN: Yes.

23 MR. BYRON WILLIAMS: And you've gone over  
24 this. So, without elaborating, MCT is a test employed by  
25 the Office of the Financial -- the -- excuse me, the

1 OFSI; is that correct?

2 MS. MARILYN MCLAREN: OSFI.

3 MR. BYRON WILLIAMS: The OSFI, well thank  
4 you for that correction right off the start.

5 And the OSFI is the Federal regulator of  
6 property and casualty insurers, correct?

7 MS. MARILYN MCLAREN: Yes.

8 MR. BYRON WILLIAMS: And it's also my  
9 understanding and, again, you've canvassed this with Mr.  
10 Saranchuk, that in recent years MPI has used dynamic  
11 capital -- the dynamic capital asset test or DCAT to  
12 assist it in considering the level of reserves that is  
13 appropriate; is that correct?

14 MS. MARILYN MCLAREN: Yes.

15

16 (BRIEF PAUSE)

17

18 MR. BYRON WILLIAMS: Now, in terms of the  
19 board of directors' resolution, and you don't need to  
20 turn there but I'm just looking at Tab 6 of the Board's  
21 book of documents which has revised TI-16, it's my  
22 understanding that the -- the new target applies for the  
23 2006/2007 year; is that correct?

24 MR. BARRY GALENZOSKI: It's actually in  
25 place right now.

1 MR. BYRON WILLIAMS: So, for the 2005/06  
2 year that should also read the one-o-seven (107) to two  
3 fourteen (214); is that correct?

4 MR. BARRY GALENZOSKI: That's correct.

5 MR. BYRON WILLIAMS: And we've gone  
6 through that, but the -- the lower range of the target  
7 put forward by Manitoba Public Insurance is 107 million  
8 and the upper range is 214 million; is that correct?

9 MR. BARRY GALENZOSKI: That's correct.

10 MR. BYRON WILLIAMS: And if memory serves  
11 me right, the previous target approved by the Board of  
12 Manitoba Public Insurance was a range from 80 to 100  
13 million, correct?

14 MR. BARRY GALENZOSKI: Correct.

15 MR. BYRON WILLIAMS: And if I were to try  
16 and calculate the percentage change in terms of the lower  
17 boundary from -- going from 80 million to 107 million,  
18 would you agree with me that that would be about a 34  
19 percent change --

20 MR. BARRY GALENZOSKI: Yes.

21 MR. BYRON WILLIAMS: -- Mr. Galenzoski?

22 MR. BARRY GALENZOSKI: Yes, I would.

23 MR. BYRON WILLIAMS: And again, if I were  
24 trying to calculate the upper boundary, and I think  
25 that's a pretty simple mathematic calculation, I think

1 that's 114 percent change; is that correct, sir?

2 MR. BARRY GALENZOSKI: Yes.

3 MR. BYRON WILLIAMS: I didn't even need  
4 my calculator for that one, one hundred and fourteen  
5 (114) over hundred (100).

6 Now as I understand it, for the '04/'05  
7 year, the -- at the end of the year the money in the bank  
8 in terms of the RSR or, excuse me, in terms of retained  
9 earnings in basic, was 135 million; is that correct?

10 MR. BARRY GALENZOSKI: Yes, that's  
11 correct.

12 MR. BYRON WILLIAMS: And that thirty (30)  
13 -- that 135 million would -- would have put Manitoba  
14 Public Insurance about 35 million above the upper limit  
15 of its previous target, correct?

16 MR. BARRY GALENZOSKI: That's correct.

17 MR. BYRON WILLIAMS: And it would also  
18 put it about 55 million above the -- the Board approved  
19 target which the upper limit would be 80 million,  
20 correct?

21 MR. BARRY GALENZOSKI: That's correct.

22 MR. BYRON WILLIAMS: And you don't need  
23 to elaborate, but just if I recall your evidence to Mr.  
24 Saranchuk from Tuesday, it still remains the policy of  
25 Manitoba Public Insurance if its RSR is above its Board

1 approved upper limit that's its intention is refund some  
2 portion of that to consumers through some sort of  
3 dividend, correct?

4 MR. BARRY GALENZOSKI: That policy still  
5 is in place, yes.

6

7 (BRIEF PAUSE)

8

9 MR. BYRON WILLIAMS: I'm going to stay on  
10 the subject of the IRR -- excuse me, the RSR, but perhaps  
11 if MPI can -- someone from the Panel can remind me, when  
12 the MPI Board approved the Immobilizer Incentive project  
13 as well as the Immobilizer Incentive Fund, approximately?

14 MR. BARRY GALENZOSKI: That was -- that  
15 was approximately the same time period in April.

16 MR. BYRON WILLIAMS: And that was by  
17 Board resolution?

18 MR. BARRY GALENZOSKI: I believe it was,  
19 yes.

20

21 (BRIEF PAUSE)

22

23 MR. BYRON WILLIAMS: And -- and it  
24 probably is on the record, but could you direct me to  
25 where that is on the record, the Board resolution?

1                   MR. BARRY GALENZOSKI:   Well, I don't  
2 think we file all the Board resolutions, so it's probably  
3 not been filed.

4                   MR. BYRON WILLIAMS:   Would you undertake  
5 to do that, sir?

6                   MR. BARRY GALENZOSKI:   We can do that,  
7 sure.

8

9   --- UNDERTAKING NO. 13:       MPI to provide CAC/MSOS with  
10                                   the Board resolutions for the  
11                                   Immobilizer Incentive project  
12                                   and the Immobilizer Incentive  
13                                   Fund.

14

15 CONTINUED BY MR. BYRON WILLIAMS:

16                   MR. BYRON WILLIAMS:   Now, in terms of the  
17 IIF, I understand that's a second fund which MPI has  
18 created through an appropriation of \$40 million from  
19 retained earnings, correct?

20                   MR. BARRY GALENZOSKI:   That's correct, on  
21 the basic side.

22                   MR. BYRON WILLIAMS:   Thank you for that  
23 clarification.  And based upon your testimony with Mr.  
24 Saranchuk on Tuesday, my understanding is that that \$40  
25 million appropriation is money in the bank from the

1 perspective of the IFF fund or program; is that correct?

2 MR. BARRY GALENZOSKI: Yes, that's  
3 correct.

4 MR. BYRON WILLIAMS: So, just to clarify,  
5 regard -- for example, regardless of whether or not MPI  
6 has any net income for the '05/'06 year, that  
7 appropriation and that transfer to the IIF will be in  
8 place, correct?

9 MR. BARRY GALENZOSKI: Yes, if you just  
10 want to take a look at the schedule you're referring to  
11 under Tab 6 of the Board's book of documents, and we look  
12 at '04/'05 the ending balance is \$135.8 million in  
13 retained earnings.

14 And if you take your assumption, which is  
15 that there be no transfers from extension and SRE or net  
16 profit from the line of business, the 40 million would  
17 still be there, yes.

18 MR. BYRON WILLIAMS: You actually got a  
19 little bit ahead of me, because I was only assuming that  
20 there was no net income, but I appreciate your  
21 confirmation.

22 So, if there was no net income, if there  
23 was no transfer from SRE, and if there was no transfer  
24 from extension, there would be an RSR -- let's say MPI  
25 broke even, there'd be an RSR in the range of \$95



1 million, and an IIF of 40 million; is that correct?

2 MR. BARRY GALENZOSKI: Yes, that's  
3 correct. But I guess you know, if we're looking at  
4 assumptions, one (1) of the assumptions is that we have  
5 to look at the extension in SRE, and that money already  
6 is in the bank as of March 1. And so the \$8.4 million  
7 from SRE, and the \$11 million from the extension is a  
8 done deal, and was money in the bank. So that would have  
9 to be added to those numbers.

10 MR. BYRON WILLIAMS: Yes, I appreciate  
11 that clarification.

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: And just to -- and I  
16 won't belabour this point, but just for example, if we  
17 have that money in the bank and the Corporation were to  
18 lose, for example, \$30 million in '05/'06, that would  
19 leave you with your RSR at the end of '05/'06, below your  
20 target range, correct?

21 MR. BARRY GALENZOSKI: Below the MCT  
22 level, yes.

23 MR. BYRON WILLIAMS: As a percentage of  
24 the retained earnings that were in the basic program as  
25 of '04, the end of '04/'05, I guess, February 28th,

1 '04/'05, would it be fair to say that the RSR is about 29  
2 percent of that, sir?

3 MR. BARRY GALENZOSKI: Well, of the  
4 percentage of the retained earnings for '05 -- '04/'05.

5 MR. BYRON WILLIAMS: Yeah, so 40 million  
6 over one hundred and thirty-five seven -- seven eight six  
7 (135,786), would get you about 29 percent; is that  
8 correct?

9 MR. BARRY GALENZOSKI: Yes, that is  
10 correct. Yeah.

11 MR. BYRON WILLIAMS: Ms. McLaren, I  
12 believe in your evidence on Tuesday, you described the  
13 second fund for retained earning as somewhat novel.

14 Do you recall that description?

15 MS. MARILYN MCLAREN: No, I described the  
16 Immobilizer Incentive Fund as somewhat novel. The  
17 program, the Immobilizer Incentive Program.

18 MR. BYRON WILLIAMS: Okay. And I  
19 apologize for that lack of clarity.

20 In terms of the -- the second  
21 appropriation, or the second fund in retained earnings,  
22 has that been done before in the experience of Manitoba  
23 Public Insurance?

24 MR. BARRY GALENZOSKI: I can address  
25 that. There was the -- a Board resolution a number of

1 years ago, where we were contemplating setting up a  
2 separate fund in retained earnings to have a catastrophe  
3 reserve in the event that -- and that was planned to be  
4 two (2) times our retention on the catastrophe program.

5 This was at a time when we were  
6 considering moving the -- the retention on the  
7 catastrophe up quite a bit higher than where it currently  
8 sat.

9 So there was a policy to do that, although  
10 no dollars actually ever went into that.

11 MR. BYRON WILLIAMS: So, it hasn't been  
12 done before, but there was contemplation about that. In  
13 fact, there was a Board policy that was promulgated on  
14 that point?

15 MR. BARRY GALENZOSKI: Yes, that's  
16 correct.

17 MR. BYRON WILLIAMS: And would you mind,  
18 or undertake to provide that policy, sir?

19 MR. BARRY GALENZOSKI: We can do that.  
20 It's some years old, but we'll get that for you.

21

22 --- UNDERTAKING NO. 14: MPI to provide CAC/MSOS a  
23 copy of Board policy of the  
24 catastrophe program.

25

1 CONTINUED BY MR. BYRON WILLIAMS:

2 MR. BYRON WILLIAMS: So, just so I'm  
3 clear, this is the -- the second time that a fund has  
4 actually been established; is that correct?

5 MR. BARRY GALENZOSKI: No, this is the  
6 first time that a fund has actually been established, but  
7 the second time a policy has been established.

8 MR. BYRON WILLIAMS: I was speaking of  
9 the RSR being the first fund and this being the second  
10 fund, but I appreciate your clarification.

11 And are we to expect that in the future  
12 there might be other additional funds created out of  
13 retained earnings on the basic side?

14 MR. BARRY GALENZOSKI: It's -- it's not  
15 likely, you know, again you know, considering the one I  
16 talked to you about on the catastrophe side, the MCT  
17 takes into account the reinsurance protection that the  
18 Corporation has, and does make some allowance. I guess  
19 we would have to look at retention on the catastrophe  
20 side to see if it was sufficiently demonstrated in the  
21 MCT, that it was -- it was taken into account. But,  
22 other than that, I don't see any -- any need for any  
23 other funds.

24 Now, keep in mind that the Immobilizer  
25 Incentive Fund is a special purpose fund with a -- with a

1 kind of a timeline on it as to how long it's going to be  
2 in place. And you can never rule out the -- the thought  
3 that there may be something come along in the future that  
4 we would want to handle in a similar manner, so -- but I  
5 can't see what that might be right at the moment.

6 MR. BYRON WILLIAMS: So, something may  
7 happen, but there's nothing that you foresee at this  
8 point in time?

9 MR. BARRY GALENZOSKI: That's correct.

10 MR. BYRON WILLIAMS: Does the old policy,  
11 the one that was put in place for the -- the reinsurance  
12 purposes but no funds ever directed to it, does it  
13 address, kind of, any policy issues about when it's  
14 appropriate to create such a fund?

15 MR. BARRY GALENZOSKI: No, I don't think  
16 so, no.

17

18 (BRIEF PAUSE)

19

20 MR. BYRON WILLIAMS: And does the -- the  
21 -- or the Board -- excuse me. Are there guidelines to  
22 the Corporation currently in place which would say when  
23 it's appropriate to create such a second fund?

24 MR. BARRY GALENZOSKI: No. Again, we're  
25 looking at a very rare situation here where something

1 like this is done. And we would look at generally  
2 accepted accounting principles on doing things like this,  
3 but there's no specific guidelines relating to that, no.

4 MR. BYRON WILLIAMS: And I'll tell you  
5 why --

6 MS. MARILYN MCLAREN: Excuse me. There  
7 perhaps is a process though that might help inform the  
8 discussion that we're having. It has been stated here  
9 before, we continue to have three (3) big operational  
10 priorities, one (1) of which is auto theft.

11 Therefore, any special initiative that the  
12 Corporation would expect to bring forward is going to be  
13 related to something that's been identified in its  
14 strategic plan as an imperative that the Corporation has  
15 to deal with. So there's linkage there.

16 MR. BYRON WILLIAMS: And, Ms. McLaren,  
17 thank you for that. And just so you understand where I'm  
18 coming from and I'm just going to put a -- a hypothetical  
19 to, let's say, against my recommendation or my client's  
20 recommendation the Board adopts, kind of, an RSR target  
21 range of 107 million to 214 million.

22 And some day in the future MPI achieves  
23 that, the upper limit, and, in fact, exceeds it and ends  
24 up with 284 million, or something like that, in the -- in  
25 the reserves, or in the -- in the RSR.

1                   Normally that would be refunded back to  
2 ratepayers through some sort of special dividend,  
3 correct?

4                   MS. MARILYN MCLAREN:    That would be the  
5 policy, yes.

6                   MR. BYRON WILLIAMS:    And so, of course,  
7 the concern from my clients would be that -- and the  
8 assumption, excuse me, to back up, the assumption would  
9 be that ratepayers had contributed to that fund either  
10 through basic or through extension that they should  
11 receive a dividend when the reserves are exceeding target  
12 range, correct?

13                   MS. MARILYN MCLAREN:    That's pretty much  
14 the policy.  Yes.

15                   MR. BYRON WILLIAMS:    And so I guess the  
16 concern of my clients might be the -- are there any  
17 guidelines to protect such a dividend from being -- to  
18 ensure that it's realized instead of perhaps being eaten  
19 up or appropriated in a second fund?

20                   MS. MARILYN MCLAREN:    Well, I think,  
21 first of all, you're making a link there that somehow the  
22 creation of the Immobilizer Incentive Fund had some  
23 direct relationship to the fact that the Corporation's  
24 retained earnings in the basic plan were in excess of an  
25 old target.

1                   That link doesn't exist. That's not a  
2 fair conclusion if that's what you're drawing. And I  
3 guess the other thing that I would say is, I think it is,  
4 as Mr. Galenzoski said, I agree completely. We can't  
5 imagine right now what might drive the need for another  
6 special fund.

7                   But I'm certainly not precluding the  
8 possibility that there will be one at some point. But  
9 when it is, it will be in direct response to something  
10 the Corporation has already identified as a strategic  
11 imperative and I don't expect that we will ever be  
12 sitting here catching everyone by surprise because we  
13 have a new fund for something that no one thought was an  
14 issue.

15                   That's a really important point. So,  
16 there's -- there's two (2) points on which I really think  
17 a different perspective needs to be taken. And I think  
18 I've clarified both of them first.

19                   The Immobilizer Incentive Fund was  
20 directly related to a corporate imperative, not related  
21 to the fact that we had more money in retained earnings  
22 for basic than our old target said we needed to have.

23                   And the fact that we chose to establish a  
24 fund to address a corporate strategic initiative was a  
25 corporate strategic initiative that had got a lot of



1 attention in this forum and many other forums. We were  
2 not catching anybody by surprise with what we had  
3 identified as that priority when we came back and talked  
4 about the fact that we had created a fund.

5 MR. BYRON WILLIAMS: Ms. McLaren, I'm  
6 going to move on. But I just point out that I think it  
7 was you who drew the potential for the link, not me. I  
8 was talking about some future event.

9

10 (BRIEF PAUSE)

11

12 MR. BYRON WILLIAMS: Now, we've talked  
13 about the OSFI and you've corrected me in terms of my  
14 acronyms. I'm going OSFI instead of OFSI. And you've  
15 already confirmed in your conversations with Mr.  
16 Saranchuk that MPI is not under the regulations of that  
17 regulator, correct?

18 MR. BARRY GALENZOSKI: That's correct.

19 MR. BYRON WILLIAMS: And I just want to  
20 get a sense of what types of companies are under the  
21 regulation of the OSFI; and you're familiar with the  
22 company like Wawanesa Mutual Insurance, sir?

23 MR. BARRY GALENZOSKI: Yes, I would be,  
24 yes.

25 MR. BYRON WILLIAMS: And it's a property

1 and casualty insurer, correct?

2 MR. BARRY GALENZOSKI: That's correct.

3 MR. BYRON WILLIAMS: And it operates  
4 across Canada and it also writes personal -- personal,  
5 property and auto insurance in California, correct?

6 MR. BARRY GALENZOSKI: I believe so, yes.

7 MR. BYRON WILLIAMS: And it sells auto  
8 insurance in Canada as well?

9 MR. BARRY GALENZOSKI: I believe it does,  
10 yes.

11 MR. BYRON WILLIAMS: And so it would be  
12 the type of company that would be regulated by the OSFI,  
13 correct?

14 MR. BARRY GALENZOSKI: That's correct.

15

16 (BRIEF PAUSE)

17

18 MR. BYRON WILLIAMS: And --

19 MR. BARRY GALENZOSKI: The OSFI, by the  
20 way, regulates more than just insurance companies. They  
21 are -- they're a financial regulator.

22 MR. BYRON WILLIAMS: Hence the financial  
23 institutions, correct?

24 MR. BARRY GALENZOSKI: Correct.

25 MR. BYRON WILLIAMS: Thank you for that.

1 And my understanding is that OSFI, while it regulates  
2 financial institutions as well as property and casualty  
3 insurers, has no Crown Corporations under its regulatory  
4 jurisdiction; is that correct?

5 MR. BARRY GALENZOSKI: That's correct.  
6 As we are exempt, so are others.

7 MR. BYRON WILLIAMS: Now, I'm going to  
8 follow up on that point in just a second. But, in terms  
9 of the statutory regime of Manitoba Public Insurance, my  
10 understand is that it's -- it's obligate -- and this is  
11 from Interrogatory response of the Corporation, so CAC/1-  
12 9.

13 I don't think you need to refer to it, but  
14 my understanding is that under Section 18 of the Act, MPI  
15 is obliged to establish certain reserves, correct?

16 MR. BARRY GALENZOSKI: Yes, that's  
17 correct.

18 MR. BYRON WILLIAMS: And MPI's position  
19 is that Section 14(2) of the Act prohibits the Government  
20 from taking any reserves or any other funds related to  
21 basic insurance; is that correct?

22 MR. BARRY GALENZOSKI: That's basic and  
23 extension, yes.

24 MR. BYRON WILLIAMS: So no dividend can  
25 be paid from basic or extension to the owner or

1 shareholder of Manitoba Public Insurance, the Province of  
2 Manitoba, correct?

3 MR. BARRY GALENZOSKI: That's right.

4 MR. BYRON WILLIAMS: And as I understand  
5 it, Crown Corporations such as Manitoba Public Insurance  
6 don't pay corporate income tax; is that right?

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

9 MR. BYRON WILLIAMS: And they're not  
10 publicly traded, correct?

11 MR. BARRY GALENZOSKI: Right.

12 MR. BYRON WILLIAMS: And you're not aware  
13 of any information suggesting that this Crown Corporation  
14 being Manitoba Public Insurance is about to be  
15 privatized, are you?

16 MR. BARRY GALENZOSKI: Well, the  
17 management is considering a buy-out, but other than that,  
18 no.

19 MR. BYRON WILLIAMS: I would, too, with  
20 the reserves that high.

21

22 (BRIEF PAUSE)

23

24 MR. BYRON WILLIAMS: Just following along  
25 in terms of OSFI, the regulator of property and casualty

1 insurers as well as financial institutions, my  
2 understanding is that no corporation under the regul --  
3 regulatory jurisdiction of OSFI enjoys monopoly in the  
4 provision of basic auto insurance; is that correct?

5 MR. BARRY GALENZOSKI: Not that I'm aware  
6 of.

7 MR. BYRON WILLIAMS: And you don't have  
8 any information to suggest that MPI is about to lose its  
9 monopoly in the provision of basic auto insurance?

10 MR. BARRY GALENZOSKI: That's correct, I  
11 don't.

12 MR. BYRON WILLIAMS: Now, Mr. Galenzoski,  
13 you're a brilliant man, and I -- I'll take it that you're  
14 familiar with the concept of elasticity of demand?

15 MR. BARRY GALENZOSKI: Barely.

16 MR. BYRON WILLIAMS: Which puts us on a  
17 fairly level competitive playing field.

18 And I want to deal at a high level with  
19 that concept. My understand of elastic demand is when a  
20 1 percent increase in price leads to a decrease in  
21 quantity sold of more than 1 percent; would that be a  
22 fair description?

23 MR. BARRY GALENZOSKI: We're getting  
24 heads nodding in the right direction, yes.

25

1 (BRIEF PAUSE)

2

3 MR. BYRON WILLIAMS: I still think you're  
4 more brilliant than Mr. Palmer, but if you want to let  
5 him answer that.

6 MR. BARRY GALENZOSKI: Well I agree with  
7 you there.

8 MR. DONALD PALMER: Am I allowed to  
9 object at this point?

10 MR. BYRON WILLIAMS: And in economics  
11 you'll agree that the most important determinant of  
12 elasticity of demand is taken to be the availability of  
13 close substitutes; would that be fair?

14 MR. BARRY GALENZOSKI: I would agree with  
15 that.

16 MR. BYRON WILLIAMS: And for a -- a firm  
17 in a competitive, but not a perfect -- perfectly  
18 competitive market, you'll agree that as long as that  
19 firm is facing elastic demand, a price increase will lead  
20 to lower revenues; correct?

21 It's a not perfectly competitive  
22 environment?

23 MR. DONALD PALMER: When you focus on one  
24 (1) single company I would agree with that.

25 MR. BYRON WILLIAMS: That tortured

1 elastic demand enough from my perspective. I want to  
2 move to inelastic demand. And by that I understand, and  
3 I'd ask you to confirm that, in that situation, a 1  
4 percent increase in price leads to a decrease in quantity  
5 sold of less than 1 percent; would that be fair?

6 MR. DONALD PALMER: That's fair.

7 MR. BYRON WILLIAMS: And so in the  
8 absence of regulatory control, a monopolous facing  
9 inelastic demand, can always increase revenues by  
10 increasing price; is that correct?

11 MR. DONALD PALMER: You put a rather  
12 important proviso on that, but, yes, I would agree with  
13 that.

14 MR. BYRON WILLIAMS: And I appreciate  
15 that, and I was careful in my choice of words.

16 And you'll agree that, in general terms,  
17 this concept of elasticity of demand, applies to the  
18 world of economics, it applies to financial institutions,  
19 and it also generally applies to the insurance industry;  
20 correct?

21 MR. DONALD PALMER: I hesitantly agree  
22 with that, I --

23 MR. BYRON WILLIAMS: That was -- that was  
24 a segue, so I'll get to the -- I'll get to the -- that  
25 was kind of you're just supposed to agree, and then I get

1 to the segue now. Let me try it again.

2 In the insurance industry, a private  
3 insurer in a non-perfect market, but a competitive  
4 market, facing an elastic -- elastic demand for its  
5 insurance product, could not, in the long run, increase  
6 total revenues by increasing the price of its product; is  
7 that correct?

8 MR. DONALD PALMER: Again, looking very  
9 independently, I think you're making the assumption that  
10 the insurance companies are independent and they're not,  
11 they're all subject to the same regulation and they're  
12 subject to the same risks. So, generally what happens in  
13 the insurance market place is everybody increases their  
14 rates because of external influences.

15 MR. BYRON WILLIAMS: The words I quoted  
16 to you, Mr. Palmer, were actually from an Interrogatory  
17 Response of Manitoba Public Insurance, so that your  
18 position in the response to CAC/MSOS-1-2 was that a  
19 private insurer facing an elastic demand for its  
20 insurance product, could not, in the long run, increase  
21 total revenues by increasing the price of its product in  
22 a competitive market.

23 Is that still your position?

24 MR. DONALD PALMER: In a competitive  
25 market, yes.



1 MR. BYRON WILLIAMS: Because to do --

2 MS. MARILYN MCLAREN: And also though  
3 from the scientific academic consideration of economic  
4 principles that you're talking about, which is a very,  
5 very narrow consideration that there is any number of  
6 other factors, that's why there is such an industry out  
7 there in other parts of the country, that will do rate  
8 comparisons for people shopping for automobile insurance.

9 Why do people continue to pay more than  
10 the lowest rate in any particular competitive  
11 jurisdictions. I don't know the answers to that, but  
12 there's got to be a lot of answers. There's most of the  
13 market is purchasing insurance from someone who is not  
14 the low cost provider. So there's all kinds of other  
15 issues there.

16 MR. BYRON WILLIAMS: Yeah, and the  
17 proviso was it's not a perfectly competitive market.

18 MS. MARILYN MCLAREN: Okay.

19 MR. BYRON WILLIAMS: Now, I want to turn  
20 or stay on the subject to the RSR or retained earnings,  
21 and the approach of -- in other jurisdictions, and we're  
22 going to turn first to British Columbia.

23 Before we do, I wonder if you can refresh  
24 my memory. My understanding is that ICBC has a monopoly  
25 on third party legal liability to a maximum of two

1 hundred thousand (200,000), accident -- accident  
2 benefits, under-insured motorist protection, et cetera;  
3 would that be fair?

4 MR. BARRY GALENZOSKI: Yes. Not the tin  
5 and glass.

6 MR. BYRON WILLIAMS: And you anticipated  
7 my second question. So that it doesn't have a monopoly  
8 on the provision of services with respect to tin and  
9 glass; correct?

10 MR. BARRY GALENZOSKI: That's right. You  
11 know, if you take out the fact that the liability side  
12 they -- they would be responsible for the tin and glass  
13 for the -- for the innocent party, yeah.

14 MR. BYRON WILLIAMS: They don't have --  
15 there's not a -- there is a competitive market in terms  
16 of if my own car is injured I can -- or damaged, I can  
17 get insurance from ICBC or another in terms of collision  
18 insurance; correct?

19 MR. BARRY GALENZOSKI: Yes. For your own  
20 damages, yes.

21 MR. BYRON WILLIAMS: And you probably  
22 don't need to turn there but in PUB/MPI/1-33 which is the  
23 first tab in the CAC book of references, which I believe  
24 is marked as CAC/MSOS Exhibit 4, on the second page of  
25 that, and you don't need to read it in, I'm just going to

1 ask you to confirm without elaborating, your evidence was  
2 that ICBC has adopted a 100 percent MCT target and will  
3 be reporting on this target in 2005; is that a fair  
4 characterization, sir?

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

7 MR. BYRON WILLIAMS: And again, without  
8 elaborating, the source for your -- that you cite for  
9 that information is the 2004 annual report of ICBC;  
10 correct?

11 MR. BARRY GALENZOSKI: Yes. And that was  
12 for their basic line of business.

13 MR. BYRON WILLIAMS: Yes. And we'll get  
14 to -- we'll get to that in a second. But just as a  
15 general point, MPI has some familiarity with the annual  
16 reports, both of ICBC and SGI, their sister Crown  
17 Corporation and their -- and that's one (1) way which you  
18 -- by which you monitor their conduct; correct?

19 MR. BARRY GALENZOSKI: Yes, that's  
20 correct.

21 MR. BYRON WILLIAMS: And you consider  
22 them as much as any annual report can be, to be a  
23 reliable source of information?

24 MR. BARRY GALENZOSKI: Yes.

25 MR. BYRON WILLIAMS: What I'd like to do,

1 Mr. Galenzoski, is take you through the history and the  
2 development of the ICBC approach to what used to be  
3 called the RSR in British Columbia and what is now know  
4 as retained earnings.

5 And so I'll be referring you and the Panel  
6 to Tabs 3, 4, 5 and 6 of the -- and we'll just go through  
7 them in order of the annual reports of ICBC. And these,  
8 of course, are only excerpts; do you have those, sir?

9 MR. BARRY GALENZOSKI: Yes, I have those.

10 MR. BYRON WILLIAMS: And I take it that  
11 you're aware that in the days of old, for example 2001,  
12 ICBC referred to their retained earnings as a rate  
13 stabilization reserve; is that correct?

14 MR. BARRY GALENZOSKI: Yes. They had  
15 only one (1) component for their basic side.

16 MR. BYRON WILLIAMS: And that rate  
17 stabilization reserve, as it was then called in ICBC  
18 land, was up to as high as slightly over \$500 million or  
19 half a billion dollars in the year 2000; is that correct?

20 MR. BARRY GALENZOSKI: That's correct.  
21 And you'll also note that on the balance sheet that it's  
22 shown under the title of retained earnings.

23 MR. BYRON WILLIAMS: And is the -- in --  
24 and, of course, in that -- in 2001 there was a huge  
25 surplus dividend or road safety dividend paid to ICBC

1 customers of about \$218 million; is that correct?

2 MR. BARRY GALENZOSKI: I believe that's  
3 correct. Yes.

4 MR. BYRON WILLIAMS: And if we go to the  
5 2002 annual report of ICBC which appears at Tab 4 of  
6 CAC/MSOS Exhibit 4 and I'll refer you to the second page  
7 in that tab, you'll see that ICBC is no longer using the  
8 heading of rate stabilization reserve, they're using the  
9 heading retained earnings; is that correct, sir?

10 MR. BARRY GALENZOSKI: Yes, that's  
11 correct. And, by the way, their retained earnings that  
12 they're showing there are for both of their lines of  
13 business, their basic and their extension. They were  
14 combined at that time.

15 MR. BYRON WILLIAMS: Okay. And I  
16 appreciate that. And if you'll excuse for me one second,  
17 Mr. Chair, I have to get some water. I'll be right back.

18

19 (BRIEF PAUSE)

20

21 THE CHAIRPERSON: We'll just pause it  
22 briefly.

23

24 (BRIEF PAUSE)

25

1 THE CHAIRPERSON: Mr. Williams...?

2 MR. BYRON WILLIAMS: Yes. And I  
3 apologize for the -- the delay, Mr. Chair.

4

5 CONTINUED BY MR. BYRON WILLIAMS:

6 MR. BYRON WILLIAMS: I think where we  
7 were was that you were aware that in 2002 ICBC, in their  
8 annual report ceased referring to its reserves as the  
9 Rate Stabilization Reserve and began exclusively using  
10 the term retained earnings; is that correct?

11 MR. BARRY GALENZOSKI: Yes, that appears  
12 to be the situation.

13 MR. BYRON WILLIAMS: And if I can direct  
14 you to the second page of this Tab 4 and under retained  
15 earnings on the right hand side, at the top of that  
16 paragraph on the right hand side, and you'll see that the  
17 position expressed by ICBC was that as a Crown  
18 Corporation with the Provincial Government's financial  
19 guarantee, ICBC has been able to operate on a lower level  
20 of retained earnings, relative to industry requirements;  
21 is that correct?

22 MR. BARRY GALENZOSKI: Yes, they appear  
23 to think that they have a Provincial Government financial  
24 guarantee.

25 MR. BYRON WILLIAMS: And its position,

1 starting in 2003, and as part of an overall strategy to  
2 become more competitive, the Corporation was going to  
3 move towards building up its reserves to meet these  
4 requirements for the competitive insurance business; is  
5 that correct, sir?

6 MR. BARRY GALENZOSKI: Yes, I believe one  
7 of the criticisms they were getting from the industry was  
8 that they were operating with fewer dollars and retained  
9 earnings and that put them at a competitive advantage  
10 over others.

11

12 (BRIEF PAUSE)

13

14 MR. BYRON WILLIAMS: And so the -- the  
15 move to -- to build up the reserves was part of an effort  
16 to level the playing field with the private insurers; is  
17 that correct?

18 MR. BARRY GALENZOSKI: Yes, I guess you'd  
19 have to look at, it was a multi-stage thing.

20 They first of all, they had to split their  
21 retained earnings between the two (2) lines of business;  
22 one was their basic and one was their extension.

23 And then they -- then they selected  
24 separate targets for each of those lines of business, one  
25 being MCT at pretty close to what market averages. I

1 believe they selected it on their extension line at 200  
2 percent. And for their basic, they selected the MCT at  
3 100 percent.

4 MR. BYRON WILLIAMS: We're actually  
5 getting a little ahead of ourselves I think, Mr.  
6 Galenzoski.

7 In 2002 they had not split their reserves;  
8 is that correct?

9 MR. BARRY GALENZOSKI: No, they --  
10 they've done that just recently, as a result of entering  
11 into a more formal rate setting process, similar to what  
12 we're undergoing right now, or have been since 1988 in  
13 Manitoba. And so this was one (1) of the requirements in  
14 -- in their past accounting practices, they had just  
15 accumulated all of their retained earnings on a corporate  
16 level, rather than on a profit centre basis, or by line  
17 of business.

18 MR. BYRON WILLIAMS: And again, in 2003,  
19 they were reporting retained earnings as a -- a -- with -  
20 - with both lines of business and were still building up  
21 reserves to improve their competitive position, or not to  
22 improve, but to level the playing field, correct?

23 MR. BARRY GALENZOSKI: Well again, they  
24 hadn't split their retained earnings by line of business  
25 at that stage. I believe that this only recently



1 happened and so they probably didn't have a very strong  
2 idea as to how much they had for each of the lines of  
3 business and where they were actually going with their  
4 targets, but they were moving towards having a higher  
5 level of retained earnings.

6 MR. BYRON WILLIAMS: And, in fact, the --  
7 the adoption of the MCT by ICBC was as a result of a  
8 Provincial Government directive, is that not correct,  
9 being special direction IC-2, in 2004?

10 MR. BARRY GALENZOSKI: Well, I believe  
11 that the adoption would have been recommended by the  
12 management and board of ICBC, and then it was supported  
13 by that directive that you're talking about, to provide  
14 direction to their equivalent to our Public Utility  
15 Board, as to one (1) of the constants or givens in their  
16 application for rates.

17 MR. BYRON WILLIAMS: Essentially, the  
18 Government told the regulator what the level of reserves  
19 was going to be; is that correct?

20 MR. BARRY GALENZOSKI: Yes, the  
21 Government decided that they would set that parameter and  
22 not have that as a debated point at the rate hearings.

23 MR. BYRON WILLIAMS: And that was -- was  
24 that the Campbell Government?

25 MR. BARRY GALENZOSKI: Yes, it would have

1 been the Campbell Government.

2 MR. BYRON WILLIAMS: So it was via the  
3 regulatory approval for ICBC, to adopt the MCT and to  
4 split its reserves with via special direction, of the  
5 Province of British Columbia?

6 MR. BARRY GALENZOSKI: No, I couldn't  
7 confirm that, I believe that the requirement to split  
8 their reserves was as a result of their rate setting  
9 process, where rates were being set on the basic plan,  
10 not on their extension plan, similar to what they are  
11 here.

12 At one (1) time I believe they were  
13 contemplating setting rates for both sides of the  
14 business at that process, but decided that the  
15 competitor's side should be done separately. And so  
16 there was a need then to have separate accounting for the  
17 two (2) lines of business.

18 And one (1) of the outcomes was is that  
19 they had to then do what MPI's been doing for many years,  
20 break their balance sheet into two (2) components. We  
21 break our balance sheet into basic extension and SRE, so  
22 that we know what the individual components are.

23 ICBC hadn't been doing that all these many  
24 years, so they then set out on that task, and that took  
25 them a year or two (2) to accomplish that. And one (1)

1 of the outcomes was breaking out their retained earnings  
2 by line of business.

3 MR. BYRON WILLIAMS: Just referring to  
4 Tab 6 of CAC/MSOS Exhibit 4, which is the excerpt from  
5 the 2004 Annual Report. Again, under retained earnings  
6 on the right side, the second last paragraph, it appears  
7 that ICBC's position is that special direction ICT, or  
8 excuse me, IC-2 requires ICBC to achieve, by December  
9 31st, 2014, and to maintain after that date, capital --  
10 capital available for the total corporation equals 110  
11 percent of MCT.

12 Is that your understanding as well, sir?

13 MR. BARRY GALENZOSKI: Yes, and if you go  
14 on to read that, it talks about the capital available for  
15 their -- their basic plan would be a 100 percent of MCT,  
16 and that for their extension business it would be 200  
17 percent of MCT. It's in the same paragraph.

18 MR. BYRON WILLIAMS: I understand that.  
19 I think we've chatted about that already.

20 Now, IC-2 was a special Government  
21 directive. Now does Manitoba Public Insurance have a  
22 special Government directive, directing adoption of the  
23 MCT target?

24 MR. BARRY GALENZOSKI: No.

25 MR. BYRON WILLIAMS: I want to turn to

1 Saskatchewan and -- which is at Tab 2. And just for the  
2 MPI witness's clarification as well for the Panel's  
3 clarification, Mr. Galenzoski if you review this tab  
4 you'll see that there are actually two (2) annual reports  
5 there.

6 The first four (4) pages being the annual  
7 report of the Saskatchewan Auto Fund and the last three  
8 (3) pages being the report of SGI Canada.

9 Do you see that, sir?

10 MR. BARRY GALENZOSKI: Yes, I see that.

11 MR. BYRON WILLIAMS: And we'll cover  
12 both. But just as a starting point, as I understand it  
13 in Saskatchewan there is a new regulator in town; is that  
14 right?

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

17 MR. BYRON WILLIAMS: No? I thought there  
18 was a rate review panel; are you aware of that, sir?

19 MR. BARRY GALENZOSKI: They have a form  
20 of rate review but it's substantially less than what we  
21 go through.

22 MR. BYRON WILLIAMS: So, it's -- they're  
23 under regulation that's not as stringent or as intensive  
24 as that of -- of conducted by the Manitoba Public  
25 Utilities Board; is that right?

1                   MR. BARRY GALENZOSKI:   Well, I saw their  
2 application and it was about twelve (12) pages long and  
3 they got a 10 percent rate increase based on that.  And  
4 then after a little while they decided they didn't need  
5 it and they just withdrew it themselves without having to  
6 go back to hearings.  So, I think that's substantially  
7 less than what we have here,  yes.

8                   MR. BYRON WILLIAMS:   Fair enough.  I  
9 think we share an opinion on that.  Now, we may  
10 disagree --

11                  MR. BARRY GALENZOSKI:   Not to say that  
12 was bad.

13                  MR. BYRON WILLIAMS:   We may disagree on  
14 the merits.  And just in broad strokes, and again  
15 referring to -- we'll go back to Tab 2 in just one  
16 second, but your evidence with regard to -- set out in  
17 PUB/MPI/I-33 which is Tab 1 of this book of documents, is  
18 that SGI in its 2004 auto fund annual report spoke of a  
19 RSR of \$67 million but that this target has been changed  
20 to 90 million.

21                  And that currently SGI is reviewing the  
22 MCT methodology with a view to implementing this approach  
23 later this year; is that correct, sir?

24                  MR. BARRY GALENZOSKI:   Yes.  That's, in  
25 casual discussions we've had with some of their

1 officials, we believe that's the direction they're  
2 heading. Whether they actually end up there or not  
3 remains to be seen.

4 MR. BYRON WILLIAMS: And given your  
5 discussion in terms of the rate review panel, it doesn't  
6 -- you're not aware to date whether any RSR target has  
7 been extensively canvassed by that panel?

8 MR. BARRY GALENZOSKI: I'm not aware of  
9 what they talk about at their hearings at all, no.

10 MR. BYRON WILLIAMS: I guess in a twelve  
11 (12) page application you wouldn't expect a very weighty  
12 discussion on that subject?

13 MR. BARRY GALENZOSKI: Well, there could  
14 be a tremendous amount of discussion. It's just that  
15 they don't have a lot of material to work with.

16 MR. BYRON WILLIAMS: Now, perhaps you can  
17 assist me with this, Mr. Galenzoski. I was reviewing the  
18 Saskatchewan Auto Fund 2004 Annual Report, and I'm aware  
19 that Saskatchewan reinsures for catastrophe exposure, but  
20 I didn't find any reference to casualty exposure. And  
21 could you indicate to your knowledge whether Saskatchewan  
22 reinsures -- Saskatchewan being the Saskatchewan Auto  
23 Fund reinsures in terms of casualty exposure?

24 MR. BARRY GALENZOSKI: I'm not aware of  
25 what their reinsurance situation is at all.



1 what I'm going to do -- I was actually referring to the  
2 annual report of the auto fund and I didn't put this  
3 excerpt in. So I'm just going to -- over the break I'll  
4 provide you with an excerpt from the auto fund,  
5 discussing reinsurance.

6 I apologize for that. I was just assuming  
7 that MPI knew everything about the SGI business. So,  
8 I'll share that with you on the break and perhaps we can  
9 have a brief discussion on it afterwards.

10 But I do appreciate the segue and perhaps  
11 you can assist me in -- in clarifying any confusion that  
12 I may have inadvertently created.

13 We have to be careful in looking at  
14 Saskatchewan, because there is the SGI auto fund and  
15 there also is SGI Canada Inc., is that correct?

16 MR. BARRY GALENZOSKI: Yes, that's  
17 correct and they have several other companies that they  
18 own in Canada.

19 MR. BYRON WILLIAMS: And SGI Auto Fund  
20 provides some form of basic auto insurance to residents  
21 of Saskatchewan, correct?

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

24 MR. BYRON WILLIAMS: And SGI Canada, by  
25 contrast, as you said, owns some other companies



1 including the Insurance Company of PEI and Coach's  
2 Insurance Company; is that correct?

3 MR. BARRY GALENZOSKI: It's Coachmen.

4 MR. BYRON WILLIAMS: Coachmen Insurance  
5 company, thank you.

6 And -- and does SGI Canada provide any  
7 insurance services in Saskatchewan or is it insure  
8 outside of the boundaries of the province?

9 MR. BARRY GALENZOSKI: I believe its  
10 insuring in -- in Saskatchewan also. That would be their  
11 extension lines of business and home owners, commercial,  
12 along that -- those lines of business.

13 MR. BYRON WILLIAMS: And it would operate  
14 in a competitive market, would it, sir?

15 MR. BARRY GALENZOSKI: Yes, they're --  
16 they've split it up that way. Most of their business  
17 would come from Saskatchewan, by the way.

18 MR. BYRON WILLIAMS: And Coachman's  
19 Insurance company and the insurance company of Prince  
20 Edward Island, would they also operate in a competitive  
21 market, sir?

22 MR. BARRY GALENZOSKI: Yes.

23

24 (BRIEF PAUSE)

25

1 MR. BYRON WILLIAMS: Now, I'm turning to  
2 SGI Canada Inc., rather than Sask -- rather than the Auto  
3 Fund, and that appears towards the last three (3) pages  
4 of Tab 2.

5 And I'm actually directing you to the very  
6 last page of Tab 2, which is the present -- President's  
7 message for SGI Canada and I wonder -- and specifically  
8 the third paragraph.

9 And I wonder if you can confirm that SGI  
10 Canada had a pretty good year and paid a dividend to the  
11 province of 27 million in 2004; is that correct?

12 MR. BARRY GALENZOSKI: Yes, that's one of  
13 the requirements in Saskatchewan is that SGI provide a  
14 dividend back to the Province.

15 And I guess if you're looking for a little  
16 bit of information with respect to the reinsurance, on  
17 the previous page it does talk about the reinsurance  
18 program, and it's very likely that that reinsurance  
19 program covers all aspects of SGI's business.

20 In other words, their Auto Fund could be  
21 covered off in -- in the coverage that they have, that  
22 they enunciate in this particular section on the page  
23 just before that.

24 MR. BYRON WILLIAMS: And Mr. Galenzoski,  
25 I'll apologize for not providing you the full excerpt

1 from the Auto Fund and, again, you can review it and  
2 decide whether you wish to change your answer based upon  
3 the information which I should have provided previously.

4 Now, in terms of SGI Canada operating in a  
5 competitive market, my understanding is that SGI Canada  
6 Inc. uses the MCT; is that correct?

7 MR. BARRY GALENZOSKI: Well, I would  
8 believe that they would do that, yes.

9 MR. BYRON WILLIAMS: And I'm referring  
10 you, if you need assistance, sir, to the -- the middle  
11 page or the second last page which is management  
12 discussion and analysis, and you can see at the bottom of  
13 the left-hand side and then moving up to the top of the  
14 right hand side, a discussion of the MCT; do you see  
15 that, sir?

16 MR. BARRY GALENZOSKI: Yes, I see that.

17 MR. BYRON WILLIAMS: And you'll confirm  
18 that Saskatchewan -- SGI Canada employs an MCT; is that  
19 correct?

20 MR. BARRY GALENZOSKI: Yes.

21 MR. BYRON WILLIAMS: And I note at the  
22 bottom of this -- of the first column under management  
23 discussion and analysis, SGI Canada Inc. describes the  
24 MCT or Minimum Capital Test as an industry solvency test  
25 for property and casualty insurers and I take it that you

1 disagree with that description by your sister Crown  
2 Corporation?

3

4 (BRIEF PAUSE)

5

6 MR. BARRY GALENZOSKI: Well, we're not  
7 disagreeing. We believe that the MCT is a solvency test  
8 for those that require it for solvency test purposes.  
9 We're using it as -- as a methodology for determining a  
10 level of retained earnings or RSR that we need for the  
11 line of business that we're talking about on basic.

12 MR. BYRON WILLIAMS: So you're using it  
13 for a different purpose?

14 MR. BARRY GALENZOSKI: That's correct.

15 MR. BYRON WILLIAMS: Now I'm going to  
16 turn you back to the Saskatchewan Auto Fund, which  
17 appears at the first four (4) pages of this exhibit, and  
18 I'll specifically direct your attention to the third page  
19 in, which is at the top of the page there's a title,  
20 Rates and Doubling the Discount.

21 Do you have that, Mr. Galenzoski?

22 MR. BARRY GALENZOSKI: Yes, I do.

23 MR. BYRON WILLIAMS: And just so I  
24 recall, and I think we've chatted about this in the  
25 course of the loss transfer hearing. My understanding is

1 that the -- in Saskatchewan they offer both -- the  
2 consumers a choice of both a tort program and a no fault  
3 program, although most subscribe to the no fault program,  
4 correct?

5 MR. BARRY GALENZOSKI: That's correct.

6 MR. BYRON WILLIAMS: Now I'll direct your  
7 attention to about halfway down the left hand side, you  
8 see the heading, "How Do We Keep Our Rates Low," and then  
9 you'll see on the second paragraph under that, it appears  
10 that SGI uses its RSR for two (2) main reasons, the first  
11 being to meet policy holder obligations for policies  
12 already sold, that expire after year end, and the second,  
13 to cover all claims costs in the case of a catastrophic  
14 event; is that correct, sir?

15 MR. BARRY GALENZOSKI: That's what they  
16 say, yes.

17 MR. BYRON WILLIAMS: And so essentially  
18 in terms of the first objective, and this is based upon  
19 your response to PUB 1-33, the First Inter -- Inter --  
20 the first tab of this Exhibit Book. For the first  
21 objective, which is leading an unearned premium risk  
22 reserve, the RSR of Saskatchewan, they have set aside  
23 about 38 million; is that correct?

24 MR. BARRY GALENZOSKI: I believe that's  
25 correct, yes.

1                   MR. BYRON WILLIAMS:   And the second  
2 purpose, being the fifty-two (52) -- being to reserve for  
3 a significant injury claim, they have set aside 52  
4 million; is that correct?

5                   MR. BARRY GALENZOSKI:   Yes.

6

7                                   (BRIEF PAUSE)

8

9                   MR. BARRY GALENZOSKI:   It doesn't make  
10 any sense does it?

11                   MR. BYRON WILLIAMS:   Perhaps it does,  
12 sir, in the absence of a reserve for -- or in the absence  
13 of reinsurance for casualty insurance, perhaps would that  
14 make more sense?

15                   MR. BARRY GALENZOSKI:   That would have  
16 some play on it. You would then think about calling it a  
17 catastrophe reserve of some form or another, but other  
18 than that it's -- it's harder to determine what they're  
19 using this money for.

20                   MR. BYRON WILLIAMS:   But it's not only  
21 your information that you've provided in PUB-MPI-1-33,  
22 but it's also the information that's provided in the Auto  
23 Funds Annual Report, correct?

24                   MR. BARRY GALENZOSKI:   It is their  
25 information, yes.

1                   MR. BYRON WILLIAMS:   Mr. Chairman, it's a  
2 bit early for the break, but there was that one (1)  
3 document that I just wanted to share with MPI, and that  
4 would kind of close off this particular part of my RSR  
5 discussion, so I wonder if I could ask your indulgence to  
6 break just a touch early and share that with them, and --  
7 and that might clear up this end.

8                   THE CHAIRPERSON:   That would be fine,  
9 we'll come back in fifteen (15) minutes, thank you.

10  
11 --- Upon recessing at 10:06 a.m.

12 --- Upon resuming at 10:28 a.m.

13

14                   THE CHAIRPERSON:   Mr. Williams, do you  
15 have some paper for everyone?

16                   MR. BYRON WILLIAMS:   Yes, Mr. Chairman.  
17 And, yeah, it's -- what it is is a document. It's  
18 another excerpt from the Saskatchewan Auto Fund 2004  
19 Annual Report and it's at pages 20, 21, 27, 30 and 31.

20                   And I've chatted with counsel from MPI and  
21 my understanding is they don't object to -- he'll put it  
22 on the record himself, but we'd like to have it made as  
23 an exhibit.

24                   I'm not sure it will clarify matters or  
25 confuse matters but we'll -- hopefully it will help a

1 little bit.

2 THE CHAIRPERSON: Very good. We'll just  
3 be one (1) sec.

4

5 (BRIEF PAUSE)

6

7 THE CHAIRPERSON: Okay, Mr. Williams.

8 MR. BYRON WILLIAMS: Thank you, Mr.  
9 Chairman, members of the Panel. I am going to --  
10 hopefully for the purposes of clarify just go over a bit  
11 of ground we've gone before and then give Mr. Galenzoski  
12 a chance to add any comments that he may have.

13

14 CONTINUED BY MR. BYRON WILLIAMS:

15 MR. BYRON WILLIAMS: What we've confirmed  
16 in our discussion of Saskatchewan is that SGI Canada  
17 Inc., the competitive firm, employs the MCT, correct?

18 MR. BARRY GALENZOSKI: Yes.

19 MR. BYRON WILLIAMS: And we've also  
20 confirmed that currently the Saskatchewan Auto Fund has a  
21 rate stabilization reserve and that it, according to the  
22 MPI evidence, is considering the MCT, correct?

23 MR. BARRY GALENZOSKI: Yes.

24 MR. BYRON WILLIAMS: We've also confirmed  
25 that the current purpose of the rate stabilization



1 reserve for Saskatchewan, we've confirmed issue number 1  
2 which is that it is to meet policyholder obligations for  
3 policies already sold that expire after year end,  
4 correct?

5 MR. BARRY GALENZOSKI: There's two (2)  
6 purposes; that's one (1) of them.

7 MR. BYRON WILLIAMS: And in terms of the  
8 second one, we've established some confusion in that the  
9 MPI response to PUB/MPI-I-33 suggested it was to cover a  
10 significant injury claim whereas the auto fund discussion  
11 suggested that it would be to cover all claims costs in  
12 the case of a catastrophic event, correct?

13 MR. BARRY GALENZOSKI: That's what it  
14 says. Yes.

15 MR. BYRON WILLIAMS: And the document  
16 that I provided to -- and we also had some discussion in  
17 terms of what Sask -- the Saskatchewan Auto Fund either  
18 reinsured or did not reinsure.

19 You recall that discussion?

20 MR. BARRY GALENZOSKI: Yes.

21 MR. BYRON WILLIAMS: And the document  
22 which was provided to you and which was presented just  
23 now to the Board as an exhibit is from another additional  
24 excerpt from the annual report and that on page 2 of that  
25 document, if you have it, Mr. Galenzoski --

1 MR. BARRY GALENZOSKI: I have it.

2 MR. BYRON WILLIAMS: -- suggests that the  
3 auto fund purchases reinsurance to protect against major  
4 cat -- catastrophes adversely affecting the RSR; is that  
5 right?

6 MR. BARRY GALENZOSKI: That's right.

7 MR. BYRON WILLIAMS: And if we go to page  
8 21 of that document, being the next page, we see on the  
9 fourth heading from the -- from the top, Catastrophe  
10 Exposure.

11 And it appears, based upon this document,  
12 that the -- the -- that the catastrophe exposure that  
13 they're referring to relates to -- or the reinsurance  
14 protection that they're referring to relates to large  
15 losses from major storms in Saskatchewan; is that right?

16 MR. BARRY GALENZOSKI: That's correct.  
17 Yes.

18 MR. BYRON WILLIAMS: And, at least in the  
19 material I've provided you, which is admittedly not the  
20 entire annual report, there is no reference to casualty  
21 reinsurance, correct?

22 MR. BARRY GALENZOSKI: Not in the auto  
23 fund material, but there is in the SGI Canada.

24 MR. BYRON WILLIAMS: And so perhaps you  
25 can go on, Mr. Galenzoski to express your views?

1                   MR. BARRY GALENZOSKI:   Well, if you look  
2 at SGI's stated reasons for needing the RSR and, you  
3 know, I don't want to run down my banjo-picking friends  
4 from Saskatchewan, but they're saying there's two (2)  
5 reasons.

6                   Number 1, to meet the policy holder  
7 obligations for policies already sold that expire after  
8 year end.

9                   Every insurance company, including SGI,  
10 has an unearned premium reserve for that particular  
11 purpose and the actuaries in the room would probably nod  
12 your head that that's got to be adequate or generally  
13 should be adequate to fulfil the obligations of those --  
14 of those policies.

15                   So, that's one of their stated purpose for  
16 RSR. It almost is non-existent, in my opinion.

17                   Number 2, they say that -- and to cover  
18 all claims costs in the case of a catastrophic event, and  
19 then they go out and buy catastrophe reinsurance.

20                   So, again, another stated reason of their  
21 RSR is almost non-existent.

22                   And I think it's this -- this concern that  
23 we've got about this particular definition of their  
24 reason for having a Rate Stabilization Reserve in this  
25 particular annual report which is all brand new, first

1 time they've done that, that we were kind of, you know,  
2 raising our eyebrows about it when we first saw that.  
3 Didn't really understand it, haven't had a lot of  
4 opportunity to talk to them about it.

5           But, I think a lot of this stems back to  
6 the history of SGI where they've had no retained earnings  
7 on the basic side and in fact, they've had huge deficits  
8 for many years.

9           And even the numbers that you see in the  
10 financial statements that you've just recently provided  
11 indicated for the year 2003 they had \$2.8 million in Rate  
12 Stabilization Reserve and that they had \$14.4 million in  
13 the year that we're talking about, 2004.

14           And, you know, I think it even goes past  
15 that conversation of what's in here. What's not stated  
16 in this annual report is that their Premier put a -- an  
17 onus on the Crowns in Manitoba -- or in Saskatchewan to  
18 deliver the lowest cost services in Canada. And this is  
19 a real challenge for SGI is to how do they do that in  
20 competition, mainly to Manitoba?

21           And they constantly are comparing rates  
22 and very often they show in their own numbers, that the  
23 rates in Manitoba are lower than Saskatchewan. So,  
24 they're challenged to try and come up with something that  
25 can meet that.

1                   With that argument aside, they are -- they  
2 are certainly have better financial results over the last  
3 number of years and they've improved themselves  
4 dramatically. And they're starting to put a lot more  
5 thought into what is the appropriate level of Rate  
6 Stabilization Reserve for that company and why do they  
7 need it.

8                   And that's why, I believe, that they're  
9 moving towards the MCT because it does provide the  
10 rationale as to the way you calculate it and for the  
11 reasons that you require Rate Stabilization Reserve.

12                   MR. BYRON WILLIAMS: Thank you, Mr.  
13 Galenzoski, and I always let one MPI Panel member get a  
14 speech, each -- each day, and that's yours.

15                   MR. BARRY GALENZOSKI: That wasn't a  
16 speech.

17                   MR. BYRON WILLIAMS: Just -- just  
18 teasing.

19                   Ms. McLaren, I'm going to come back to the  
20 RSR and I'm, not going to move very far away from it.  
21 But, I recall on -- perhaps it was on Monday, but  
22 certainly over the past couple of days, both you and Mr.  
23 Galenzoski have been giving a bit of testimony about  
24 driver and vehicle licencing and the acquisition of it by  
25 MPI.

1 Do you recall that testimony?

2 MS. MARILYN MCLAREN: Yes.

3 MR. BYRON WILLIAMS: Vividly? Just  
4 teasing. And I wonder if you can advise me, who does in  
5 Manitoba, the testing of drivers to consider whether they  
6 should be licenced to drive a motor vehicle, whether it's  
7 a car, an emergency vehicle or a truck with air brakes?

8 Who does that testing? Who's responsible  
9 for it?

10 MS. MARILYN MCLAREN: Staff at DVL do  
11 almost all of it, not all, but almost all.

12 MR. BYRON WILLIAMS: So, that testing is  
13 under the supervision of DVL or a large degree of it is?

14 MS. MARILYN MCLAREN: Yes. They conduct  
15 the test, but the standards of the test in many cases,  
16 are established in regulation under the Highway Traffic  
17 Act.

18 MR. BYRON WILLIAMS: Now, my assumption  
19 is and you'll know this better than I, is that there are  
20 different tests for someone wishing to drive a motor  
21 vehicle versus someone wishing to drive an emergency  
22 vehicle versus someone wishing to drive a bus, versus  
23 someone wishing to drive a truck with air brakes; would  
24 that be fair?

25 MS. MARILYN MCLAREN: Yes, for the most

1 part.

2 MR. BYRON WILLIAMS: And that's  
3 reflective of the fact that the skills and demands placed  
4 upon these different drivers in different situations may  
5 be very different?

6 MS. MARILYN MCLAREN: Yes.

7 MR. BYRON WILLIAMS: And to the best of  
8 your knowledge, the administration of these tests is done  
9 in an impartial and neutral manner; is that fair?

10 MS. MARILYN MCLAREN: Yes.

11 MR. BYRON WILLIAMS: And you'd agree with  
12 me that just because a vehicle owner has successfully  
13 demonstrated the skills to drive a motor vehicle, just a  
14 car, in an objective and fair assessment, doesn't mean  
15 that it's appropriate to license that -- that individual  
16 to drive a -- a more demanding type of vehicle, such as  
17 an emergency vehicle; would you agree with that?

18 MS. MARILYN MCLAREN: Yes.

19 MR. BYRON WILLIAMS: And conversely, if  
20 we're only seeking to license a person to drive a car, it  
21 might be unfair to demand that they demonstrate a  
22 facility for driving a vehicle with air brakes; would  
23 that be fair?

24 MS. MARILYN MCLAREN: Yes.

25 MR. BYRON WILLIAMS: And so I guess my --

1 my point, Ms. McLaren is that a test may be objectively,  
2 fairly and neutrally administered, but it may be of  
3 limited value if it's being used for the wrong purpose or  
4 the wrong situation; would you agree with that?

5 MS. MARILYN MCLAREN: Yes, I would agree  
6 with that. To be more specific in some of the situations  
7 that you've talked about though, in some of the  
8 situations that you talked about, I believe the  
9 difference between a passenger vehicle and the test to be  
10 authorized to operate an emergency vehicle is really one  
11 (1) and the same test, someone needs to score higher to  
12 drive the emergency vehicle.

13 So you can have different bars of  
14 performance, even within using the same test, and it's  
15 still fair and it's still reasonable, but you have  
16 different standards of performance.

17 MR. BYRON WILLIAMS: And those different  
18 bars would have to be empirically qualified or determined  
19 in some sort of objective, fair manner?

20 MS. MARILYN MCLAREN: Some sort of  
21 substantive rationale.

22 MR. BYRON WILLIAMS: I want to just  
23 consider another example for a moment, if I might.  
24 You've indicated before that -- or Mr. Galenzoski has,  
25 that -- and you're aware that both Wawanesa Insurance and



1 Manitoba Public Insurance are in the auto insurance  
2 business; is that correct?

3 MS. MARILYN MCLAREN: In the most general  
4 terms, yes.

5 MR. BYRON WILLIAMS: And just to be  
6 clear, MPI sells auto insurance in Manitoba, and Wawanesa  
7 sells it in other jurisdictions, both in Canada and in  
8 the United States, correct?

9 MS. MARILYN MCLAREN: Yes, that's right.

10 MR. BYRON WILLIAMS: And thank you for  
11 that caution and hesitation in your answer.

12 And in terms of judging the performance of  
13 MPI, and how you perform for your shareholder, your  
14 owner, the -- the Province of Manitoba, I take it that  
15 MPI doesn't put much weight on its return on equity;  
16 would that be fair?

17 MS. MARILYN MCLAREN: Yes.

18 MR. BYRON WILLIAMS: Instead you measure  
19 your performance on issues such as the quality of service  
20 you provide and -- and the rates you -- you provide, in  
21 terms of whether they're affordable and accessible?

22 MS. MARILYN MCLAREN: Our standards of  
23 performance are really those that were established back  
24 in 1970, when the Corporation was established.

25 MR. BYRON WILLIAMS: And one (1) of the

1 ways that you establish, and -- and I may -- my question  
2 may have been imprecise. So, one (1) of the ways you  
3 measure your performance on behalf of your shareholder,  
4 is in terms of the quality of service you deliver, and  
5 the price that you deliver to Manitoba basic insurance  
6 ratepayers, correct?

7 MS. MARILYN MCLAREN: Because those were  
8 two (2) of the reasons they created the organization in  
9 the first place, yes.

10 MR. BYRON WILLIAMS: And an important way  
11 to measure the performance of MPI is in its rates;  
12 correct?

13 MS. MARILYN MCLAREN: That's one (1) of  
14 about seven (7) or eight (8). It's certainly not the  
15 most important.

16 MR. BYRON WILLIAMS: But MPI does take  
17 pride in the fact that its rates are among the lowest in  
18 Canada coupled with high quality service, correct?

19 MS. MARILYN MCLAREN: I think -- I think  
20 what we couple more than anything else is the coverage  
21 itself. So it is the best coverage in Canada for the  
22 lowest cost; that is something that we do take a fair bit  
23 of pride in, yes.

24 But, we certainly would never consider  
25 either the quality of the service and the rate without

1 considering the coverage because that's what this is  
2 about.

3 MR. BYRON WILLIAMS: That's fair enough.  
4 And, in fact, you measure that coverage and those rates  
5 using the services of an independent impartial firm; is  
6 that correct?

7 MS. MARILYN MCLAREN: Yes. The coverage,  
8 actually, we compare on a regular basis against  
9 information published by the Insurance Bureau of Canada.  
10 In terms of comparing the rates it is an impartial  
11 external consultant that helps us with that.

12 MR. BYRON WILLIAMS: And, again, without  
13 inviting a speech about how wonderful MPI is, based upon  
14 that impartial assessment and based upon those measures  
15 against the Insurance Bureau of Canada, you have  
16 objective evidence that you are serving the purposes of  
17 your shareholder, the Province of Manitoba, in an  
18 appropriate manner?

19 MS. MARILYN MCLAREN: Yes.

20 MR. BYRON WILLIAMS: I wonder if you'd  
21 agree with me that if I was the CEO of Wawanesa Insurance  
22 and I was looking for evidence of serving my shareholder  
23 -- my -- excuse me -- shareholder -- my owner, it's a  
24 mutual company, in an appropriate manner I might look for  
25 a very different measure of my performance such as return

1 on equity?

2 Would you agree with that?

3 MS. MARILYN MCLAREN: I think that it's  
4 fair to say that some of the measures might be different.  
5 I wouldn't go so far as to speculate which ones.

6 MR. BYRON WILLIAMS: And some of the  
7 measures might be different though because Wawanesa --  
8 the Wawanesa Mutual Insurance Company is in the business  
9 of delivering a profit, correct?

10 MS. MARILYN MCLAREN: Yes.

11 MR. BYRON WILLIAMS: And to please its  
12 shareholder it has to deliver a profit?

13 MS. MARILYN MCLAREN: Yes.

14 MR. BYRON WILLIAMS: I wonder if you'd  
15 agree with me that in judging the performance of MPI on  
16 behalf of its shareholders versus the performance of  
17 Wawanesa Insurance that the fact that they're profit  
18 making companies may -- that Wawanesa is in the business  
19 to make a profit, may lead to different -- some different  
20 emphasis in terms of the standards by which their  
21 performance is judged in terms of delivering to  
22 shareholders?

23 MS. MARILYN MCLAREN: I'm sorry. Could  
24 you repeat that, did you have Wawanesa and SGI both in  
25 there? I didn't quite follow that.

1 MR. BYRON WILLIAMS: Yeah. Well, it was  
2 probably the most inarticulate question I've ever asked,  
3 Ms. McLaren. So, let me try this again.

4 You'll agree with me that given the profit  
5 motivation of Wawanesa versus the non-profit motivation  
6 of MPI, in terms of judging their performance on behalf  
7 of their shareholders there may be very different  
8 standards employed?

9 MS. MARILYN MCLAREN: Yes.

10 MR. BYRON WILLIAMS: And no matter how  
11 objective, how impartial the standard, if you're -- if  
12 you're using it for a different purpose it may not be  
13 that valuable?

14 MS. MARILYN MCLAREN: You talked about  
15 the fact there'd likely be different standards.

16 MR. BYRON WILLIAMS: That's okay, Ms.  
17 McLaren I've probably belaboured this point to -- to an  
18 extreme degree. So, I've a few more questions on the RSR  
19 at this point in time.

20 THE CHAIRPERSON: Mr. Williams, I may cut  
21 in, because we're following you intently, I think, I  
22 understand where you're going with those questions, not  
23 to put words in your mouth, but I wonder if your choice  
24 of Wawanesa is the best one, because as you indicated  
25 Wawanesa, in your own words, because I haven't studied

1 the situation, is a mutual company.

2 So, a mutual company presumably wouldn't  
3 necessarily be interested so much in return on  
4 shareholder equity because the owner is, in fact, the  
5 policyholder.

6 Isn't there some parallels, actually, with  
7 MPI?

8

9 CONTINUED BY MR. BYRON WILLIAMS:

10 MR. BYRON WILLIAMS: Yes. And probably  
11 though -- and Ms. McLaren, I -- I apologize for this, I --  
12 - you'll agree with me that if I was a publicly traded  
13 auto insurance company, having to respond to my rate --  
14 to my shareholders, that profit incentive would  
15 materially change my -- my motivations?

16 MS. MARILYN MCLAREN: That's fair.

17 MR. BYRON WILLIAMS: Thank you, Mr.  
18 Chairman. For the Board's information, I know that Ms.  
19 Desorcy is here, hopefully she hasn't made the -- hasn't  
20 read the transcript from yesterday when I commented upon  
21 her sometimes sharp words for me.

22 But, I'm going to -- still close to the  
23 subject of the RSR, but she has asked me to seek a bit of  
24 clarification on the subject of reinsurance. And she's  
25 asked me to explain it a couple of times, and I've been

1 monumentally unsuccessful, so through cross-examination  
2 of you, Mr. Galenzoski, I'm -- I'm going to just briefly  
3 touch on that subject.

4 Is that satisfactory?

5 MR. BARRY GALENZOSKI: Yes, sure.

6 MR. BYRON WILLIAMS: And as I understand  
7 it, reinsurance is a financial transaction in which one  
8 insurance company indemnifies for a premium another  
9 insurance company against all or part of the losses  
10 occurring under its policy of insurance?

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

13 MR. BYRON WILLIAMS: And it's been  
14 described as the insurance for insurance companies.

15 Would that be fair?

16 MR. BARRY GALENZOSKI: Yes.

17 MR. BYRON WILLIAMS: And the purpose of  
18 reinsurance is to reduce the financial risk associated  
19 with potential claims, protect the income statement and  
20 protect the balance sheet, correct?

21 MR. BARRY GALENZOSKI: That's the  
22 purpose, but it doesn't eliminate the responsibility of  
23 the reinsuring company.

24 MR. BYRON WILLIAMS: And in terms of the  
25 company -- the Corporation's reinsurance program, it

1 consists of two (2) main components; is that correct?

2 MR. BARRY GALENZOSKI: Right.

3 MR. BYRON WILLIAMS: One is catastrophe  
4 insurance?

5 MR. BARRY GALENZOSKI: Right.

6 MR. BYRON WILLIAMS: And in that, it  
7 seeks to protect the Corporation against math -- major  
8 weather related, physical damage events such as hail and  
9 flood.

10 Would that be fair?

11 MR. BARRY GALENZOSKI: Right.

12 MR. BYRON WILLIAMS: And the other is the  
13 casualty excess of loss program, correct?

14 MR. BARRY GALENZOSKI: Right.

15 MR. BYRON WILLIAMS: And again, that  
16 protects the Company against the cost of seriously --  
17 serious body -- bodily injury claims under PIPP and  
18 third-party legal liability actions; is that correct?

19 MR. BARRY GALENZOSKI: That's correct.

20 MR. BYRON WILLIAMS: And I won't to -- I  
21 won't go into layers except for to -- to note that in  
22 different years, Manitoba Public Insurance purchases  
23 reinsurance based upon different layers; is that fair?

24 MR. BARRY GALENZOSKI: Yes, we buy it on  
25 a layered program, yes.



1 MR. BYRON WILLIAMS: Now, if memory  
2 serves me right, in 2003/04 the reinsurance coverage of  
3 Manitoba Public Insurance was altered; is that correct?

4 MR. BARRY GALENZOSKI: It changes every  
5 once in a while; that was one of the years it changed.

6 MR. BYRON WILLIAMS: And are you able,  
7 from memory, to describe the changes in the 2003 fiscal  
8 year, or the 2003/04 year to reinsurance coverage?

9 MR. BARRY GALENZOSKI: On the catastrophe  
10 side, I believe that we -- we insured just to a top layer  
11 of \$150 million. On the casualty side, we would have  
12 purchased -- we dropped the one excess, the one layer and  
13 we went to a 2 million excess of three (3) -- or 3  
14 million excess of two (2), sorry.

15 MR. BYRON WILLIAMS: And how did those  
16 changes compare to the status quo that had existed before  
17 those changes in '03/'04?

18 MR. BARRY GALENZOSKI: Well, it just  
19 meant that we took on a little bit more risk within the  
20 Corporation.

21 MR. BYRON WILLIAMS: What was the nature  
22 of the coverage prior to that?

23 MR. BARRY GALENZOSKI: Well, prior to  
24 that on the casualty layer, we were reinsuring anything  
25 over \$1 million loss. And with respect to the CAT

1 program, we were re-insuring up to \$200 million loss  
2 instead of a hundred and fifty (150) where we're  
3 currently at.

4 MR. BYRON WILLIAMS: You mentioned that  
5 the reinsurance coverage, the layers purchased, has  
6 changed from time to time over the -- over the years.

7 Could you indicate how many times it would  
8 have changed over the past decade?

9 MR. BARRY GALENZOSKI: That would be hard  
10 for me to guess it. It substantially stays the same, but  
11 there are -- there are changes, sometimes minor changes  
12 to different layers depending on just market conditions.

13 In the situation on the casualty program,  
14 there's been more changes recently just because the  
15 bottom end has been less affordable and we've been moving  
16 to a higher retention.

17 MR. BYRON WILLIAMS: Would it be  
18 difficult to provide a summary of changes to reinsurance  
19 over the -- the last decade, sir?

20 MR. BARRY GALENZOSKI: Well, we could do  
21 it. I think it would be a little bit confusing for you,  
22 because you're having such a hard time understanding it,  
23 but we could take you through it.

24 MR. BYRON WILLIAMS: I thought I did so  
25 well. Would you undertake --



1 do, just for the benefit of the Board, I hope, is just  
2 summarize, at a very high level, what the risk analysis  
3 procedure involves in terms of the -- the various steps;  
4 would you be prepared to do that, sir? And I'll -- I'll  
5 lead you through it?

6 MR. BARRY GALENZOSKI: Sure.

7 MR. BYRON WILLIAMS: Now, as I under --  
8 understand it, and I'm basing this on the PUB's order of  
9 -- from the year 2000. In terms of the -- the scenarios  
10 that MPI was asked to incorporate in the risk analysis,  
11 it was the -- the data they were to include was to only  
12 include PIPP data; is that correct, sir?

13 MR. BARRY GALENZOSKI: PIPP years, not  
14 just PIPP data.

15 MR. BYRON WILLIAMS: Excuse me, PIPP  
16 years. And again, without elaborating, they were asked  
17 to include an investment risk using a value at risk or  
18 VAR analysis, assuming a 25 percent equity component and  
19 a time horizon of between two (2) and three (3) years; is  
20 that correct?

21 MR. BARRY GALENZOSKI: That's right.

22 MR. BYRON WILLIAMS: And they were asked  
23 to employ variances between forecast and actual amounts  
24 for revenues, for losses, for operating expenses and for  
25 claims expenses; is that correct?

1 MR. BARRY GALENZOSKI: I believe that's  
2 correct.

3 MR. BYRON WILLIAMS: And MPI was also  
4 directed to use actual correlations between all risk  
5 components, recognizing the directional affect on that  
6 income; is that correct?

7 MR. BARRY GALENZOSKI: I think so, yes.

8 MR. BYRON WILLIAMS: And it was directed  
9 to do so, both at a 95 percent confidence level, both  
10 including and excluding operating costs; correct?

11 MR. BARRY GALENZOSKI: I believe so, yes.

12 MR. BYRON WILLIAMS: As well as at a 97.5  
13 percent confidence level, both including and excluding  
14 operating costs; correct?

15 MR. BARRY GALENZOSKI: Yes.

16 MR. BYRON WILLIAMS: And again, without  
17 elaborating, it was open to MPI using the risk analysis  
18 to come before the Board, with a recalculated risk  
19 analysis and -- and request that the Board amend its  
20 target; is that correct?

21 MR. BARRY GALENZOSKI: I'm not sure I  
22 understand that question.

23 MR. BYRON WILLIAMS: The numbers  
24 established by the risk, and you'll agree with me, that  
25 the numbers established by the risk analysis at the start

1 of this decade were not etched in stone in that MPI had  
2 the opportunity, if it chose, to come before the Board  
3 with a recalculated risk analysis, and argue in favour of  
4 a higher target, correct?

5 MR. BARRY GALENZOSKI: I guess the option  
6 was there. I think, as stated in Ms. McLaren's  
7 testimony, prefiled testimony at pages 6 and 7, we  
8 provided the reasons why that didn't happen.

9 MR. BYRON WILLIAMS: I understand that.  
10 I'm going to be turning now, Mr. Chairman,  
11 to a different topic, I will probably, near the end, come  
12 back to the Rate Stabilization Reserve, but I'm going to  
13 be moving to -- for the benefit of Mr. Douglas, to the  
14 subjects of auto theft and also of road safety. And I'll  
15 just be stepping down for one (1) second to get some  
16 water.

17 THE CHAIRPERSON: That's fine.

18

19 (BRIEF PAUSE)

20

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

23 MR. BYRON WILLIAMS: Yes. And thank you  
24 for your indulgence, Mr. Chair. I would note that I will  
25 be referring to some tables which I provided to Mr.

1 Barron and which I have also previously provided to MPI  
2 and given them an opportunity to check my -- my -- or my  
3 surrogate's calculations.

4 And perhaps, Mr. Barron, unless there's an  
5 objection, could -- could distribute those?

6 THE CHAIRPERSON: Mr. McCulloch...?

7 MR. KEVIN MCCULLOCH: We have no  
8 objection to these tables being used, Mr. Chairman.

9 THE CHAIRPERSON: Thank you. Do we  
10 require an exhibit number for these, Mr. Williams?

11 MR. BYRON WILLIAMS: Yes, I do, Mr.  
12 Chairman. And I'm going to be using four (4) of them for  
13 sure and one (1) I'm not so sure about. So you may want  
14 to mark them each table individually as an exhibit.

15 THE CHAIRPERSON: Okay. We might as well  
16 go back and pick up that other one that you distributed  
17 which was the larger photocopy of the SGI material.  
18 We'll leave that with Mr. Barron, if you don't mind, and  
19 he'll inform us and then before we open up again we'll  
20 put the numbers on it.

21 MR. BYRON WILLIAMS: Yes.

22

23 (BRIEF PAUSE)

24

25 MR. BYRON WILLIAMS: Mr. Barron, perhaps

1 I only had distributed a couple to MPI so perhaps -- I do  
2 like leaving them in the dark but I think that's  
3 discourteous.

4 THE CHAIRPERSON: We agree. Returning to  
5 the exhibit numbers, because in case you refer to them,  
6 for ease of simplicity of anyone following the  
7 transcript, the extracts from the Saskatchewan Auto Fund  
8 2004 Annual Report would be CAC/MSOS-5.

9  
10 --- EXHIBIT NO. CAC/MSOS-5: Extracts from the  
11 Saskatchewan Auto Fund 2004  
12 Annual Report.

13  
14 THE CHAIRPERSON: Mr. Mcculloch, do you  
15 all have a copy of these now?

16 MR. KEVIN MCCULLOCH: Yes, we do, Mr.  
17 Chairman.

18 THE CHAIRPERSON: Mr. Williams, knowing  
19 that you're going to be starting with Exhibits 6, perhaps  
20 you want to put your own numbers on them. Just let us  
21 know which one is which.

22 MR. BYRON WILLIAMS: Okay. And I  
23 apologize for this, Mr. Chairman. If you go --

24 THE CHAIRPERSON: Nothing to apologize  
25 for.



1 MR. BYRON WILLIAMS: If you go in four  
2 (4) -- four (4) tables you'll see one that is  
3 inappropriately labelled CAC/MSOS Exhibit 4. And I would  
4 number that number six (6) if you would?

5 THE CHAIRPERSON: Okay. That's CAC/MSOS  
6 Auto Theft Prevention Expenses and Theft Experience,  
7 which is now number 6.

8 MR. BYRON WILLIAMS: That's correct.

9

10 --- EXHIBIT NO. CAC/MSOS-6: Auto Theft Prevention  
11 Expenses and Theft  
12 Experience.

13

14 MR. BYRON WILLIAMS: And if you go to the  
15 top of the -- the bundle you will see a cross-comparison  
16 of road safety and auto crime prevention expenditures,  
17 which you could number, number 7.

18 THE CHAIRPERSON: Fine.

19

20 --- EXHIBIT NO. CAC/MSOS-7: Cross-comparison of Road  
21 Safety and Auto Crime  
22 Prevention Expenditures.

23

24 MR. BYRON WILLIAMS: The next one would  
25 be one (1) table in which is Road Safety Expenses

1 Allocation Analysis, which you could number 8.

2 THE CHAIRPERSON: So be it.

3

4 --- EXHIBIT NO. CAC/MSOS-8: Road Safety Expenses  
5 Allocation Analysis.

6

7 MR. BYRON WILLIAMS: And then skipping  
8 right to the back you can see Road Safety Grants and  
9 Sponsorships which you could label nine (9).

10 MS. PAM SHAW: Is that a single page?

11 MR. BYRON WILLIAMS: Yes, it's a -- it's  
12 a single page.

13 THE CHAIRPERSON: We have that.

14

15 --- EXHIBIT NO. CAC/MSOS-9: Road Safety Grants and  
16 Sponsorships.

17

18 MR. BYRON WILLIAMS: And then finally  
19 there is three (3) in from the top of the stapled  
20 documents a table, allocating road safety expenses pre  
21 and post 2001 reporting period, hypothetical scenario.

22 And in the event I use that, I guess that  
23 will be number 10.

24 THE CHAIRPERSON: That's the same  
25 numbering we have.

1 --- EXHIBIT NO. CAC/MSOS-10: Table allocating road safety  
2 expenses pre and post 2001  
3 reporting period,  
4 hypothetical scenario.  
5

6 CONTINUED BY MR. BYRON WILLIAMS:

7 MR. BYRON WILLIAMS: Given Mr.  
8 Galenzoski's questions about my ability to handle  
9 reinsurance issues, I'm -- I'm glad to hear that.  
10

11 (BRIEF PAUSE)  
12

13 MR. BYRON WILLIAMS: Mr. Bedard, I'm  
14 ready if you are?

15 I'm going to ask you to turn, in the  
16 CAC/MSOS book of references which is Exhibit number 4 --  
17 CAC/MSOS Exhibit number 4, to Tab 14 which is Information  
18 Request CAC/MSOS/2/MPI-1-33.

19 Do you have that, Mr. Bedard?

20 MR. WILF BEDARD: Yes, I do.

21 MR. BYRON WILLIAMS: And you'll confirm  
22 that in this document, MPI -- and I'm not asking you to  
23 elaborate, but MPI was asked to differentiate between  
24 road safety programs and loss prevention programs; is  
25 that correct, sir?

1 MR. WILF BEDARD: Yes, that is right.

2 MR. BYRON WILLIAMS: And my understanding  
3 is that MPI does not have a formal definition which  
4 distinguishes between these programs, but that it has a -  
5 - it informally distinguishes between them; is that  
6 correct?

7 MR. WILF BEDARD: Yes, we don't have a  
8 formal definition on these two (2) categories, and what  
9 we've attempted to do here in our response is give you an  
10 informal guideline that we use.

11 MR. BYRON WILLIAMS: And I appreciate  
12 that and I'll try and do justice to your -- to your  
13 response in terms of the questions I pose to you.

14 My understanding is that, informally, the  
15 Corporation uses the term 'loss prevention' when it  
16 speaks of programs that are expected to have a direct  
17 financial impact on the frequency and severity of claims  
18 from a specific peril or perils; is that correct?

19 MR. WILF BEDARD: Yes, that's correct.

20 MR. BYRON WILLIAMS: In this -- in  
21 essence they're expected to have a direct offset to  
22 claims incurred to be a loss prevention program, correct?

23 MR. WILF BEDARD: Yes, these are  
24 initiatives that we believe that have a direct impact on  
25 our costs.

1 MR. BYRON WILLIAMS: And two (2) examples  
2 of those would be the auto theft programs being WATSS  
3 it's indicated here and I love that name, keep that one,  
4 and also the IIP; is that correct?

5 MR. WILF BEDARD: Yes.

6 MR. BYRON WILLIAMS: And in terms of road  
7 safety programs, their focus from the Corporation's  
8 perspective is on education and increased awareness of  
9 people on a particular topic or issue; is that fair?

10 MR. WILF BEDARD: Yes, it is.

11 MR. BARRY GALENZOSKI: I might want to  
12 add to that particular definition, if I might, that a  
13 sentence that would read at the bottom:

14 "These expenditures will impact claims  
15 incurred trends in the future."

16 MR. BYRON WILLIAMS: Mr. Galenzoski, you  
17 are offering that in terms of the road safety programs,  
18 that definition?

19 MR. BARRY GALENZOSKI: That's correct.  
20 That's our longer term view of those type of expenditures  
21 that they will have a longer term impact on the trends of  
22 claims incurred, rather than the direct costs that you're  
23 seeing with the programs that are aimed at loss  
24 prevention.

25 MR. BYRON WILLIAMS: And to the extent

1 that, and we'll get into this later, but to the extent  
2 that such programs or that -- or to the extent that such  
3 longer term trends do not improve, that might lead you to  
4 question the effectiveness of those road safety programs,  
5 correct?

6 MR. BARRY GALENZOSKI: No, not -- not  
7 necessarily. You have to look at the trends and, you  
8 know, sometimes you're not necessarily going to reduce a  
9 trend, but you're going to prevent a trend from getting  
10 worse.

11 And so you would have to look at it from a  
12 broader perspective.

13 MR. BYRON WILLIAMS: So -- and just so  
14 I'm clear here, in evaluating these road safety programs,  
15 if they had the effect of reducing or at least mitigating  
16 a long term trend related to claims incurred, that would  
17 be a program that MPI would look favourably upon?

18 MR. BARRY GALENZOSKI: I think we'd look  
19 favourably on all of them, because, you know, measurement  
20 of those -- there is some uncertainty on the measurement  
21 on that particular side of it.

22 It's -- it's less empirical than it would  
23 be on the direct financial impacts that we would see for  
24 loss prevention programs.

25 MR. BYRON WILLIAMS: And --

1                   MR. WILF BEDARD:       And if I could just  
2 add -- add to Mr. Galenzoski's comment. We have to take  
3 -- looking at the trends, we have to take the total  
4 environment into consideration. There's many factors  
5 that might be influencing the outcomes over time.

6                   So, we -- you'd have to look at the total  
7 environment to look at the impact of those initiatives on  
8 the long term.

9                   MR. BYRON WILLIAMS:    I'm always reassured  
10 when I'm being tag teamed, so I appreciate that from both  
11 Mr. Galenzoski and Mr. Bedard.

12                   Just in terms of the loss prevention  
13 programs, if one were to characterize, and I -- I think  
14 the proper way to characterize it is the WATSS program,  
15 and I don't mean to be flippant, I realize it's a sincere  
16 effort by the Corporation.

17                   Would you characterize that as an  
18 enforcement program, Mr. Bedard?

19

20   (BRIEF PAUSE)

21

22                   MR. WILF BEDARD:    No, we wouldn't  
23 characterize it as that, we would characterize it as a  
24 monitoring program, and a strict enforcement of -- of the  
25 laws surrounding auto theft, and supervision.

1 MR. BYRON WILLIAMS: So in your words,  
2 it's a monitoring program, strict enforcement of the law  
3 and supervision; is that correct?

4 MR. WILF BEDARD: Yes.

5 MR. BYRON WILLIAMS: Turning to the  
6 Immobilizer Incentive Program or IIP, I'd take it you'd  
7 characterize that as an incentive program; would that be  
8 fair?

9 MS. MARILYN MCLAREN: Yes.

10 MR. BYRON WILLIAMS: And the incentive --  
11 and thank you, Ms. McLaren, in terms of the incentive,  
12 the incentive is in -- in a couple of ways, one (1) in  
13 the forty dollar (\$40) reduction in -- in insurance  
14 premiums for those who have a recommended immobilizer  
15 installed; is that correct?

16 MR. WILF BEDARD: Yes, that's correct.

17 MR. BYRON WILLIAMS: And the other  
18 incentive, and one (1) that I think Ms. McLaren spoke of  
19 yesterday, was the -- the actual provision of -- of money  
20 to individuals to install something physical into their  
21 vehicle. That would be the other incentive that's there?

22 MR. WILF BEDARD: Yes, that's true.

23 MR. BYRON WILLIAMS: And the thinking  
24 behind that incentive is that the Corporation is  
25 promoting risk reducing behaviour to -- for which there



1 will be a measurable impact in the future, upon the --  
2 the claims incurred of Manitoba Public Insurance?

3 MR. WILF BEDARD: Yes, absolutely. We're  
4 anticipating that with a huge take up on the Immobilizer  
5 Program, that we will be seeing significant reductions in  
6 auto theft in the coming years.

7 MR. BYRON WILLIAMS: And going to the  
8 premium reduction which is a way to incent risk reducing  
9 behaviour, I guess the analogy that I drew, in terms of  
10 MPI's current system, would be to the Bonus/Malice System  
11 in that Bonus/Malice is also an incentive system aimed at  
12 risk reducing behaviour; would you agree with that  
13 analogy that I've drawn, sir?

14 MS. MARILYN MCLAREN: No, I'm not sure we  
15 would agree with that. The forty dollar (\$40) incentive,  
16 and it's been described as an incentive to encourage  
17 people to immobilize their vehicles, has a direct  
18 relationship back to our claims cost on a per unit basis  
19 as well.

20 And I think one (1) of the things that's  
21 important to understand about the Immobilizer Incentive  
22 Program is, you know, the reason that we needed to  
23 ratchet it up, so to speak, as we have this year, is  
24 because, as Mr. Bedard said, we need vast, significant  
25 numbers of Manitobans to take part. That is a loss

1 prevention angle for MPI.

2                   If people immobilize their vehicle they  
3 get the forty dollar (\$40) discount, they also now have  
4 no risk, assuming they don't leave their keys in their  
5 car, their vehicle won't be stolen.

6                   There's a lot of benefit out there to  
7 Manitobans right now, there's virtually no benefit to MPI  
8 until vast numbers get on board.

9                   MR. BYRON WILLIAMS:   And I understand  
10 your clarification, Ms. McLaren.  You'd agree with me  
11 that -- that both Bonus/Malice and the IIP are based upon  
12 incentives and -- and they're both aimed at risk  
13 reducing behaviour.

14                   You're saying that IIP has a more direct  
15 impact upon the bottom line.

16                   MR. WILF BEDARD:   I think that we have to  
17 keep in mind here that the Immobilizer Program is -- is a  
18 mechanical process that we're introducing.  We're --  
19 we're physically changing the fleet to make cars more  
20 difficult to steal here in Manitoba.

21                   The behaviour piece is the behaviour of  
22 the -- of the youth at risk within the -- within the  
23 Province.

24                   MR. BYRON WILLIAMS:   I understand.  Thank  
25 you.  I'm not speaking of MPI specifically, but I wonder

1 if the Corporation would agree that in general, insurance  
2 companies are in a powerful position to influence both  
3 vehicle owner and driver behaviour; would you agree with  
4 that?

5 MR. WILF BEDARD: They're in that  
6 position if they choose to take that position.

7 MR. BYRON WILLIAMS: And they can -- and  
8 I appreciate that, Mr. Bedard, they can -- they --  
9 they're in that position and they can use that position,  
10 if they choose, to invest in public education, the  
11 financial rewards for good and bad driving behaviour, for  
12 programs like the IIP, and also for sharing data which is  
13 available to them which may not be available to others;  
14 those are all the things that they can use from this  
15 powerful position?

16 MR. WILF BEDARD: Yes, that's true.

17 MR. BYRON WILLIAMS: And I wonder if  
18 you'd agree with me that unlike MPI, not all private  
19 insurers are necessarily inclined to invest in road  
20 safety or loss prevention activities?

21 MR. WILF BEDARD: I think you'd have to  
22 look at each individual company; their views towards  
23 investing in this area. I would suggest that there are  
24 some that invest a fair bit while others probably much  
25 less.

1                   MR. BYRON WILLIAMS:   And for private  
2   insurers who chose not to invest in public -- or, excuse  
3   me, in loss prevention or driving or road safety  
4   expenditures, one of the reasons they may choose not to  
5   do so is that their investment in those expenditures may  
6   end up benefiting another company rather than themselves?

7                   MR. WILF BEDARD:   I -- I wouldn't  
8   speculate as to why they choose not to.  But your -- your  
9   assumption there may be one of them.  Yes.

10                  MR. BYRON WILLIAMS:   And, just following-  
11   up on something that Board Member, Mr. Evans, said  
12   yesterday, that's where public insurance has a powerful  
13   role to play in loss prevention and road safety, because  
14   they have a vested interest in reducing the frequency and  
15   severity of collisions to help maintain stable and  
16   affordable premiums; is that fair?

17                  MR. WILF BEDARD:   Yes, I would agree with  
18   that.

19

20                                       (BRIEF PAUSE)

21

22                  MR. BYRON WILLIAMS:   I was just waiting  
23   for you to get your note-taking done.  And you'll agree  
24   with me that public auto insurers, as the sole providers  
25   of basic automobile insurance, the benefits resulting

1 from their investment in road safety accrue to them,  
2 correct?

3 MR. WILF BEDARD: No. The benefits  
4 accrue to society. You have to keep in mind that -- that  
5 automobile injuries and fatalities, it's a -- it's a  
6 social issue. And it's an issue that is costing the  
7 public significant dollars across the country.

8 MR. BYRON WILLIAMS: There is a benefit  
9 that accrues to a public auto insurer enjoying a monopoly  
10 in investing in loss prevention or road safety programs  
11 in the -- if it leads to a reduction in claims incurred,  
12 correct?

13 MR. WILF BEDARD: Yes, the -- in Manitoba  
14 the benefit does go to all Manitobans which, ultimately,  
15 result in a reduction in premium.

16 MR. BYRON WILLIAMS: And that may not be  
17 the case for a competitor operating in the world of  
18 private insurance?

19 MR. WILF BEDARD: Well, I think they  
20 would see a similar benefit but perhaps a reduction given  
21 that they're only sharing the market with others.

22 MR. BYRON WILLIAMS: And would you also  
23 agree with me, at least a qualified agreement, that as  
24 the sole provider of mandatory insurance coverage and  
25 claims administration public auto insurers tend to have

1 superior collision data as compared to private insurers  
2 operating in a competitive market?

3 MR. WILF BEDARD: I don't know if I can  
4 say that. I'd have to do some analysis on what data  
5 capture capabilities other insurers have. I -- I really  
6 can't speculate on that.

7 MR. BYRON WILLIAMS: That's fair enough.  
8 I appreciate that.

9 MR. DON PALMER: If I can add to that.  
10 We have all of it. So there may be some fields that we  
11 don't collect that other insurers would, but we have a  
12 complete collection.

13 MR. BYRON WILLIAMS: And that collection  
14 has been enhanced by the acquisition of Driver and  
15 Vehicle Licensing, correct?

16 Your collection of data has been enhanced  
17 by the acquisition of Driver and Vehicle Licensing?

18

19 (BRIEF PAUSE)

20

21 MS. MARILYN MCLAREN: Not sure about  
22 that.

23

24 (BRIEF PAUSE)

25

1                   MR. BYRON WILLIAMS:    Mr. Bedard, I wonder  
2 if you'd agree with me that, as compared to -- as  
3 compared to government, public auto insurers have a  
4 direct vested financial interest in reducing the  
5 frequency and severity of claims?

6                   MR. WILF BEDARD:        I'm not quite sure I  
7 understand your question.

8                   MR. BYRON WILLIAMS:    I had a follow up  
9 just to -- to work on that. Let me put it another way.  
10                   For the -- a Department of Transportation  
11 to make investments in road safety, that comes out of the  
12 general purse and has to compete with Medicare, education  
13 and other public demands for a new -- new expenditures;  
14 is that correct?

15                   MR. WILF BEDARD:     Yes, I would agree with  
16 that.

17                   MR. BYRON WILLIAMS:    And any safety  
18 investments or initiatives, from -- from the purse of  
19 government into whether road safety or transportation  
20 infrastructure, would have to come from Treasury and  
21 there might not be any direct, immediate pay back for the  
22 government?

23                   MS. MARILYN MCLAREN:    The -- assuming  
24 you're talking of the same initiatives, there might be a  
25 direct pay back. There may not be, depends on the

1 initiative. Just the fact that it's coming in and it  
2 needs the approval of Treasury Board, hasn't got any  
3 impact on whether or not the pay back is short term, long  
4 term or never.

5 MR. BYRON WILLIAMS: Let me put it this  
6 way, Ms. McLaren. If MPI invests in a successful road  
7 safety provision -- initiative or loss prevention  
8 initiative that results in reduced claims incurred, it  
9 has a direct immediate or it has a direct benefit,  
10 correct; a direct financial benefit?

11 MS. MARILYN MCLAREN: Yes, that would be  
12 true if that happened.

13 MR. BYRON WILLIAMS: If the Department of  
14 Transportation invests in a similar program that has  
15 immediate returns, those benefits might be enjoyed by  
16 MPI, they might be enjoyed by the health care system,  
17 it's not -- they may not be enjoyed by the Department of  
18 Transport; would you agree with that?

19 MS. MARILYN MCLAREN: Yes.

20 MR. BYRON WILLIAMS: I wonder if you'd  
21 agree with me that, based upon their tools available to  
22 insurers, their knowledge being the knowledge of -- of --  
23 or the database relating to all -- all of Manitoba, and  
24 the finance -- direct financial incentives, I wonder if  
25 you would agree with me that public auto insurers are in



1 the best position to lead loss prevention initiatives as  
2 compared to either private insurers or as compared to  
3 government?

4 MR. WILF BEDARD: I wouldn't agree with  
5 that. I think we would partner with all the other  
6 stakeholders. I mean, we only have one piece of the  
7 puzzle and our success comes by dealing with --  
8 partnering with those involved in -- in enforcement and  
9 in engineering as well.

10 So it's -- it's really just a portion of  
11 the puzzle here.

12 MS. MARILYN MCLAREN: And to expand on  
13 that a little bit, I mean I'm not sure whether we're  
14 talking semantics or whether we're having a little bit of  
15 -- maybe more than a little bit of trouble really  
16 understanding both the nature and the content of some of  
17 the questioning.

18 If by our informal definition, loss  
19 prevention is a program that impacts on claims incurred,  
20 then certainly the public insurer who defines the Loss  
21 Prevention Program with the expectation that it will have  
22 a direct affect on claims incurred, will be in the best  
23 position.

24 I think it sounded to us as though we were  
25 making a bit of a leap when we talked about Broad Loss

1 Prevention Programs, but if what you're talking about is  
2 loss prevention as we've defined it, having an affect on  
3 claims incurred, who would be in a better position.

4 MR. BYRON WILLIAMS: Thank you for that  
5 answer, Ms. McLaren, I'll ponder it.

6 Just following up on -- on a comment that  
7 Mr. Bedard made. I guess, Mr. Bedard, you -- you spoke  
8 of MPI being one (1) among other stakeholders; is that  
9 correct?

10 MR. WILF BEDARD: Yes.

11 MR. BYRON WILLIAMS: And one (1) of the  
12 risks that MPI faces is in terms of a plethora of  
13 deserving loss prevention and road safety programming is  
14 that the risks presented is that there may be  
15 inexhaustible demands upon the purse of MPI; would that  
16 be fair?

17 MR. WILF BEDARD: We get many requests  
18 over time, yes.

19 MS. MARILYN MCLAREN: But again, not to  
20 put too fine a point on it, it may be too late already, I  
21 wish we had a plethora of loss prevention initiatives  
22 coming forward; we don't.

23 MR. BYRON WILLIAMS: You do have many  
24 requests for funding related to loss prevention or road  
25 safety initiatives, correct?

1 MS. MARILYN MCLAREN: Road safety, yeah.

2 MR. BYRON WILLIAMS: And so without  
3 elaborating in that context, it's important and in fact  
4 critical for the Corporation to -- to clearly delineate  
5 when it considers it appropriate to allocate resources to  
6 these programs?

7 MS. MARILYN MCLAREN: Yeah, making a  
8 decision to reflect an expected outcome of a program in  
9 claims incurred, it is a major, major decision for  
10 Manitoba Public Insurance. If we have a significant  
11 amount of uncertainty as to the actual tangible financial  
12 results, tangible impact on claims incurred, it does not  
13 go into claims incurred. We wait to see what happens.

14 So, that's a huge, huge difference to us.  
15 We talked about informal definitions, but the delineation  
16 between loss prevention and the tangible nature of  
17 expected outcomes and road safety initiatives, it's --  
18 it's absolutely fundamental to the way we treat claims  
19 incurred.

20 MR. BYRON WILLIAMS: And I appreciate  
21 that, and if My Friend, Ms. Desorcy could provide me with  
22 some more water, that would be appreciated.

23 And of course all that water may lead to  
24 an early break.

25

1 (BRIEF PAUSE)

2

3 MR. BYRON WILLIAMS: And it was a helpful  
4 segue, Ms. McLaren, earlier in our discussion we had  
5 talked about Loss Prevention Programs that are expected  
6 to have a direct financial impact on the frequency and  
7 severity of -- of claims; do you recall that discussion?

8 MS. MARILYN MCLAREN: Yes.

9 MR. BYRON WILLIAMS: And of course one  
10 (1) of those programs is the IIP or Immobilizer Program;  
11 correct?

12 MS. MARILYN MCLAREN: Yes.

13 MR. BYRON WILLIAMS: And I believe it was  
14 yesterday you went through in some detail with My Friend,  
15 Ms. Everard, the attachment to Information Request. We  
16 don't have to turn there, so don't get excited. PUB-1-7,  
17 which sought to explain the expected costs of the program  
18 against its expected benefits, in terms of claims  
19 reductions; is that fair?

20 MS. MARILYN MCLAREN: Yes.

21 MR. BYRON WILLIAMS: And just by way of  
22 preamble to my next series of questions, I don't want to  
23 get hung up on words like cost benefit analysis. I think  
24 we've been hung up on those in the past.

25 But I do want to understand, at a high

1 level, the considerations that MPI takes into account in  
2 -- in determining whether to allocate resources to a  
3 program such as the IIP.

4 Is that understood, Ms. McLaren?

5 MS. MARILYN MCLAREN: Yes.

6 MR. BYRON WILLIAMS: And in the course  
7 of, it seems so long ago now, the Clean Environment  
8 Commissions on Wuskwatim, I learned a fair bit about how  
9 the approach to this is done by Manitoba Hydro. So I  
10 want to just test my -- my knowledge upon you, Ms.  
11 McLaren, at a fairly high level, but I will go into some  
12 specific examples with the IIP, okay?

13 You're nodding your head.

14 MS. MARILYN MCLAREN: Yes.

15 MR. BYRON WILLIAMS: And I'm going to do  
16 this in -- in -- I'm going to do this in bit-size pieces.  
17 My understanding is that the -- one of the initial steps  
18 in -- in allocation the -- the -- the -- or in  
19 determining whether appropriate is -- whether a program  
20 is appropriate is to define the referent group or whose  
21 costs and benefits are -- are going to be considered;  
22 would that be fair?

23 MS. MARILYN MCLAREN: Yes.

24 MR. BYRON WILLIAMS: And in the case of  
25 the IIP I guess you would be looking at the ratepayers of

1 Manitoba Public Insurance, Manitoba Public Insurance and  
2 perhaps society itself; would that be fair?

3 MS. MARILYN MCLAREN: Yes.

4 MR. BYRON WILLIAMS: And then you  
5 identify the project to be -- the projects, with an S, to  
6 be evaluated, and in some cases you may look at competing  
7 alternatives, three (3) different alternatives, but in  
8 the case of the IIP you were really evaluating the costs  
9 of investing the program versus the cost of not investing  
10 in the program and facing the ever escalating theft  
11 claims.

12 Would that be fair?

13 MS. MARILYN MCLAREN: Yes. And there was  
14 a bit broader context than that because we also were  
15 looking at the national context. The fact that Transport  
16 Canada had made a decision that new vehicles have to be  
17 immobilized and that was an important context for us to  
18 understand that it's really a fixed group of vehicles  
19 that are posing significant risk for a fixed period of  
20 time.

21 For quite a long period of time, but for a  
22 fixed period of time. Because eventually the entire  
23 Manitoba fleet will be made up of vehicles that were  
24 manufactured on or later than 2008.

25 MR. BYRON WILLIAMS: And in terms of

1 evaluating -- and perhaps my question was unclear,  
2 although I think you answered at the start, in terms of  
3 evaluating the program, you're really evaluating the  
4 merits of the IIP versus the merits -- the IIP given for  
5 a temporary period of time versus the merits of not doing  
6 the IIP; that's your comparison?

7 MS. MARILYN MCLAREN: Yes.

8 MR. BYRON WILLIAMS: And I'm going to  
9 short-circuit this a little bit, but in terms of  
10 continuing with this analysis, the next step would be to  
11 itemize or list the impacts of the investment in the IIP,  
12 both pro and con; would that be fair?

13 And it --

14 MS. MARILYN MCLAREN: Sure, that's fair.

15 MR. BYRON WILLIAMS: Yeah. You looked at  
16 some of the positives in terms of claims reduction and  
17 you also looked at some of the negatives in terms of  
18 increased start up cost; correct?

19 MS. MARILYN MCLAREN: Sure, that's fair.

20 Yeah.

21 MR. BYRON WILLIAMS: And I don't think  
22 there's any trick here, Ms. McLaren, so. Maybe later on.  
23 And -- and you sought to quantify those impacts, both  
24 positive and negative; would that be fair?

25 MS. MARILYN MCLAREN: Yes, that's fair.

1 Definitely. We needed to understand the impact of the --  
2 of the plan.

3 MR. BYRON WILLIAMS: And at the end of  
4 the day you preferred the IIP to the -- the do nothing  
5 scenario because the -- in your view, the IIP provided  
6 you with a greater net present value, in terms of the  
7 bang for your buck; would that be fair?

8 MS. MARILYN MCLAREN: Yes. That --  
9 that's all fair. But I think it's important to, sort of,  
10 talk about, again, you know, the context within which all  
11 of this happened. Where it was, you know, let's do  
12 nothing about auto theft was really not a legitimate  
13 option for the Corporation.

14 I think everyone recognized that. And I  
15 think what we were trying to do is we were really trying  
16 to work backwards from, not an assumption as much as an  
17 imperative, that we had to get the existing fleet  
18 immobilized.

19 So how do we do that? And then we worked  
20 back from that as opposed to making assumptions and  
21 weighing the benefit of doing nothing versus doing  
22 something.

23 MR. BYRON WILLIAMS: So just my  
24 understanding of your thinking here is that you made the  
25 assumption that you had to do something and then you



1 tested the merits of doing something against the merits  
2 of not doing something?

3 I'm not sure I understand.

4 MS. MARILYN MCLAREN: That's right.  
5 Putting the business plan together and the assumptions  
6 that we went over the other day clearly had a  
7 demonstration of the impact of the plan.

8 So, clearly there was -- there was an  
9 effect on claims incurred, both the frequency of theft,  
10 not severity as much as the frequency.

11 So, certainly, that was all part of the  
12 analysis, yes.

13 MR. BYRON WILLIAMS: Now the analysis  
14 that I'm familiar with, let's say Corporations like  
15 Manitoba Hydro, when they're looking at weighing  
16 different options, whether they're a variety -- a menu of  
17 options or a do nothing versus a do something option,  
18 they also employ sensitivity testing in that they say,  
19 what happens if one of my major assumptions is not borne  
20 out, what happens in the case of MPI if we only enroll 70  
21 percent instead of 90 percent of vehicles.

22 Can you describe the type of sensitivity  
23 testing that Manitoba Public Insurance did?

24 MS. MARILYN MCLAREN: It would be very  
25 similar to that, the same kind of thing you just talked

1 about.

2 MR. BYRON WILLIAMS: And -- and you did,  
3 for example, could you give -- give an example? For  
4 example, did you do a run at what are the economics of  
5 this project if it's done? If our participation rate is  
6 only 70 percent instead of 90 percent?

7

8 (BRIEF PAUSE)

9

10 MS. MARILYN MCLAREN: The -- yes, we did.  
11 But I think it's, again, important to talk about sort of  
12 the specific assumptions and the context because what we  
13 have is a particular understanding of what the primarily  
14 Winnipeg auto thieves are doing and will continue to do.

15 The other key assumption is that once we  
16 immobilize the highest risk vehicles, a new group of high  
17 risk vehicles will develop.

18 So the analysis was not based so much on  
19 the total goal of the program being to immobilize 90  
20 percent of the Winnipeg fleet, it was more along the  
21 lines of, if you potentially immobilize 90 percent of the  
22 vehicles that aren't -- the -- the selected or the high  
23 risk vehicles at the moment, but you don't immobilize the  
24 other ones, what do you do?

25 And at that point, you understand that you

1 can spend a significant amount of money without truly  
2 impacting theft.

3 So the clear goal needed to be  
4 established, and the program has been established, to  
5 target the higher risk group and be able to move our  
6 targeting as the high risk group changes through time.

7 MR. BYRON WILLIAMS: And I appreciate  
8 that, Ms. McLaren. That's a very helpful description.

9 I believe just -- and I'll get to the high  
10 risk group in a second, but I believe you did indicate  
11 that you did sensitivity analysis around the issue of  
12 only getting 70 percent enrollment versus 90 percent; is  
13 that right?

14 MS. MARILYN MCLAREN: No, not in the  
15 fleet overall, no. Because the key difference is the  
16 high risk versus the other vehicles at this point in  
17 time.

18 MR. BYRON WILLIAMS: So there was no  
19 sensitivity analysis around the fleet as a whole?

20 Okay.

21 MS. MARILYN MCLAREN: That's right.

22 MR. BYRON WILLIAMS: And can you discuss  
23 or describe for me some of the scenarios that you used in  
24 terms of sensitivity analysis in terms of the high risk  
25 target group?

1 MS. MARILYN MCLAREN: A lot of it was  
2 problem solving discussion as opposed to mathematical  
3 analysis. The conversation we had here earlier this week  
4 where we talked about the fact that, you know, a 50  
5 percent take up was going to do absolutely nothing for  
6 us.

7 If the kids which are -- who we're talking  
8 about for the most part, in Winnipeg auto thief profile,  
9 if they still have a 1-in-2 chance of finding an  
10 immobilized vehicle, they'll be out there looking.

11 That we believe that we need to get very  
12 close to the 90 percent to have any effect on theft  
13 whatsoever.

14 MR. BYRON WILLIAMS: I may have  
15 misunderstood. I thought you said that the 90 percent  
16 wasn't that critical of a -- a target?

17 You said that the real focus was on high  
18 risk offenders?

19 MS. MARILYN MCLAREN: High risk? No, I'm  
20 sorry there's two (2) -- we have high risk offenders and  
21 we have high risk vehicles. The auto thieves have a  
22 particular type of vehicle that they know how to steal,  
23 and those are the ones they search for. So that's where  
24 the high risk vehicle is a significant factor, in  
25 addition to the high risk thieves themselves, that's

1 WATSS and that's different.

2 MR. BYRON WILLIAMS: And I -- I probably  
3 misspoke, but if the 90 percent assumption was so  
4 critical, wouldn't you have run scenarios examining what  
5 would happen if you only had an 80 percent assumption,  
6 and did you do that?

7 MS. MARILYN MCLAREN: No, we didn't do  
8 that, because it's a very, very simple calculation, we  
9 know exactly, and could -- you know, we could do it  
10 easily now.

11 The -- the point is that we're dealing  
12 with a profile of a group of people against a particular  
13 group of vehicles, so we can go back and figure out what  
14 that math would be, but it wouldn't have driven us to a  
15 different decision. Which is I think in response to one  
16 (1) of the questions that you asked, I believe, in the  
17 Second Round, we talked about the fact that those  
18 assumptions are not assumptions as much as they are  
19 imperatives, they're critical success factors.

20 We will continue to modify this program to  
21 get the 90 percent. So it's -- that is how we have to  
22 get the significant savings and claims incurred in theft,  
23 is to make sure we get that many vehicles immobilized,  
24 because as long as they still have a one (1) out of two  
25 (2), one (1) out of three (3), probably even one (1) out

1 of four (4) chance of finding one (1) that's not -- theft  
2 will continue the way it has continued.

3 MR. BYRON WILLIAMS: And so just so I  
4 understand, if -- if you don't achieve the 90 percent, if  
5 you have the 75 percent, the one (1) in four (4) chance,  
6 this is a program that would not be as viable; would that  
7 be fair?

8 MS. MARILYN MCLAREN: I believe that's  
9 pretty much true, yeah.

10 MR. BYRON WILLIAMS: And you've done  
11 calculations on that or that's just your kind of problem  
12 solving?

13 MS. MARILYN MCLAREN: You can't -- no,  
14 you can't do a calculation. There's no way to do the  
15 calculations on that. This isn't about sort of kilowatts  
16 and the flow of water over a dam. It's not something you  
17 can calculate that's based on a behaviour profile that we  
18 believe we understand.

19 MR. BYRON WILLIAMS: I have a couple of  
20 housekeeping matter -- I'm going to stay on this subject,  
21 but I have a couple of -- although not this painful  
22 subject, Ms. McLaren, a couple of housekeeping matters  
23 that will probably take us through to the -- to -- to  
24 lunch time.

25 In terms of the -- now I'm just referring

1 you to the revised TI-14, which appears in the PUB Book  
2 of Documents, which is Exhibit 10. It's just Tab 4, that  
3 I'm going to refer you to, and I'm not sure whether it  
4 will be Mr. Bedard or Ms. McLaren or Mr. Galenzoski.

5 Do you have that?

6 And at page 3 of Tab 4 to PUB Exhibit 10,  
7 there is a notation under road safety loss prevention  
8 expenses, and it indicates that they're one point four  
9 (1.4) more than the June '05 forecast due to additional  
10 costs for auto theft suppression, and the Immobilizer  
11 Incentive Fund; is that correct?

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

14 MR. BYRON WILLIAMS: And can you indicate  
15 to -- to me, the nature of those additional costs please?

16 MR. BARRY GALENZOSKI: Well on the -- the  
17 auto theft suppression strategy are the costs associated  
18 with the enforcement of having probation officers go  
19 around and look at -- make sure the people are where  
20 they're supposed to be.

21 And in addition, the Immobilizer Incentive  
22 Fund, you'll see at the bottom of -- on page 1 of that  
23 particular tab, the transfer to the Immobilizer Incentive  
24 Fund of \$1.3 million, that's the -- the costs associated  
25 with the hundred and forty dollar (\$140) contribution

1 that the Corporation is making, primarily that's the main  
2 cost being covered off.

3 MR. BARRY GALENZOSKI: And I -- I  
4 probably was imprecise. In terms -- why -- why are the  
5 costs one point four (1.4) higher than the June '05  
6 forecast, is what I'm asking, sir?

7 MR. BARRY GALENZOSKI: They're higher  
8 because there's more take up. We've also paid the  
9 twenty-six hundred (2,600) people that purchased the  
10 immobilizers through the previous programs in the three  
11 (3) or four (4) years prior to this. We gave them their  
12 hundred and forty dollar (\$140) grant. Plus we  
13 eliminated all of their service fees and interest costs.

14 MR. BYRON WILLIAMS: So these are costs  
15 that were anticipated for the -- in the case of the IIP  
16 but they materialized a little sooner than you expected;  
17 would that be fair?

18 MR. BARRY GALENZOSKI: Yeah. It's a  
19 timing situation. Yeah.

20 MR. BYRON WILLIAMS: I appreciate --

21 MS. MARILYN MCLAREN: The other thing is,  
22 is when we did the initial plan and we established the  
23 assumptions that we reviewed earlier, we used an amount  
24 of six dollars (\$6) per immobilizer funding assumption to  
25 figure out what it would cost for the administration of



1 the program.

2 Now, we haven't changed our expectation  
3 that, at the end of the day, it'll probably still work  
4 out to about six dollars (\$6) per immobilizer. But we've  
5 now, sort of, reflected the actual costs that we have  
6 going on in the Corporation; right. And we've had to add  
7 people to the call centre.

8 We're producing letters. Getting ready to  
9 mail letters. We've got postage costs and staffing costs  
10 and direct costs like that that we had expected to spend  
11 but have now fully reflected in the operating expenses  
12 this year.

13 MR. BYRON WILLIAMS: I appreciate your  
14 enthusiasm about the program and the answer. The -- if  
15 we can now refer you, and again we're in the short  
16 snapper range, to the CAC/MSOS book of references,  
17 Exhibit 4, and specifically Tab 30.

18

19 (BRIEF PAUSE)

20

21 MR. BYRON WILLIAMS: I'm thinking that  
22 this is Mr. Bedard. Do you have that, sir?

23 MR. WILF BEDARD: Yes, I do.

24 MR. BYRON WILLIAMS: And I'd like to  
25 spend just a couple of minutes chatting with you about

1 the public's perception of the role that MPI is playing  
2 in combatting auto theft; is that fine, sir?

3 MR. WILF BEDARD: Yes.

4 MR. BYRON WILLIAMS: I thought you'd like  
5 that. And I understand that MPI undertook some polling  
6 in April -- or has prepared a report based upon polling  
7 and the report is dated April 25, 2005, and that report  
8 was done by PRA; is that correct, sir?

9 MR. WILF BEDARD: Yes, that's correct.

10 MR. BYRON WILLIAMS: And I'm just going  
11 to refer you to the next page which is the executive  
12 summary of -- of that report. And my understanding that  
13 the polling, in general, was about the general -- a  
14 variety of issues on the subject of auto theft; is that  
15 correct?

16 MR. WILF BEDARD: Yes.

17 MR. BYRON WILLIAMS: And when respondents  
18 were asked to independently name an organization or group  
19 working to reduce the number of vehicles stolen in  
20 Manitoba, MPI was at or near the top of the mind in that  
21 respect; is that correct?

22 MR. WILF BEDARD: Yes, that's true.

23 MR. BYRON WILLIAMS: In fact, 48 percent  
24 of respondents independently named MPI as an organization  
25 working to combat auto theft; correct?

1 MR. WILF BEDARD: Yes, that's correct.

2 MR. BYRON WILLIAMS: So you beat out, in  
3 the public's perception, the City of Winnipeg who were  
4 named by about 36 percent of respondents; correct?

5 MR. WILF BEDARD: The City Police were --  
6 City Police were recognized by that 36 percent level.

7 MR. BYRON WILLIAMS: Thank you for that  
8 clarification.

9 And you also achieved superior brand  
10 recognition to the RCMP who were recognized by about 14  
11 percent; correct?

12 MR. WILF BEDARD: It's not brand  
13 recognition. It's recognition of our involvement in this  
14 initiative. But, yes, to answer your question, the RCMP  
15 were at 14 percent.

16 MR. BYRON WILLIAMS: And perhaps my  
17 question was imprecise.

18 But, now, this -- this -- this submission  
19 or this polling actually took place before the  
20 announcement of the IIP; is that correct, sir?

21 MR. WILF BEDARD: Yes.

22 MR. BYRON WILLIAMS: And so this is an  
23 image that was fixed in the public eye prior to the  
24 announcement of the immobilization program, correct?

25 MR. WILF BEDARD: It's a profile that's

1 been growing over the last number of years with the whole  
2 issue of auto theft in Winnipeg escalating.

3 MR. BYRON WILLIAMS: So it's a program --  
4 a profile built over years and a lot of that profile was  
5 built pre-WATSS and pre-IIP, correct?

6 MR. WILF BEDARD: It's a public  
7 perception that's been building prior to those two (2)  
8 initiatives being introduced, yes.

9 MR. BYRON WILLIAMS: And it was built in  
10 part upon the -- the Corporation's initiatives or the  
11 Corporation's actions and programs such as the Winnipeg  
12 police stolen auto unit, the fingerprint program, the  
13 parking lot signage program and the public -- the  
14 Corporation's public information advertising, correct?

15 MR. WILF BEDARD: No, I wouldn't agree  
16 with that. I think the average person on the street is  
17 not familiar with too much of what you're referring to  
18 there.

19 MR. BYRON WILLIAMS: So what, in  
20 particular, might it have been built upon, sir?

21 MR. WILF BEDARD: It's the fact that we  
22 captured data involving auto theft and the media makes  
23 inquiries, and they publish that information and they're  
24 creating awareness amongst the public.

25

1 (BRIEF PAUSE)

2

3 MR. BYRON WILLIAMS: So your evidence is  
4 that, in your view, the public information advertising  
5 done by the Corporation or the parking lot signage  
6 program done by the Corporation had no impact whatsoever  
7 in its image, in terms of the public?

8

9 (BRIEF PAUSE)

10

11 MR. WILF BEDARD: Well it was -- that's  
12 not what you're asking initially, but, yes, those  
13 programs do have an impact as well.

14

15 MR. BYRON WILLIAMS: And they serve to  
16 enhance the image of the Corporation in terms of working  
17 to combat auto theft, correct?

18

19 (BRIEF PAUSE)

20

21 MR. WILF BEDARD: We don't know that as  
22 a certainty. That's not our goal in those initiatives.

23

24 (BRIEF PAUSE)

25

1                   MR. BYRON WILLIAMS:    I wonder if you can  
2 turn to the next Tab over, in the CAC/MSOS book of  
3 exhibits, Tab 31 and it's the Corporations' response to  
4 CAC/MSOS first round Interrogatory 155.

5                   Do you have that, sir?

6                   MR. WILF BEDARD:        Yes, I do.

7                   MR. BYRON WILLIAMS:    And in particular,  
8 I'll direct your attention to the second page of that  
9 exhibit, which is the -- the table labelled auto theft  
10 programs and initiatives; do you have that, sir?

11                  MR. WILF BEDARD:        Yes.

12                  MR. BYRON WILLIAMS:    And by way of  
13 summary, you'd agree with me that this is a summary of  
14 the Corporation's investment in auto theft programs and  
15 initiatives -- their actual investments from -- from the  
16 year 2000 to the year 2004/'05; correct?

17                  MR. WILF BEDARD:        Yes, that's correct.

18                  MR. BYRON WILLIAMS:    And it also includes  
19 a forecast for expenditures for the '05/'06 and '06/'07  
20 years, correct?

21                  MR. WILF BEDARD:        Yes.

22                  MR. BYRON WILLIAMS:    And it details  
23 expenditures for programs such as the Winnipeg police  
24 stolen auto unit, the fingerprint program, the parking  
25 lot signage program and others; correct?

1 MR. WILF BEDARD: Yes.

2

3 (BRIEF PAUSE)

4

5 MR. BYRON WILLIAMS: Mr. Chairman, this  
6 is -- it's a bit early, but it's a perfect time to kind  
7 of finish and I can certainly start early, if that would  
8 -- would help. I'm ready -- it's just I'm moving into  
9 introducing some exhibits and I thought that this would  
10 be a good time, when you're a little fresh.

11 THE CHAIRPERSON: When perfection is able  
12 to be seized, it should be. So we will shut down. When  
13 we return, Mr. Williams, if you don't mind, I believe we  
14 have a presenter to lead off and then we'll return to  
15 you, okay?

16 MR. BYRON WILLIAMS: Thank you.

17 THE CHAIRPERSON: And the presenter is  
18 due at 1:30, so unfortunately we'll have a short -- a  
19 little bit longer break. See you then.

20

21 --- Upon recessing at 11:50 a.m.

22 --- Upon resuming at 1:32 p.m.

23

24 THE CHAIRPERSON: Good afternoon,  
25 everyone.

1                   We're back and we have a presenter, Mr.  
2 Mike Bay. Mr. Bay, my name is Graham Lane and I'm the  
3 Chairman of the Public Utilities Board. On my left is  
4 Mr. Jorgensen and to my right Mr. Len Evans who are my  
5 colleagues on the panel.

6                   And across the way are the officials of  
7 Manitoba Public Insurance and our advisors and  
8 Intervenors and other people are also in attendance.  
9 What you say will be appreciated to hear and will go into  
10 the transcripts which you can read at your leisure, sir,  
11 on our website.

12                   So, with no further ado, it's over to you,  
13 Mr. Bay.

14

15 PRESENTATION BY MR. MIKE BAY:

16                   MR. MIKE BAY: Thank you very much, and  
17 to begin with I'd like to thank everybody for at least  
18 listening and the other question I have is, Happy  
19 Thanksgiving to everybody, ahead of time.

20                   No, I didn't bring a turkey. Every time I  
21 try to bring a turkey, the silly thing wants to drive.  
22 Kind of left it at home.

23                   My problem has been, over the last number  
24 of years, trying to get an answer from MPIC. I've  
25 requested a number of times. Usually the answers have



1 been very unsatisfactory.

2 I've left messages with the minister of  
3 MPI. It's the same thing, we -- you know, conversation  
4 has been rather limited.

5 The problem I have is, it's called multi-  
6 vehicle insurance. If you talk to MPI and you say, I  
7 have a fleet, well, you've got to have ten (10) vehicles  
8 before they can consider it a fleet.

9 Why they determined that number as ten  
10 (10) being a fleet, I'd like to know. Nobody's been able  
11 to give me a satisfactory answer and my description of a  
12 fleet is anything more than one (1).

13 If you have a single vehicle, fine. If  
14 you have two (2) vehicles, that's a fleet. Why can't --  
15 I don't know. Is it something that was arbitrarily  
16 picked up out of the newspaper or whatever? Nobody seems  
17 to come up with a proper answer.

18 The type of multi-vehicle insurance I'm  
19 looking at is something that was on the books years ago.  
20 This is when everything was run by private insurance and  
21 I'm sure that at one point, MPI had the objective of  
22 providing the best possible insurance for the cheapest  
23 dollar.

24 That objective was a gratifying type of  
25 object to look out, however, I believe at some point



1 you have a driver, the driver being whoever is that  
2 particular owner of the vehicle.

3           It's not a simple situation where you'll  
4 say, well you've got more than one (1) driver in the  
5 family. Not necessarily. You may have more than one (1)  
6 driver in the family. They're going to have their own  
7 vehicle, they're not going to be touching your vehicle.

8           In my case, I may have a couple of toys.  
9 The other question is now that the cost of fuel being  
10 pretty exorbitant, my latest acquisition is a little sub  
11 compact.

12           When I'm driving around in town doing  
13 shopping, there's only enough room in it for me. If I  
14 put three (3) of me in there, they don't fit. They look  
15 like the -- probably the A&W bears trying to get out of  
16 the silly thing and it's not very comfortable and it  
17 doesn't look very pleasant. And probably scare a lot of  
18 people if you put on a baseball cap or a silly fedora  
19 hat. They kind of look at you and deviate in another  
20 direction.

21           But, my problem is, if I'm going to be  
22 driving this vehicle, and I have another couple of  
23 vehicles, I want to drive them, but I -- why should I  
24 pull the full hit of insurance of well over a thousand  
25 dollars (\$1,000) per vehicle, when I'm only driving one

1 (1) vehicle?

2 If I've got three (3) vehicles, I'm paying  
3 three thousand dollars (\$3,000). You know, it's a little  
4 hard to manage, little hard to understand.

5 To me, I look at it as if it's a case of  
6 where you're taking my money, utilizing it and not giving  
7 me a good return on my dollar.

8 Now, why do we have a determination of ten  
9 (10) for a fleet? MPI has never been able to give me a  
10 reasonable answer.

11 Do we have an answer?

12 THE CHAIRPERSON: Well, Mr. Bay, I'm not  
13 quite sure whether someone explained that the overall  
14 purpose of the Hearings --

15 MR. MIKE BAY: Hmm hmm.

16 THE CHAIRPERSON: -- okay? Although  
17 we're please to hear from the public and receive  
18 presentations like yours, we're concentrating on the  
19 overall revenue requirement of the Corporation and the  
20 setting of just and reasonable rates.

21 Now, I can see that your argument  
22 basically is, is that the rates are not reasonable from  
23 the perspective of someone that owns more that one (1)  
24 vehicle, but is the sole driver of the vehicles; is that  
25 your point --

1 MR. MIKE BAY: Yes, it is.

2 THE CHAIRPERSON: -- basically?

3 MR. MIKE BAY: It's a type of insurance  
4 that was available, still is available through the public  
5 sector, or through the private sector. It's a case of  
6 where you may have one (1) more vehicle, you may have two  
7 (2) vehicles, you may have four (4) vehicles.

8 You're not necessarily going to be driving  
9 them all at the same time. You may have an SUV because  
10 this would be what you want to drive on the weekend when  
11 you're taking the wife, the kids, and somebody else, if  
12 you're going shopping.

13 If you're driving to and from work, you're  
14 not exactly going to be driving something that's going to  
15 be costing you seven dollars (\$7) to the mile to drive to  
16 and from work, it's just that simple, it becomes  
17 economics.

18 This was a type of insurance that was  
19 available, it's still available in other areas.  
20 Unfortunately not available here.

21 Again, like I said before, it was a case  
22 of creativitous (sic) related to what's available,  
23 obviously somebody has missed the ball. I could have  
24 brought down a -- a full blown presentation as to rates,  
25 type of -- how the insurance could be set up and

1 everything else. Unfortunately I felt that if I did  
2 that, then I'd also have to submit a -- a consultant fee,  
3 rather than letting MPI use their brain power and high  
4 priced, let's say regulars, and provide the necessary  
5 information and direction.

6 I used to be in the business, so  
7 consequently I understand what is available, what was  
8 available --

9 THE CHAIRPERSON: Well, Mr. --

10 MR. MIKE BAY: -- and when I get an  
11 answer like, well, no, we can't do it, it's not in the  
12 legislation, then I feel we are being deprived of a  
13 proper type of analysis and insurance possibilities.

14 THE CHAIRPERSON: I think we understand  
15 the -- the point you're making. I'm sure MPI does as  
16 well, and to follow our normal practice, the MPI wouldn't  
17 mind providing a response to Mr. Bay and copying the  
18 Board, we would appreciate it.

19 If that could be an undertaking, Mr.  
20 McCulloch?

21 MR. KEVIN MCCULLOCH: Yes, Mr. Chairman.

22 THE CHAIRPERSON: Thank you.

23

24 --- UNDERTAKING NO. 16: MPI to provide Mike Bay with  
25 the reason as to why fleet

1 rates are only applied to  
2 fleets of over ten (10)  
3 vehicles.

4  
5 THE CHAIRPERSON: So, you'll be receiving  
6 a letter from MPI and the copy of that letter will also  
7 go to the Board, and we will ponder it just as when we --  
8 when we receive it. So thank you for coming, we  
9 appreciate your attendance and participation.

10 MR. MIKE BAY: Thank you for having me.

11 THE CHAIRPERSON: Thank you.

12 MR. MIKE BAY: Have a good holiday.

13 MR. KEVIN MCCULLOCH: Does the Board have  
14 the presenter's address?

15 THE CHAIRPERSON: Mr. Barron, could you  
16 get Mr. Bay's address? We will have, thank you.

17 Mr. Williams...?

18 MR. BYRON WILLIAMS: If you're wondering,  
19 Mr. McCulloch, I'm unlisted.

20 Mr. Chairman, I'm -- I'm going to be going  
21 back to road safety in just a few seconds. My client  
22 always gives me a question or two (2) to ask, and often I  
23 forget to ask them. So I'm going to kind of jump into  
24 some of those questions just for a couple of minutes and  
25 then we'll resume where we left off at ten (10) to 12:00

1 this morning.

2

3 CONTINUED CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

4 MR. BYRON WILLIAMS: Mr. Galenzoski, my  
5 understanding is that in term -- the word exponential  
6 basically assumes -- in terms of exponential cost growth,  
7 that assumes that costs will increase or decrease by a  
8 fixed percentage, rather than a fixed amount each year;  
9 would that be fair?

10 MR. BARRY GALENZOSKI: That's correct.

11 MR. BYRON WILLIAMS: And I told Ms.  
12 McLaren I wouldn't ask her any hockey related questions,  
13 so I won't. But, Mr. Palmer, I just have a very short  
14 one (1) for you. I want you to assume that the -- take a  
15 hockey stick, that the cost of a hockey stick today is  
16 thirty-one dollars (\$31)?

17 MR. DONALD PALMER: Okay.

18 MR. BYRON WILLIAMS: In five (5) years  
19 I'll ask you to assume that it's fifty-five dollars  
20 (\$55), and in five (5) more years I'll ask you to assume  
21 that it's eighty-eight dollars (\$88).

22 Do you have that, sir?

23 MR. DONALD PALMER: Thirty-one (31) now,  
24 fifty-five (55) in five (5) years and eighty-eight (88)  
25 in another five (5) years?



1                   MR. BYRON WILLIAMS:     That's right.  And  
2  if I was looking at the growth rate in the cost of hockey  
3  -- hockey sticks, from today to five (5) years from now,  
4  one way I could calculate it would be to divide the  
5  number fifty-five (55) by the number thirty-one (31) to  
6  yield one point seven, four (1.74) growth rate; would  
7  that be fair?

8                   MR. DONALD PALMER:     It's one point seven,  
9  seven, four (1.774) or 77.4 percent rate; that's over the  
10 -- presumably the four (4) year timeframe.

11                  MR. BYRON WILLIAMS:     And if I was  
12 calculating -- and that's one (1) -- one seven seven four  
13 (1.774) excuse me for that.

14                  MR. DONALD PALMER:     And given that that's  
15 in year one (1) it's thirty-one (31) and in year five  
16 (5), fifty-five (55); that's about fifteen (15) percent  
17 per year.

18                  MR. BYRON WILLIAMS:     Thank you.  And  
19 going from the eighty-eight (88) figure -- excuse me,  
20 from the fifty-five (55) figure to the eighty-eight (88)  
21 that would yield probably about one point six three  
22 (1.63)?

23                  MR. DONALD PALMER:     I get exactly a 60  
24 percent increase.

25                  MR. BYRON WILLIAMS:     So from the -- if I

1 were to compare the first five (5) year period to the  
2 second five (5) year period the increase in costs would  
3 be slightly higher on a percentage basis in the first  
4 five (5) year period, correct?

5 MR. DONALD PALMER: And I think in your  
6 example of year one (1), year five (5) and year ten (10),  
7 the first period is four (4) years and the next one is  
8 five (5) but, sure.

9 MR. BYRON WILLIAMS: No. What I meant --  
10 and perhaps I was imprecise. I tried to suggest that  
11 there was five (5) years between each year.

12 MR. DONALD PALMER: Okay.

13 MR. BYRON WILLIAMS: And so was the  
14 answer, yes, that the growth rate was higher in the first  
15 five (5) year period than in the second five (5) year  
16 period?

17 MR. DONALD PALMER: Yes.

18 MR. BYRON WILLIAMS: And that, if I  
19 understand the definition of exponential correctly, that  
20 would not be an exponential growth rate, is that correct,  
21 because it's growing at a slower percentage in the second  
22 five (5) year period?

23 MR. DONALD PALMER: The rate of change in  
24 those two (2) periods is different, yes. So it's not  
25 uniformly exponential then over the whole period.

1                   MR. BYRON WILLIAMS:   Ms. McLaren, for the  
2 -- for the benefit of my clients with regard to the  
3 Immobilizer Incentive Program, in the -- you've indicated  
4 that it's a -- and without elaborating, you've indicated  
5 that it's a program that the Corporation strongly  
6 believes would be in the best interests of Manitoba  
7 ratepayers and Manitobans in general, correct?

8                   MS. MARILYN MCLAREN:   Yes.

9                   MR. BYRON WILLIAMS:   And you're aware  
10 that the current mechanism to fund that program is -- is  
11 through an appropriation from the rate stabilization  
12 reserve; is that right?   Retained earnings, excuse me.

13                  MR. DONALD PALMER:   Yeah, it's from the  
14 retained earnings.   Yes.

15                  MR. BYRON WILLIAMS:   I guess the question  
16 to you, Ms. McLaren, is in the event that you were  
17 advised by the Public Utilities Board that they didn't  
18 consider such an appropriation appropriate that -- and  
19 that would -- and that they'd rather see the IIP  
20 reflected in the rate structure in some mechanism, would  
21 it be fair to assume that the IIP would still continue?

22                  MS. MARILYN MCLAREN:   Yes.   I expect the  
23 program to continue, right.

24                  MR. BYRON WILLIAMS:   And just a couple  
25 more questions for -- to you, Ms. McLaren, directly from

1 Ms. Desorcy through me.

2 In the -- in the course of this hearing  
3 and, in fact, in last -- in last year's hearing there was  
4 talk of a fairly wide-ranging review of the personal  
5 injury protection program; you recall that discussion?

6 MS. MARILYN MCLAREN: Yes.

7 MR. BYRON WILLIAMS: And I wonder if you  
8 can indicate what, if any, role the Corporation sees in  
9 terms of its review in getting input from the public at  
10 large or community groups such as CAC in that process?

11 MS. MARILYN MCLAREN: I think that's an  
12 important part of the process and I think there are a  
13 number of things that we will be doing with the personal  
14 injury protection plan through time.

15 The, sort of, structural review that we're  
16 about to start may not be the best place to do some of  
17 that consultation. But we do expect to review each and  
18 every one of the coverages through time.

19 We certainly review the service delivery  
20 mechanisms through time and those specifically are things  
21 that we would not do without consultation.

22 MR. BYRON WILLIAMS: So in terms of the  
23 structural review itself, you don't anticipate some sort  
24 of consultation process with community groups such as  
25 CAC?

1 MS. MARILYN MCLAREN: My understanding  
2 right now is that wouldn't be part of that -- that  
3 particular initiative, right.

4 MR. BYRON WILLIAMS: Likewise in terms of  
5 the business process review, which I understand is  
6 focussing on DVL but which will also involve issues such  
7 as road safety.

8 Can you indicate what, if any, role for  
9 community groups or the public, MPI foresees within that  
10 process?

11

12 (BRIEF PAUSE)

13

14 MS. MARILYN MCLAREN: Again, a good deal  
15 of the work that we're doing right now is more structural  
16 in nature in terms of how ought we to organize and so on.  
17 I don't see a big role through that process.

18 But my understanding is that the  
19 Department of Transportation Government Services, DVL in  
20 particular, when it was part of government, always  
21 consulted significantly on emerging road safety issues,  
22 emerging changes to safety oriented legislation in other  
23 jurisdictions.

24 We would certainly expect, if anything, to  
25 build on that. Certainly would not, in any way, reduce

1 from what's been done in the past.

2 MR. BYRON WILLIAMS: And just so I'm  
3 clear in terms of the business process review or BPR, I  
4 think you indicated, Not a big role.

5 Would be that the same as -- as no role in  
6 the BPR?

7

8 (BRIEF PAUSE)

9

10 MS. MARILYN MCLAREN: Well, again, as we  
11 talked a little bit yesterday morning, we're using that  
12 BPR, business process review, in more than one (1)  
13 context.

14 The process that's underway right now that  
15 will finish this fiscal year is a structural review that  
16 I wouldn't expect much of that consultation, if any, to  
17 take place.

18 Longer term, there will be any number of  
19 potential changes that we will be responsible for -- for  
20 analysing and considering, but will never have final  
21 responsibility on that I know the government will expect  
22 us to consult.

23 MR. BYRON WILLIAMS: Thank you, Ms.  
24 McLaren; appreciate that.

25 I'm going to now go back to where we left

1 off at ten (10) to 12:00 this morning. And for the  
2 benefit of the panel and as well as for MPI, we presented  
3 some documents which were marked as exhibits and I'm  
4 going to be referring to the document, to start with,  
5 which is marked CAC/MSOS Exhibit number 6, which is a  
6 table titled auto theft prevention expenses and theft  
7 experience.

8 Do you have that, Mr. Bedard?

9 MR. WILF BEDARD: Yes, I do.

10 MR. BYRON WILLIAMS: And through the good  
11 offices of Mr. Dyck, D-Y-C-K, the -- MPI has checked the  
12 math in terms of this -- this table; is that correct,  
13 sir?

14 MR. BARRY GALENZOSKI: Yes, that's  
15 correct.

16 MR. BYRON WILLIAMS: And, Mr. Bedard,  
17 what we're going to do first is describe the table and  
18 then I'll walk you through it to a certain degree.

19 At the top you see, in the left column, a  
20 -- a heading called auto theft expenses and that would  
21 represent from Interrogatory CAC/MSOS-1-38 the -- the  
22 expenses committed to auto theft by MPI over the period  
23 from the year 2000/01 to the 2004/05 year; is that  
24 correct, sir?

25 MR. WILF BEDARD: Yes.

1                   MR. BYRON WILLIAMS:    And if you go down  
2 one (1) -- one (1) row below that, you see a heading,  
3 direct investment in individual programs; do you see  
4 that, sir?

5                   MR. WILF BEDARD:        I do.

6                   MR. BYRON WILLIAMS:    And what the next  
7 five (5) rows describe, from stolen auto unit through  
8 fingerprint program, parking lot signage, through  
9 research and surveys, what they describe is the  
10 Corporation's direct investment in individual programs  
11 over that same period being 2000/01 through 2004/05;  
12 correct?

13                  MR. WILF BEDARD:        Yes, that's correct.

14                  MR. BYRON WILLIAMS:    And finally at the  
15 very bottom line of this table, you see a heading, Theft  
16 Claims Attempted and Actual; do you see that, sir?

17                  MR. WILF BEDARD:        Yes, I do.

18                  MR. BYRON WILLIAMS:    And this is data  
19 drawn from the -- the P.J. Coppel (phonetic) Consulting  
20 Services report; is that correct, sir?

21                  MR. WILF BEDARD:        Yes, it is.

22                  MR. BYRON WILLIAMS:    And in essence,  
23 really, given that the WATSS program and the Immobilizer  
24 Program really have not got underway until 2005, this is  
25 really a picture of auto theft investment and expenses



1 pre IPP -- IIP and pre WATSS, correct?

2 MR. WILF BEDARD: Yes, that's correct.

3 MR. BYRON WILLIAMS: And I want to go  
4 back up to the top of this table, which details auto  
5 theft expenses, and just -- you'll agree with me that,  
6 numerically, what this suggests is that there has been  
7 some growth, over time, in the total amount of auto theft  
8 expenses from the year 2000/01 through to 2004/05, from  
9 zero to about 1.3 million; would that be fair, sir?

10 MR. WILF BEDARD: Yes, that would be  
11 fair. I should clarify by saying the year 2000/2001 and  
12 preceding that, those auto theft expenses were allocated  
13 in -- as a claims expense, and we created this new line,  
14 beginning the '01/'02 fiscal year.

15 MR. BYRON WILLIAMS: So a better way to  
16 look at this table really is from the '01/'02 year,  
17 moving forward, and that will be a more apples to apples;  
18 is that fair?

19 MR. WILF BEDARD: Yes.

20 MR. BYRON WILLIAMS: And that won't be  
21 hard since there's no dollars in the first year anyway,  
22 so I'm wondering why that was there.

23 In any event, if we look at that we see a  
24 fairly steady growth from seven hundred and fifty  
25 thousand (750,000) in '01/'02, through to about 1.3

1 million in '04/'05, in terms of total auto theft  
2 expenses, correct?

3 MR. WILF BEDARD: Yes, that's correct.

4 MR. BYRON WILLIAMS: And in terms of the  
5 direct investment in individual programs, rather than  
6 focus on each individual program, I direct your attention  
7 to the second last line of the table, which is the total.

8 And you can also see, moving around it, in  
9 terms of the direct investment individual programs,  
10 there's a growth from six hundred and twenty-six thousand  
11 dollars (\$626,000) to just short of \$1 million in the  
12 '04/'05 year; is that right, sir?

13 MR. WILF BEDARD: Yes, it is.

14 MR. BYRON WILLIAMS: And the total, in  
15 terms of the direct investment in individual programs,  
16 between '01/'02 and '04/'05, was about 3.2 or 3.3  
17 million, correct?

18 MR. WILF BEDARD: Yes, that's correct.

19 MR. BYRON WILLIAMS: And the -- the  
20 interrogatories in the -- the record, but not immediately  
21 before you, but you'll confirm that no cost benefit  
22 analysis was performed for these expenditures?

23 MR. WILF BEDARD: No. A cost benefit by  
24 definition has not been performed, but we do evaluate  
25 these programs, on an ongoing basis, to determine their

1 value, and that's been ongoing.

2 MR. BYRON WILLIAMS: And I appreciate  
3 that, thank you.

4 I'll refer you to the bottom line of this  
5 exhibit, which is the theft claims attempted and an  
6 actual. And if we look at where we were in '01/'02,  
7 versus where we are in '04/'05, you'll agree with me that  
8 there's been some growth, overall, this period, from  
9 about twelve thousand (12,000) to about sixteen thousand  
10 (16,000); would that be fair, sir?

11 MR. WILF BEDARD: Yes, there has been  
12 growth, but the largest growth, of course, is between the  
13 '03/'04 and '04/'05 years, fairly flat for the three (3)  
14 years '01/'02, '02/'03, '03/'04.

15 MR. BYRON WILLIAMS: A concern one might  
16 have when -- when one looks at this exhibit, sir, is that  
17 there's been a fairly substantial investment in auto  
18 theft programming, and no corresponding reduction, or  
19 indeed mitigation in -- in the growth of auto theft  
20 claims attempted and actual; would you agree with that?

21 MR. WILF BEDARD: No, I would not.

22 MR. BYRON WILLIAMS: I just want to draw  
23 -- and Mr. Galenzoski, I should have asked you to do this  
24 before. Do you -- if you could put your hands on the  
25 transcript from day two (2) of this Hearing, specifically

1 page 273.

2

3

(BRIEF PAUSE)

4

5

MR. BYRON WILLIAMS: And specifically  
6 I'll refer you to lines 8 through 19 of -- of that  
7 discussion, sir; do you have that?

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MR. BARRY GALENZOSKI: (No audible  
response)

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MR. BYRON WILLIAMS: And as I understand  
the -- this discussion you were being questioned by My  
Friend, Mr. Saranchuk, about accounting in terms of the  
stolen auto theft unit for the City of Winnipeg Police.

And in terms of the -- your discussion  
regarding the accounting treatment, at lines 11 through  
12, you indicated that, in terms of those expenditures,  
there's no guarantee of any kind of benefit whatsoever to  
the Corporation; is that a fair statement, sir?

MR. BARRY GALENZOSKI: Yeah. Those costs  
are -- are incurred on an annual basis. But whether or  
not we're going to realize a benefit in reduction of  
stolen autos, isn't guaranteed.

MR. BYRON WILLIAMS: And indeed, in lines  
13 through 16, you indicated that by funding this we're -  
- excuse me. We're assuming that by funding this there

1 will be some positive impacts on thefts. But over that  
2 time period thefts have actually risen so you know that  
3 there's a problem here.

4 Do you see that, sir?

5 MR. BARRY GALENZOSKI: Yes. I guess it  
6 would also go back to my other comments that I made  
7 previously that you don't know where these thefts would  
8 have ended up if you wouldn't have had a strategy like  
9 this in place though.

10 MR. BYRON WILLIAMS: And when we had that  
11 initial discussion you saw the objective of these  
12 investments, either the reduction or the mitigation of  
13 claims incurred; is that right, sir?

14 MR. BARRY GALENZOSKI: That's correct.

15 MR. BYRON WILLIAMS: And if we look at  
16 the experience in 2004/05 we don't see much evidence of  
17 either a reduction or a mitigation in terms of claims  
18 incurred; would that be fair?

19 MR. BARRY GALENZOSKI: Well, I don't know  
20 if that's a fair statement because without those  
21 expenditures you don't know where those numbers would  
22 have gone. You could have had a lot more than sixteen  
23 thousand (16,000) attempted or stolen cars.

24 MR. BYRON WILLIAMS: And we -- it would  
25 be fair to say that, in terms of the financial impact

1 upon the Corporation of this -- these expenditures,  
2 there's no empirical measurement of any cost savings that  
3 it might bring to the Corporation.

4 Would that be fair?

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

7 MR. BYRON WILLIAMS: And if memory serves  
8 me right, there's been significant dollars built into the  
9 budget for the '05/'06 and '06/'07 year for expenditures  
10 such as to the stolen auto unit, parking lot signage, et  
11 cetera; would that be fair?

12 MR. BARRY GALENZOSKI: I don't know if  
13 I'd call them significant, but they certainly have been  
14 built in along the lines of the previous years. The  
15 biggest cost increase is the Immobilizer Incentive Fund.

16 MR. WILF BEDARD: If I might, Mr.  
17 Williams, I'd like to point out the fact that the '01/'02  
18 fiscal year is the year that the Provincial Task Force  
19 was formed and the two (2) years following that we --  
20 these records show that there was actually a reduction in  
21 total theft experience in both the '02/'03 and '03/'04  
22 year.

23 It was only this last year that we've seen  
24 a significant increase.

25 MR. BYRON WILLIAMS: But, of course, you

1 have no way of -- of discerning which -- what, if any,  
2 impact these programs had -- have -- have had. It's an  
3 intuitive conclusion you're reaching; is that not  
4 correct?

5 MS. MARILYN MCLAREN: If I might, I don't  
6 believe Mr. Bedard was reaching a conclusion. He was  
7 simply pointing out that theft did decrease during that  
8 period of time.

9 And, you know, I mean these were never  
10 identified as loss prevention programs. We never took  
11 into account their existence when we considered claims  
12 incurred. And so if you're saying the result was that we  
13 can't tie these expenditures to any change in claims  
14 incurred, we didn't expect to when we started and we  
15 didn't when we finished; we agree.

16 MR. BYRON WILLIAMS: I wonder, Ms.  
17 McLaren, if you'll agree with me that, in assessing road  
18 safety programming and the allocation of the  
19 Corporation's scarce resources, the Corporation runs, and  
20 has run for many years, the risk of making resource  
21 allocation decision based upon emotional appeal rather  
22 than objective economic analysis.

23 Is that a concern?

24 MS. MARILYN MCLAREN: When it comes to  
25 issues like road safety, I think that that is a risk.

1 I'm not suggesting that we have been subject to that  
2 risk.

3 MR. BYRON WILLIAMS: Would it be your  
4 view that individuals within your strategic research  
5 department are of the view that the Corporation runs a  
6 risk of making decisions based upon emotional appeal  
7 rather than objective empirical evidence, in terms of the  
8 allocation of scarce resources?

9

10 (BRIEF PAUSE)

11

12 MR. WILF BEDARD: I think if -- when  
13 you're talking about emotional appeal, we are gauging  
14 that based on what Manitobans think. We do poll  
15 Manitobans on a number of issues, and this is something  
16 that is a serious issue with them, and we're stepping up  
17 to the plate to deal with it.

18 MR. BYRON WILLIAMS: So, you're  
19 responding to the concern without empirically measuring  
20 the benefit?

21 MR. WILF BEDARD: We know in -- in  
22 speaking to Manitobans what their top three (3) concerns  
23 are. And our programs regarding loss prevention and road  
24 safety in particular, are strategically designed to deal  
25 with those issues, and...



1 MR. BYRON WILLIAMS: Thank you, Mr.  
2 Bedard, I thought you were going to say something more.

3 Just to followup then, you mentioned your  
4 top three (3) priorities, and the strategic design going  
5 into the allocation of resources in -- in terms of that.  
6 I wonder if you could turn to Tab 23 of the CAC/MSOS Book  
7 of References, which is Exhibit number 4. Tab 23, Mr.  
8 Bedard.

9

10 (BRIEF PAUSE)

11

12 MR. BYRON WILLIAMS: Mr. Bedard, what I'm  
13 going to do first and then we'll get into the actual  
14 attachment to this Interrogatory -- or Information  
15 Request Response, is summarize the questions that were  
16 put to you in CAC/MSOS-2-18.

17 And you'll confirm for me that the 2-  
18 18(b), the question basically was given the emphasis MPI  
19 places on its top three (3) priorities, please explain  
20 why the Corporation has yet to identify the estimated  
21 annual claims costs associated with speeding and occupant  
22 restraint, and why it wasn't until March 2004, that it  
23 determined the cost of alcohol related collision.

24 Do you see that question, sir?

25 MR. WILF BEDARD: Yes, I do.

1 MR. BYRON WILLIAMS: And you see that  
2 Question 2-18(c) asked you to provide the costing  
3 framework and claims cost estimate for alcohol related  
4 collisions.

5 Do you see that, sir?

6 MR. WILF BEDARD: Yes, I do.

7 MR. BYRON WILLIAMS: What I'd like to do  
8 is just go through this paper in very brief detail with  
9 you. If you turn to the second page of this excerpt,  
10 you'll see that this is a -- this document entitled  
11 alcohol traffic crashes and cost to Manitoba Public  
12 Insurance, was prepared by Strategic Research on March  
13 5th, 2004.

14 Is that right, sir?

15 MR. WILF BEDARD: Yes, it is.

16 MR. BYRON WILLIAMS: And if you flip over  
17 a couple pages to the Executive Summary, which in the  
18 bottom right hand corner is Roman Numeral number I. And  
19 I'm referring you to the first paragraph:

20 "The Executive Summary relates that  
21 although there is social support for  
22 anti-drunk driving initiatives,  
23 Manitoba Public Insurance, has not  
24 established a method that provides  
25 management with an economic measure of

1                   the magnitude of the problem of  
2                   drinking and driving to the  
3                   Corporation."

4                   Is that a correct statement or  
5 representation of that statement, sir?

6                   MR. WILF BEDARD:    Yes.

7                   MR. BYRON WILLIAMS:   And so as I  
8 understand it, the objective of this report was to  
9 develop a methodology for estimating the direct economic  
10 impact of the problem, and an economic measure as a  
11 baseline for the evaluation of impaired driving  
12 intervention programs, correct?

13                   MR. WILF BEDARD:    Yes, we were looking at  
14 the order of magnitude here.

15                   MR. BYRON WILLIAMS:   And the conclusion  
16 you drew, and I'm -- I'm referring you over another three  
17 (3) or four (4) pages to the last page of the Executive  
18 Summary, Roman Numeral IV, is that on average, alcohol  
19 related collisions cost the Corporation between 30 and 35  
20 million annually.

21                   Would that be fair, sir?

22                   MR. WILF BEDARD:    Yes, that's the  
23 conclusion that came about by the result of this study.

24                   MR. BYRON WILLIAMS:   And what I'm  
25 interested in, sir, appears on the next page of the paper

1 prepared by Strategic Research and under introduction,  
2 I'll refer to the first paragraph.

3 And you'll see again the -- the statement  
4 made that:

5 "Manitoba Public Insurance has not  
6 established a method that provides  
7 management with an economic measure of  
8 the magnitude of the problem of  
9 impaired driving to the Corporation.  
10 The Corporation has no economic measure  
11 as a baseline against which to measure  
12 the effectiveness of drinking and  
13 driving intervention programs.  
14 Presently, resource allocation  
15 decisions supporting anti-drunk driving  
16 activities depend on an emotional  
17 appeal, rather than objective economic  
18 analysis."

19 And I'd ask you, sir, is not that a  
20 concern that the program is or that -- that it might be  
21 said that MPI's allocating resources, not on objective  
22 economic analysis?

23 MR. WILF BEDARD: No, again, as I stated  
24 earlier our priorities are ranked by those of the public.  
25 We have been measuring their interest in the area of road

1 safety for many, many years and the top priorities that  
2 we have being alcohol, speed and -- and seat belt  
3 restraint systems are the priorities of the public and we  
4 continue to -- to recognize that and design our programs  
5 to deal effectively with it.

6 MR. BYRON WILLIAMS: Well, let's accept  
7 the first part of this statement, sir, that those --  
8 excuse me, Ill let Mr. McCulloch finish.

9 Let's accept the first part of that  
10 statement that the programs are the priorities of the  
11 public. Isn't the concern raised in this report that in  
12 terms of effectively meeting those public objectives, MPI  
13 doesn't have the decision-making tools, because it lacks  
14 the tools to achieve or perform objective economic  
15 analysis?

16

17 (BRIEF PAUSE)

18

19 MR. WILF BEDARD: Yes, these issues  
20 have been documented by authorities for fifteen (15) to  
21 twenty (20) years and continues to be a priority and  
22 that's why MPI has put it as a priority, going back to  
23 2000/2001 as far as the -- one of the priorities for the  
24 road safety department.

25 MR. BYRON WILLIAMS: Is your evidence

1 that drunk -- impaired driving issues have only been a  
2 priority of the Corporation since the year 2001?

3 MR. WILF BEDARD: The industry has  
4 known that it's -- it's been a concern and a priority  
5 over the many years that I've specified. And in 2001 in  
6 the mandate of our road safety department, again there it  
7 was re-emphasised that this was going to be a priority of  
8 -- of the department.

9 MR. BYRON WILLIAMS: And I guess you use  
10 the words, "re-emphasise". I have too many grey hairs as  
11 many of you here would notice. I've been going to these  
12 hearings for many years and you'll agree with me that  
13 impaired driving was identified as a top three (3)  
14 priority of this Corporation dating well back into the  
15 1990's; is that not correct, sir?

16

17 (BRIEF PAUSE)

18

19 MR. WILF BEDARD: Impaired driving has  
20 always been a priority of the road safety department.  
21 Just to clarify what I meant, in 2001 it was identified  
22 at that point in time, that we were going to attempt to  
23 do some empirical costing of -- of impaired driving to  
24 Manitobans.

25 MR. BYRON WILLIAMS: And when might we

1 expect some empirical costing of the impact of speeding  
2 for Manitobans?

3

4 (BRIEF PAUSE)

5

6 MR. WILF BEDARD: We're working on  
7 that, but I don't believe that we're going to be in a  
8 position to come up with that for a couple of years yet.

9 MR. BYRON WILLIAMS: And how long has  
10 speeding been one of the big three (3) priorities for  
11 Manitoba Public Insurance?

12

13 (BRIEF PAUSE)

14

15 MR. WILF BEDARD: Since we've been into  
16 the road safety initiatives.

17 MR. BYRON WILLIAMS: So, dating back to  
18 the 1990's?

19 MR. WILF BEDARD: Yes.

20 MR. BYRON WILLIAMS: And you won't be  
21 able to provide this empirical data until sometime near  
22 2007; is that correct?

23 MR. WILF BEDARD: Yes, that's right.

24 MR. BYRON WILLIAMS: And how about  
25 occupant restraint, how long has that been a priority for

1 Manitoba Public Insurance?

2 MR. WILF BEDARD: That's been a priority  
3 for the same period of time, well back into the '90's.

4 MR. BYRON WILLIAMS: And when might we  
5 expect some empirical measurement of that.

6 MR. WILF BEDARD: We're working on that  
7 right now and hopefully we'll have something within the  
8 next year.

9 MR. BYRON WILLIAMS: So 2006?

10 MR. WILF BEDARD: Hopefully, yes.

11

12 (BRIEF PAUSE)

13

14 MR. BYRON WILLIAMS: Now, I understand  
15 that MPI has collected collision data for claims  
16 occurring within Winnipeg since the year 2002.

17 Would that be accurate?

18 MR. WILF BEDARD: Midway through that  
19 year, yes.

20 MR. BYRON WILLIAMS: I wonder if I can  
21 direct your attention to CAC/MSOS Exhibit 4, Tab 16,  
22 which is an excerpt from a presentation made to the  
23 Canadian Multi-Disciplinary Road Safety Conference XIV in  
24 June 2004.

25 Do you have that, sir?



1 MR. WILF BEDARD: Yes, I do.

2 MR. BYRON WILLIAMS: And my understanding  
3 is that this is not a document representing the position  
4 of Manitoba Public Insurance but it was authored by some  
5 individuals, including some from Manitoba Public  
6 Insurance; is that right?

7 MR. WILF BEDARD: No, it was not. The  
8 information -- some of the information contained in here  
9 was provided by our strategic research department, but  
10 they did not participate in the study or its outcomes.

11 MR. BYRON WILLIAMS: So -- so, there's no  
12 role for anyone from Manitoba Public Insurance in the  
13 preparation of this document?

14 MR. WILF BEDARD: Yes, that's true. And  
15 if I draw you -- your attention to page 11 of this  
16 document there is a disclaimer at the bottom right-hand  
17 corner of that page that says:

18 "The views expressed in this paper are  
19 those of the authors and not Manitoba  
20 Public Insurance."

21 MR. BYRON WILLIAMS: Can you indicate who  
22 the authors were?

23 MR. WILF BEDARD: Jeanette Montifor  
24 (phonetic). And that information was on the title page  
25 that's not in your book of documents.

1 MR. BYRON WILLIAMS: Yes, my mistake.

2

3 (BRIEF PAUSE)

4

5 MR. BYRON WILLIAMS: And I appreciate  
6 that clarification. I wonder if you can turn to page 11  
7 in this report and specifically I'm referring you to the  
8 -- the right-hand side of that page, the second full  
9 paragraph and the third full paragraph.

10 As I understand this report, and  
11 recognizing that it's not authored by Manitoba Public  
12 Insurance, it indicates that preliminary analysis of  
13 collision costs incurred using insurance claims data for  
14 the Province determined some information about the  
15 severity and frequency of collisions within the winter  
16 months as compared to other months; is that right?

17 MR. WILF BEDARD: Yes, it is.

18 MR. BYRON WILLIAMS: And also, using  
19 insurance data, a preliminary geographic analysis was  
20 performed using insurance data within intersection  
21 locations in the City of Winnipeg from July 2002 to  
22 October 2003; is that correct?

23 MR. WILF BEDARD: Yes, that's correct.

24 MR. BYRON WILLIAMS: And based upon this  
25 report a preliminary, presumably, conclusion was that the

1 majority of high cost collision costs, the intersection  
2 locations were found at signalized intersections; would  
3 that be fair?

4 MR. WILF BEDARD: Yes. That's true.  
5 Except I should add that every year when we do this  
6 analysis it's a different intersection, so there's no  
7 commonality at all from year to year.

8 MR. BYRON WILLIAMS: I'm just wondering  
9 if you can turn back one (1) page to page 10, and my  
10 understanding is that this is -- this is just for this  
11 specific period, and I take your caveat. But it appears  
12 to be a mapping of the -- the costs -- incurred costs, at  
13 all intersections, for this particular period; would that  
14 be fair, sir?

15 MR. WILF BEDARD: Yes, it is.

16 MR. BYRON WILLIAMS: Now, my  
17 understanding, and I recognize the limitations, but my  
18 understanding is that MPI, in collecting this collision  
19 data, doesn't currently use it to support program  
20 development and evaluation in any formal manner; would  
21 that be fair, sir?

22 MR. WILF BEDARD: Yes, that's true,  
23 there's just not enough data there to be statistically  
24 relevant to this point, but our intention is -- is to do  
25 so, to study it in the ongoing years.

1 MR. BYRON WILLIAMS: And I appreciate  
2 that. And -- and I -- realizing that this is some point  
3 in the future, and I accept that caveat, I -- I want to  
4 understand some of the -- the uses to which this data  
5 might be used.

6 And I'm going to suggest some to you, and  
7 you can correct me if I'm wrong, or pat me on the back if  
8 I'm right; is that fine, Mr. Bedard?

9 MR. WILF BEDARD: Certainly, I'll give  
10 you a ranking on each one (1).

11 MR. BYRON WILLIAMS: One (1) -- one (1)  
12 use of information such as this, might be to assist the  
13 Winnipeg police service to evaluate the red light camera  
14 program by -- and also assist them in the future to  
15 determine the best location to install red light cameras.

16 Would that be -- make sense?

17 MR. WILF BEDARD: Yes, it does. And in  
18 fact we've been providing that information to the  
19 Winnipeg police for the past two (2) years, and also the  
20 city engineering department.

21 MR. BYRON WILLIAMS: And we'll follow up  
22 on that point in a -- in a second. If -- if MPI were to  
23 expand its mandate, and I'm not suggesting it is, but if  
24 it were, this data would be -- could be useful, and in  
25 fact essential in conducting before and after analysis on

1 roadway improvements.

2 Would that be fair?

3 MR. WILF BEDARD: Yes, I would agree with  
4 that statement. I could also add that we have done five  
5 (5) safety audits on -- on that data, provided the City  
6 with that information and they've not yet done anything  
7 with that data.

8 MR. BYRON WILLIAMS: And that's an  
9 interesting point, because even if the mandate isn't  
10 expanded, I was going to point out that you could still  
11 work with city engineers to determine the most  
12 appropriate location for -- for road improvements,  
13 correct?

14 MR. WILF BEDARD: Yes, we could.

15 MR. BYRON WILLIAMS: And you'd also agree  
16 with me that data like this could be used by MPI to  
17 measure the impact of selected traffic enforcement  
18 programs; would you agree with that?

19 MR. WILF BEDARD: Yes, I would.

20 MR. BYRON WILLIAMS: And just as one (1)  
21 example, if you were to -- if a number of high speed,  
22 high severity collisions were occurring on a stretch of  
23 Bishop Grandin Boulevard, MPI, or I guess the City, could  
24 invest in extra enforcement at certain days of the week  
25 and times of day and measure the results pre and post

1 enforcement?

2 MR. WILF BEDARD: Yes. That would also  
3 be a good use, and we did that a few years ago doing some  
4 analysis with the RCMP on -- on Highway 59.

5 MR. BYRON WILLIAMS: And in an ideal  
6 world I guess you could get additional data such as speed  
7 data through pneumatic tubes and use it to determine  
8 whether or not additional enforcement was having the  
9 desired affect, correct?

10 MR. WILF BEDARD: Yes, that's true, and I  
11 understand the City of Winnipeg is doing that right now.

12 MR. BYRON WILLIAMS: And finally, I  
13 guess, locational data, if it proves statistically  
14 significant, could also be used in an overall education  
15 campaign, for example, publishing the ten (10) or twenty  
16 (20) locations with the highest frequency of collisions  
17 in Winnipeg; is that fair?

18 MR. WILF BEDARD: Yes, it could be used  
19 for that purpose, and again, we -- we do, in fact, do  
20 that right now.

21 MR. BYRON WILLIAMS: Now, just turning  
22 back to Tab 17 for a moment, and this just follows up on  
23 a question I believe was asked you by Board Counsel, and  
24 I believe the evidence of MPI was that it -- it had not  
25 done a requested survey in terms of red light cameras; is

1 that correct, sir?

2

3

(BRIEF PAUSE)

4

5

MR. WILF BEDARD: Yes, that's right.  
6 We've been asked to participate on the red light study,  
7 but we couldn't agree on -- on the criteria to be used,  
8 so we chose not to participate.

9

MR. BYRON WILLIAMS: And just so I  
10 understand, MPI could have done it, but there was  
11 disagreements in terms of the discussions; is that fair?

12

13

(BRIEF PAUSE)

14

15

MR. WILF BEDARD: We were going to  
16 participate because we had the data, yeah.

17

MR. BYRON WILLIAMS: And just referring  
18 you to the Information response, CAC/MSOS-1-37(c), it's  
19 my understanding that ICBC has done a benefit assessment  
20 and benefit cost analysis of six (6) ICBC programs  
21 including photo radar, targeted traffic enforcement,  
22 enhanced counter attack, road improvement, graduated  
23 licensing and intersection safety cameras; is that  
24 correct, sir?

25

1 (BRIEF PAUSE)

2

3 MR. WILF BEDARD: Yes, they have done  
4 that assessment. These are, as I understand, all ICBC  
5 programs.

6

7 (BRIEF PAUSE)

8

9 MR. BYRON WILLIAMS: And MPI would be  
10 able to assist in the assessment in Manitoba if it -- in  
11 Winnipeg if it was able to come to some agreement to that  
12 -- to that, would -- is that correct?

13 MR. WILF BEDARD: Yes, that's correct.

14 MR. BYRON WILLIAMS: I'm going to leave  
15 road safety for a while and turn back to auto theft. And  
16 I'll refer you to Tab 35 of the CAC/MSOS book of  
17 documents which is an excerpt from SM-8 from the original  
18 application.

19 And where it's referring to the WATSS, so  
20 it may be someone else up in terms of responding.

21

22 (BRIEF PAUSE)

23

24 MR. BYRON WILLIAMS: And -- and if it's  
25 any consolation, I'm getting near the -- the end of the



1 day, from my perspective.

2 My understanding of, and based upon this  
3 excerpt of what is now known as WATSS, was that, in  
4 developing the program, one of the programs that the MPI  
5 had reference to, along with its partners, was the Regina  
6 model, which had some success; would that be fair?

7 MR. WILF BEDARD: Yes, that's true.

8 MR. BYRON WILLIAMS: But it -- in its  
9 observations or analysis in the development of this  
10 program, the conclusion was reached that there was some  
11 limitations to the Regina program; is that correct?

12 MR. WILF BEDARD: Yes. And that's  
13 highlighted in the documentation you provided here.

14 MR. BYRON WILLIAMS: And so the response  
15 was to make a, "Made in Manitoba," solution to the -- to  
16 this problem, and I'm quoting from this document as well;  
17 is that right, sir?

18 MR. WILF BEDARD: Yes, it is.

19 MR. BYRON WILLIAMS: Now my understanding  
20 was that, in developing this "Made in Manitoba" solution,  
21 there was a pilot project undertaken primarily under the  
22 -- involving the City of Winnipeg and the Provincial  
23 Department of Justice; is that fair?

24 MR. WILF BEDARD: Along with the  
25 provincial auto theft task force, yes.



1 back one (1) tab, CAC -- which is Tab 34 of the book of  
2 documents of CAC and I'm referring you to Interrogatory  
3 CAC/MSOS-1-66.

4 You can see in question sub (d) the  
5 question was posed to MPI in the second question:

6 "Please indicate the total costs (of  
7 the pilot project)."

8 Now, it's my understanding that MPI wasn't  
9 able to provide us with that information; is that right?

10

11 (BRIEF PAUSE)

12

13 MS. MARILYN MCLAREN: What was your  
14 reference in CAC-1-66 again?

15 MR. BYRON WILLIAMS: Sub (d)?

16

17 (BRIEF PAUSE)

18

19 MR. WILF BEDARD: Yeah. We didn't  
20 participate in any -- participate in any funding but  
21 there were others -- other resources from other agencies  
22 who did participate so we really couldn't come up with a  
23 dollar figure for you on that.

24 MR. BYRON WILLIAMS: So -- and just my  
25 understanding is that the Corporation didn't conduct a

1 formal evaluation of the pilot program, nor did it  
2 provide any direct funding; is that right?

3 MR. WILF BEDARD: Yes, that's correct.

4 MR. BYRON WILLIAMS: When you made the  
5 decision in March 2005 to move into a more full-fledged  
6 program now known -- or formally known as MATSI, was  
7 there some sort of written evaluation of the program, at  
8 that point in time?

9 MR. WILF BEDARD: The auto task force did  
10 review it. The Crown's office did review it as well and  
11 they did come forward and make presentations to the  
12 Corporation on -- on the program and its success. And on  
13 that basis we made our decisions.

14 MR. BYRON WILLIAMS: And just so I  
15 understand, these presentations, was that in the form of  
16 some sort of report?

17 MR. WILF BEDARD: No. Just presentations  
18 within management committee to the executive. Personal  
19 presentations of these individuals I mentioned.

20 MR. BYRON WILLIAMS: Like a PowerPoint?

21 MR. WILF BEDARD: No, just a  
22 presentation. A verbal presentation.

23 MS. MARILYN MCLAREN: But it was not on  
24 the basis of those discussions and presentations that the  
25 Corporation made a decision to finance the Winnipeg Auto

1 Suppression Strategy; that was based on the business case  
2 that came forward with respect to, with this many  
3 resources we can sit on this many kids and we can prevent  
4 this many thefts, based on that.

5           And I believe somewhere in AI something we  
6 have filed pretty much the entire business case that came  
7 forward to us; that was the basis of the decision. We  
8 thought we would be able to save six dollars (\$6) for  
9 every dollar we invested, based on that.

10           So the results of the pilot came to us in  
11 a discussion that enabled us to have confidence that the  
12 pilot was getting the same kind of results as the Regina  
13 program; that both the pilot and WATSS were based on.

14           So the discussion gave us confidence that  
15 the pilot was producing the results. But the formal  
16 decision was based on the business case. AI-17(b) is the  
17 WATSS business case.

18           MR. BYRON WILLIAMS: I think I've  
19 memorized that one so. Just so I understand the -- your  
20 point, your confidence in WATSS came from the -- the  
21 verbal presentation. Your decision to go ahead was based  
22 upon your analysis of the formal business case; is that  
23 right?

24           I'm just trying to paraphrase you and make  
25 sure I understand that correctly, Ms. McLaren?

1 MS. MARILYN MCLAREN: Yes. I mean, it  
2 was an iterative process, right.

3 We learned a lot about the Regina program,  
4 had confidence that it had value to Winnipeg, started a  
5 pilot project there in Winnipeg with none of our MPI  
6 resources particularly dedicated to it, got some -- some  
7 verbal confirmation that the pilot was working well  
8 enough that there was substance in the business case by  
9 which we made the final, formal decision.

10 MR. BYRON WILLIAMS: When -- given that  
11 the -- I am -- I'm assuming it's -- being October 2005,  
12 the pilot is now over; is that right?

13 MR. WILF BEDARD: The pilot has actually  
14 grown into the program. We didn't start over, we just  
15 added to it and building to it.

16 MR. BYRON WILLIAMS: Thank you, and I  
17 won't belabour the point. CAC/MSOS-1-66, still on the  
18 same one (1), sub question (b), we were asked to provide  
19 a relative comparison, setting out the contribution to  
20 the METSI Program made by the City of Winnipeg, the  
21 Province of Manitoba and MPI and any other contributors,  
22 and comparing it, I guess, to -- to the Regina process.

23 And if you turn to the second page you'll  
24 -- you'll see that; do you see that, Mr. Bedard?

25 MR. WILF BEDARD: Yes, I do.

1 MR. BYRON WILLIAMS: Now, my  
2 understanding of the Regina program, and if you just go  
3 three (3) lines above sub (b), you'll see a suggestion  
4 that its start up costs was about five hundred and sixty-  
5 two thousand nine hundred and sixty dollars (\$562,960);  
6 is that correct?

7 MR. WILF BEDARD: Yes, it is.

8 MR. BYRON WILLIAMS: And of that five  
9 hundred and sixty-two (562) -- or approximately five  
10 hundred and sixty-two thousand (562,000), my  
11 understanding is that about -- that a great deal of that  
12 money -- let me restate that.

13 My understanding of that figure of five  
14 hundred and sixty-two thousand (562,000), some of the  
15 contribution was by the Saskatchewan Justice HEAT  
16 Program, in the -- in the -- to the tune of ninety-seven  
17 thousand (97,000); is that correct?

18 MR. WILF BEDARD: Yes, it is.

19 MR. BYRON WILLIAMS: The Province of  
20 Saskatchewan kicked in about four hundred thousand  
21 (400,000) for the suppression program; is that correct?

22 MR. WILF BEDARD: Yes.

23 MR. BYRON WILLIAMS: And SGI made grants  
24 in vehicles; is that correct?

25 MR. WILF BEDARD: Yes, that's true.

1                   MR. BYRON WILLIAMS:   And the John Howard  
2 Society kicked in about somewhere in the range of forty-  
3 one thousand (41,000); is that right?

4                   MR. WILF BEDARD:   Yes, it is.

5                   MR. BYRON WILLIAMS:   And it'd be fair to  
6 say that the -- the major funder for this program would,  
7 at least for the start up costs, appears to be the  
8 Province of Saskatchewan; would that be right?

9                   MR. WILF BEDARD:   Yes.

10                  MR. BYRON WILLIAMS:   Would it also be  
11 fair to say that the contribution of SGI, in terms of  
12 direct financial resources, was relatively small?

13                  MR. WILF BEDARD:   Yes, that would be  
14 correct.

15                  MR. BYRON WILLIAMS:   And just turning to  
16 the -- the program in Manitoba, in Winnipeg, which  
17 appears on the right hand side, my understanding is that  
18 Manitoba Justice has kicked in through -- expected  
19 increased costs of incarceration enhanced case  
20 management, et cetera, somewhere between \$1.4 and \$2.1  
21 million; would that be fair?

22                  MR. WILF BEDARD:   Yes.

23                  MR. BYRON WILLIAMS:   And that MPI's  
24 contribution, in terms of -- to the High Risk Offender  
25 Program to managers, probation officers, et cetera, is in



1 the range of about nine hundred thousand dollars  
2 (\$900,000); would that be right?

3 MR. WILF BEDARD: Yes, that's correct.

4 MR. BYRON WILLIAMS: And you'll agree  
5 with me that that's a fairly significant contribution to  
6 this program?

7 MR. WILF BEDARD: It's a significant  
8 contribution to a significant initiative, yes.

9 MR. BYRON WILLIAMS: And just so I  
10 understand, do you have any insight that MPI can offer to  
11 me in terms of why the relative contribution of SGI was  
12 smaller than the relative contribution of Manitoba Public  
13 Insurance?

14 MR. WILF BEDARD: That's because the  
15 initiative was led by the City of Regina, and -- and  
16 their police department, they were the champions of this  
17 initiative.

18 MR. BYRON WILLIAMS: But at the end of  
19 the day, MPI would say its relatively larger contribution  
20 makes sense because there's a direct benefit to the  
21 Corporation in terms of, hopefully in terms of decreased  
22 claims expenses, claims incurred expenses?

23 MR. WILF BEDARD: Yes. And to support  
24 what Ms. McLaren just said earlier, absolutely that would  
25 be a true statement.

1 MR. BYRON WILLIAMS: And that has been  
2 supported by a business case which Ms. McLaren spoke  
3 about previously?

4 MR. WILF BEDARD: Yes, that's true.

5 MR. BYRON WILLIAMS: And Professor Linden  
6 is always develop -- developing measurements for the six  
7 (6) -- for this program in terms of evaluating its  
8 success; is that correct?

9 MR. WILF BEDARD: Yes, that's correct.

10 MR. BYRON WILLIAMS: I'm going to turn  
11 you now to Tab 33 of this document.

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: And basically, just  
16 to summarize the question, M -- MPI, it was noted that  
17 auto theft had accounted for a certain number of deaths  
18 and -- and injuries in the past year, and for the  
19 purposes of balance, CAC/MSOS had requested similar  
20 figures in terms of the cost of accidents and collisions;  
21 is that correct, sir?

22 MR. WILF BEDARD: Yes.

23 MR. BYRON WILLIAMS: And if one were to  
24 compare these two (2) figures we'd conclude that, in the  
25 past year, auto theft accounted for about four (4)

1 deaths, seventy (70) injuries; would that be fair, sir?

2

3

(BRIEF PAUSE)

4

5 MR. WILF BEDARD: Yes, it would be.

6

7 MR. BYRON WILLIAMS: And also we know  
8 that every day more than thirty (30) vehicles are stolen  
9 and that the total theft related cost for 2004/'05 were  
10 over \$41 million; is that right?

11

12 MR. WILF BEDARD: Yes. When you add  
13 our experience with theft, attempted theft and partial  
14 theft, that's what it comes to, yes.

15

16 MR. BYRON WILLIAMS: And if we want to  
17 look at the -- the social or social and economic impact  
18 of collisions and single vehicle accidents, you'll agree  
19 with me that in '04/'05 there were a hundred and thirty-  
20 four (134) fatality claims, and over eleven thousand  
21 (\$11,000) injury claims; is that right?

22

23 MR. WILF BEDARD: Yes, it is.

24

25 MR. BYRON WILLIAMS: On average, there  
26 are two hundred and forty-three (243) collisions every  
27 day, including those of single vehicle accidents, and the  
28 incurred cost to date is in the range of 325 million;  
29 would that be fair?

30

31 MR. WILF BEDARD: Yes, that's true.

1 (BRIEF PAUSE)

2

3 MR. BYRON WILLIAMS: Thank you. I want  
4 to -- turn you to what is marked as CAC/MSOS Exhibit  
5 number 7 and that's titled, "A Cross-Comparison of Road  
6 Safety and Auto Crime Prevention Expenditures to  
7 Associated Claims Costs."

8 Do you have that?

9 MR. WILF BEDARD: Yes, I do.  
10

11 (BRIEF PAUSE)

12

13 MR. BYRON WILLIAMS: I'll wait until Mr.  
14 Douglas is finished. And to assist me in describing this  
15 table, Mr. Bedard, the first -- the first line is titled,  
16 "Expenditure on Auto Crime Prevention Strategies," and  
17 that includes not only the prevention strategies, but  
18 also the departmental expenses of sixty-four thousand  
19 (64,000); is that correct, sir?

20 MR. WILF BEDARD: Yes, it is.

21 MR. BYRON WILLIAMS: And the second line  
22 is the figure we just discussed which is auto crime  
23 related claims costs; is that correct?

24 MR. WILF BEDARD: Yes.

25 MR. BYRON WILLIAMS: And the third line,

1 basically, considers the expenditures in terms of auto  
2 crime prevention strategies per \$1 million in related  
3 claims costs; is that correct, sir?

4 MR. WILF BEDARD: Yes.

5 MR. BYRON WILLIAMS: And essentially pour  
6 what -- per -- with respect to auto crime prevention  
7 strategies, in the 2004/05 year we see that MPI was  
8 spending about thirty-four thousand dollars (\$34,000) for  
9 every \$1 million in related claims costs; is that  
10 correct?

11 MR. WILF BEDARD: Yes, that's true.

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: If we turn to -- or  
16 turn -- if we go down the lines, we'll see the next line  
17 is the expenditure of road safety programs which we -- in  
18 that we've also included departmental expenses of over  
19 three hundred thousand (300,000); is that right, sir?

20 MR. WILF BEDARD: Yes, it is.

21 MR. BYRON WILLIAMS: And we'll -- you'll  
22 see that -- you'll agree with me that these expenditures  
23 on road safety programs do include Drivers Ed. as well,  
24 correct?

25 MR. WILF BEDARD: Yes, they do.

1                   MR. BYRON WILLIAMS:    Going down one line,  
2 we see the number that we've discussed just previously,  
3 the total cost relating to collisions or single vehicle  
4 accidents and, again, that comes to about 325 million,  
5 correct?

6                   MR. WILF BEDARD:        Yes.

7                   MR. BYRON WILLIAMS:    And when we do the  
8 expenditure per \$1 million calculation we find out that,  
9 in terms of road safety programming, including  
10 departmental expenses, we're spending about sixteen  
11 thousand (16,000) per 1 million in related claims costs;  
12 is that correct, sir?

13                  MR. WILF BEDARD:        Yes, that's true.

14                  MR. BYRON WILLIAMS:    And I won't go  
15 through in burdensome detail, but you'll agree with me  
16 that due to the inclusion of the IIP program as well as  
17 the WATSS program expenditures on auto crime prevention  
18 strategies by MPI are growing in the 2006/07 forecast; is  
19 that right?

20                  MR. WILF BEDARD:        Yes, they are.

21                  MR. BYRON WILLIAMS:    And you'll see on  
22 the extreme -- on the line, "expenditure per 1 million in  
23 related claims costs," for the '06/'07 forecast it's  
24 forecast that MPI will be spending approximately sixty-  
25 nine thousand (69,000) per 1 million in related claims

1 costs on auto crime prevention strategies, correct?

2 MR. WILF BEDARD: Yes. It is.

3 MR. BYRON WILLIAMS: I'm going to ask you  
4 to turn over one (1) page and you'll come to what is  
5 labelled CAC/MSOS Exhibit, now 8, Road Safety Expense  
6 Allocation Analysis; do you have that, sir?

7 MR. WILF BEDARD: Yes, I do.

8 MR. BYRON WILLIAMS: And, in fairness to  
9 MPI, of these -- the numbers here Row A, B, C and E were  
10 previously checked by Mr. Dyck. He was provided with  
11 rows D and F today. We haven't heard anything back but  
12 I'll leave it open to MPI if they have any concerns with  
13 the calculations to get back to me on that.

14 Is that satisfactory, Mr. Bedard?

15 MR. WILF BEDARD: Yes. That's fair.

16 MR. BYRON WILLIAMS: And I'm going to  
17 deal with this table in two (2) separate pieces. The  
18 first three (3) rows are total road safety expenses. The  
19 share by basic, that's the first row; is that correct?

20 MR. WILF BEDARD: Yes.

21 MR. BYRON WILLIAMS: The second row is  
22 total auto theft prevention expenses including auto theft  
23 departmental expenses but excluding allocated; is that  
24 right?

25 MR. WILF BEDARD: Yes. It does. But,

1 again, it doesn't take into consideration any payback on  
2 the reduction in claims costs.

3 MR. BYRON WILLIAMS: That's fair enough,  
4 sir. I understand that.

5 And the third row is total road safety  
6 expenses including road safety departmental expenses but  
7 excluding auto theft and allocated; is that correct?

8 MR. WILF BEDARD: Yes.

9 MR. BYRON WILLIAMS: And just going  
10 through these rows from left to right you'll see, with  
11 total road safety, there's some movement from 2000/'01 in  
12 the range of 5.5, 5.6 million to the forecast '06/'07 of  
13 about 9.7 million; would that be fair, sir?

14 MR. WILF BEDARD: Yes.

15 MR. BYRON WILLIAMS: And we could  
16 characterize that as a fairly steady growth; would that  
17 be correct?

18 MR. WILF BEDARD: I think that's a fair  
19 characterization. Yes.

20 MR. BYRON WILLIAMS: The second row we  
21 see total auto theft moving, and we use '01/'02 -- well,  
22 we use '00/'01 -- no, we'll use '01/'02, I think we've  
23 agreed before that's a fairer number, rising from seven  
24 hundred and fifty-one thousand (751,000) up to about 2.8,  
25 2.9 million in the '06/'07 forecast; is that right?



1 MR. WILF BEDARD: Yes.

2 MR. BYRON WILLIAMS: And for total road  
3 safety expenses, and again I'll use the '01/'02 year, we  
4 see some growth, as well, from 4.9 to 6.179; is that  
5 correct, sir, in the '06/'07 forecast?

6 MR. WILF BEDARD: Yes.

7 MR. BYRON WILLIAMS: Now, I'm going to  
8 draw your attention to Row E which is auto theft  
9 prevention expenses as a percent of the total road safety  
10 expenses; you see that, sir?

11 MR. WILF BEDARD: Yes, I do.

12 MR. BYRON WILLIAMS: And you see,  
13 starting in '01/'02, the percentage was about 12.3  
14 percent. By '04/'05 we're at 19.5 percent and by '06/'07  
15 we're at close to 30 percent; would that be fair?

16 MR. WILF BEDARD: Yes, that is. And, of  
17 course, that's in keeping with the new initiatives that  
18 we have onboard.

19 MR. BYRON WILLIAMS: I'd also just draw  
20 your attention, very briefly, to the -- the bottom row,  
21 which is driver education and improvement percent of road  
22 safety.

23 And that calculation is performed by -- is  
24 comparing rows C and D, driver education, as a percentage  
25 of total road safety expenses, including road safety

1 departmental expenses; is that right?

2 MR. WILF BEDARD: Yes.

3 MR. BYRON WILLIAMS: And you'll see that  
4 driver ed's percentage of that was in '01/'02, about 36  
5 percent, and about 42 percent for '06/'07; is that right,  
6 sir?

7 MR. WILF BEDARD: Yes, that's true. It  
8 fluctuates a little bit, depending on what we have going  
9 in each given year.

10 MR. BYRON WILLIAMS: It fluctuates a  
11 little bit, it's probably a little higher relatively in  
12 the latter years of the actuals and forecasts than it was  
13 in the early years; is that not correct, sir?

14 MR. WILF BEDARD: Yes, it is.

15 MR. BYRON WILLIAMS: Mr. Chairman, I'm  
16 heading into short snapper territory. I'm guessing  
17 twenty/twenty-five (20/25) minutes. I wouldn't mind if I  
18 could take a -- a very brief refreshment break, if that  
19 suits the Panel, and then I could be finished up in about  
20 twenty (20) minutes or so after that.

21 THE CHAIRPERSON: Of course, Mr.  
22 Williams, we'll have our break now. Thank you.

23

24 --- Upon recessing at 2:50 p.m.

25 --- Upon resuming at 3:10 p.m.

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THE CHAIRPERSON: Short snapper time Mr. Williams.

(BRIEF PAUSE)

MR. BYRON WILLIAMS: I've just rewritten two (2) hours' worth of questions, Mr. Chair.

Mr. Bedard, we're going to very quickly turn to CAC/MSOS EXHIBIT-9, road safety grants and sponsorships; do you have that, sir?

(BRIEF PAUSE)

MR. BYRON WILLIAMS: That's -- Mr. Bedard, it's not in -- it's not in a -- in the book of references. It should be a single document, you have it now?

MR. WILF BEDARD: Yes, I do.

MR. BYRON WILLIAMS: And out of fairness to MPI, I believe this is the other one that Mr. Dyck did not have a chance to check the calculations on, so if there's any problems I'm sure they'll get back to us.

And very quickly, Mr. Bedard, because I have no choice -- no, I'm just teasing, the -- you'll see

1 here what this represents is the annual or, excuse me,  
2 the grants made from the years 2001 through 2004/05 to a  
3 number of organizations including the Winnipeg Blue  
4 Bombers Manitoba Moose; Winnipeg Gold Eyes; Manitoba  
5 Junior Hockey league, my personal favourite; Western  
6 County games; Snowman and the MTS Classic golf  
7 tournament.

8 Do you have that, sir? You see that, sir?

9 MR. WILF BEDARD: Yes, I do.

10 MR. BYRON WILLIAMS: And in true short  
11 snapper form, going to the bottom right-hand corner,  
12 you'll see from the years 2001 through 2004/05 the total  
13 is around six hundred and eighty-four thousand dollars  
14 (\$684,000), correct, sir?

15 MR. WILF BEDARD: Yes, it is.

16

17 (BRIEF PAUSE)

18

19 MR. BYRON WILLIAMS: I'm going to ask you  
20 to pick up the -- the sheath of exhibits with the four  
21 (4) pager and turn to CAC/MSOS/PUB-10 which is entitled  
22 "allocating road safety expenses pre and post 2001  
23 reporting period."

24 And I'd hasten -- I'm not sure it's really  
25 a true exhibit, more for illustrative purposes, for it's

1 a hypothetical scenario.

2 Do you have that, sir?

3 MR. WILF BEDARD: Yes, I do.

4 MR. BYRON WILLIAMS: Now just to refresh  
5 my memory in MPI's 2000 annual report, as in past years,  
6 road safety expenses were allocated under the expenses  
7 category in their statement of operation and retained  
8 earnings; is that correct?

9 MR. WILF BEDARD: That's correct.

10 MR. BYRON WILLIAMS: Sorry, Mr.  
11 Galenzoski, it's been so long.

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: In 2001, MPI began  
16 allocating road safety expenditures as claims costs; is  
17 that right?

18 MR. BARRY GALENZOSKI: That's correct.

19 MR. BYRON WILLIAMS: And the rationale  
20 that MPI provided for the reallocation was that road  
21 safety loss prevention initiatives are designed to reduce  
22 claims costs and there should -- therefore should be  
23 allocated as claims expenses; is that right?

24 MR. BARRY GALENZOSKI: That's correct.

25

1 (BRIEF PAUSE)

2

3 MR. BYRON WILLIAMS: And I'm not  
4 suggesting that this was intentional, but I'll suggest to  
5 you that as a consequence of this -- this change as MPI  
6 has mandated to return 85 percent of premium revenues to  
7 Manitobans in the form of claim benefits and road safety  
8 operating program expenses are now allocated as claims  
9 costs, in any given year the Corporation can expend an  
10 additional amount on operating and administration  
11 expenses equivalent to the amount it spends on road  
12 safety.

13 Is that correct, sir?

14 MR. BARRY GALENZOSKI: I'm not sure I  
15 understand that question.

16 MR. BYRON WILLIAMS: Okay. And it was a  
17 bit of a long one. So let's look at the hypothetical.  
18 Let's look at a pre-2001 situation and a post-2001  
19 situation.

20 Do you see that, sir?

21 MR. BARRY GALENZOSKI: Yes.

22 MR. BYRON WILLIAMS: And we're dealing in  
23 both cases with earned premium of one thousand dollars  
24 (\$1,000), correct?

25 MR. BARRY GALENZOSKI: Right.

1                   MR. BYRON WILLIAMS:   And in the pre-2001  
2 situation, if I was spending eight hundred and fifty  
3 dollars (\$850) on claims costs, that would leave one  
4 hundred and fifty dollars (\$150) for operating expenses  
5 out of that one thousand (1,000) in this scenario; do you  
6 see that?

7                   MR. BARRY GALENZOSKI:   Yes.

8                   MR. BYRON WILLIAMS:   And captured in that  
9 one hundred and fifty dollars (\$150) would be twenty  
10 dollars (\$20) for road safety expenditures in this  
11 hypothetical as well; correct?

12                  MR. BARRY GALENZOSKI:   Hmm hmm.

13                  MR. BYRON WILLIAMS:   So, on the pre-2001  
14 treatment of road safety expenses the percentage of  
15 premium revenue returned and claims benefits would be 85  
16 percent; is that right?

17                  MR. BARRY GALENZOSKI:   Right.

18                  MR. BYRON WILLIAMS:   Now, in 2001 the --  
19 the -- the road safety expenses were shifted to claims  
20 costs; correct?

21                  MR. BARRY GALENZOSKI:   In this  
22 hypothetical case, yes.

23                  MR. BYRON WILLIAMS:   Well, did MPI not  
24 begin allocating -- in the -- in the factual case, did  
25 MPI not begin allocating road safety -- allocating road

1 safety expenditures as claims costs, in 2001?

2 MR. BARRY GALENZOSKI: Right.

3 MR. BYRON WILLIAMS: Okay. So it's --  
4 that -- that's the case both in the hypothetical and the  
5 -- the actual situation?

6 MR. BARRY GALENZOSKI: Right.

7 MR. BYRON WILLIAMS: And all other things  
8 being equal, with the addition of the twenty dollars  
9 (\$20) for road safety expenses moving to claims costs,  
10 the total for claims costs would now be eight hundred and  
11 seventy dollars (\$870) in this hypothetical, correct?

12 MR. BARRY GALENZOSKI: Right.

13 MR. BYRON WILLIAMS: And, again, all  
14 other things being equal, with the operating expenses  
15 with the removal of twenty dollars (\$20) for road safety  
16 expenses, that would leave operating expenses at one  
17 hundred and thirty dollars (\$130) in this hypothetical,  
18 correct?

19 MR. BARRY GALENZOSKI: That's right.

20 MR. BYRON WILLIAMS: And so the  
21 percentage of premiums returned in claims benefits as a  
22 consequence of this shift in approach would actually rise  
23 from eighty-seven -- 85 percent to 87 percent; is that  
24 right?

25 MR. BARRY GALENZOSKI: In your example,



1 yes.

2 MR. BYRON WILLIAMS: Now, right at the  
3 onset -- or outset of our discussion on road safety and  
4 loss prevention, MPI confirmed that loss prevention  
5 programs are expected to have a direct financial impact  
6 on the frequency and severity of claims arising from  
7 specific perils and -- that's correct?

8 MR. BARRY GALENZOSKI: Yes. We discussed  
9 that.

10 MR. BYRON WILLIAMS: And I don't mean to  
11 belabour it. And you'll also agree that MPI's road  
12 safety programs have, as their focus, the education and  
13 the increased awareness of people on a particular topic  
14 or issue; correct?

15 MR. BARRY GALENZOSKI: Correct.

16 MR. BYRON WILLIAMS: And, indeed, in the  
17 Corporation's response to second round Interrogatory 2-  
18 25(d) of CAC/MSOS it indicates that:

19 "The Corporation's safety, education  
20 and awareness programs are not expected  
21 to have a direct financial impact on  
22 the frequency and severity of claims  
23 arising from a specific peril, making  
24 it impossible to measure direct cost  
25 reduction."

1 Does that sound correct?

2 MR. BARRY GALENZOSKI: Right. And I  
3 think I added to that that those costs are expected to  
4 impact the trends on claims incurred.

5 MR. BYRON WILLIAMS: Doesn't it beg the  
6 question, though, when we -- when we -- we look at that,  
7 whether perhaps the loss prevention expenses should  
8 continue to be allocated to claims costs and perhaps the  
9 -- the other softer road safety expenses should appear in  
10 operating expenses?

11 MR. BARRY GALENZOSKI: Absolutely not.  
12 No, when we originally made that change that got fully  
13 discussed in these hearings and the rationale was, I  
14 believe, accepted at that time.

15 The fact is, is that we're making these  
16 expenditures to have an impact on our claims, otherwise  
17 there's no purpose in making the expense.

18 MR. BYRON WILLIAMS: Of course, the  
19 Corporation is unable to demonstrate that it's having any  
20 impact on your claims incurred with these softer road  
21 safety expenses; correct?

22 MR. BARRY GALENZOSKI: Just because you  
23 can't, you know, empirically measure the results doesn't  
24 mean that there isn't an impact. And I think this is why  
25 we contend that those -- that impact is through the

1 claims trends that we see year-over-year.

2 MR. WILF BEDARD: If I could just add  
3 something to that. We do have a commitment to support  
4 the Transport Canada 2010 objectives. They are outcome  
5 measures, if you're looking for something in that vein,  
6 Mr. Williams.

7 The target is to reduce the number of  
8 fatalities within Canada by 30 percent by the year 2010.  
9 Currently Manitoba is at an 8.8 percent reduction. The  
10 Canadian average is -- is a 9 percent reduction, since  
11 the benchmark was taken some years ago.

12 The other measure is that serious injuries  
13 by the year 2010 are to reduce by -- by 30 percent, as  
14 well. And in Manitoba, we're already down 14 1/2  
15 percent, and the Canadian average of reduction is only  
16 1.8 percent.

17 So if you're looking for outcome measures,  
18 the Transport Canada 2010 objectives are what MPI is  
19 supporting and what we're working towards with our road  
20 safety initiatives.

21 MR. BYRON WILLIAMS: I thank you for  
22 that, Mr. Bedard. Mr. Chair, as -- as promised, short  
23 snappers, they were.

24 MR. LEN EVANS: Mr. Chairman, I wonder if  
25 -- I wonder if Mr. Williams is finished with number 9,

1 Exhibit number 9? This is road safety grants and  
2 sponsorships?

3 MR. BYRON WILLIAMS: Yes, I am.

4 MR. LEN EVANS: Yeah, because I have a  
5 follow up question, Mr. Chairman, if I could.

6 I -- I'm curious to -- I'm not objecting  
7 to any of these grants or whatever, but I'm just curious  
8 as to why, of the various organizations listed over the  
9 years from 2010 and 2001, right to 2004/'05, that  
10 Manitoba Moose, Winnipeg Goldeyes, Manitoba Junior Hockey  
11 League and the MTS Classic Golf Tournament had a  
12 reduction in their grants through this period of time,  
13 except for the Winnipeg Blue Bombers.

14 And, of course, if you look at the numbers  
15 too, the Winnipeg Blue Bombers are certainly the winners,  
16 because they get by far the greatest amount.

17 So my question is: What is the basis of  
18 the allocation, how do you decide to give one (1)  
19 organization a certain amount compared to another  
20 organization, and how do you decide the reduction or  
21 increase with these different groups?

22 MR. WILF BEDARD: Yes, maybe I can try to  
23 answer that for you, Mr. Evans. Our sponsorships are not  
24 purely just grants for the sake of providing these  
25 organizations with funds; we use this to buy access to a

1 risk market; we use those opportunities to get our  
2 message across at these venues.

3                   And the risk market that we're looking at,  
4 is -- is the same risk market that we're trying to target  
5 for our drinking and driving and speeding road safety  
6 initiatives.

7                   So part of our grant sponsorship in  
8 exchange for those funds is an opportunity to get our  
9 road safety message to the people that attend the games  
10 associated with these events.

11                   MR. LEN EVANS: Yeah, so -- so I would  
12 take it you think it would be more -- more -- you'd be  
13 more effective in say anti-drunk driving information with  
14 the people attending Blue Bomber games, let's say,  
15 compared to those going to the Manitoba Moose.

16                   Would I read that into these numbers?

17                   Because you're giving Blue Bombers forty-  
18 one thousand (41,000) -- this is in the year 2004/05,  
19 forty-one thousand six hundred and ninety-five dollars  
20 (\$41,695) compared to only twenty-six thousand nine  
21 hundred and ninety-one (26,991) for the Manitoba Moose?

22                   MR. WILF BEDARD: We do a lot of  
23 community work with the Blue Bombers, as well. You may  
24 have seen some of that. We also have a community zone  
25 every game, sponsored by our road safety department,

1 where we have approximately two hundred (200) kids there,  
2 courtesy of our -- of our road safety department, again  
3 to have them participate in these events and to build on  
4 the road safety messages that come out of attending the -  
5 - the sporting event.

6 MR. LEN EVANS: I want to make it clear,  
7 I'm not critical of any of these grants, or even the  
8 relationships. But I was just curious as to why the Blue  
9 Bombers were going up and everybody else seems to be  
10 going down over these period of years and why the Blue  
11 Bombers got such a large amount?

12 But I repeat, I'm not being critical of  
13 this.

14 THE CHAIRPERSON: Thank you. And thank  
15 you, Mr. Williams, I appreciate that.

16 We're going to be turning to Mr. Roberts  
17 for the conclusion of the day, but before we do, I wonder  
18 if you wouldn't mind reminding, I'm sure it's in the  
19 voluminous material, but a lot of Mr. Williams' attention  
20 was paid to road safety and looking at statistics and  
21 things of that particular nature.

22 A couple of questions. You mentioned, Mr.  
23 Bedard, the Transport Canada's guidelines for reductions  
24 and fatalities and serious injuries. It sounds like a  
25 worthy project. I'm just wondering, when were the

1 targets established, because you say we're 80 percent of  
2 the way on the way on fatalities, and substantially way  
3 on the way with respect to fatalities -- or serious  
4 injuries?

5 MR. WILF BEDARD: That baseline was  
6 created in 2001, looking at the Canadian experience  
7 between 1998 and that period.

8 THE CHAIRPERSON: Do you get together  
9 with counterparts in the other provinces and Transport  
10 Canada to discuss accident trends and things of this ilk,  
11 because I recall in a past hearing -- again talking about  
12 the incidence of accidents per thousand (1,000) vehicles  
13 or population, and at the time there was a lot of  
14 discussion about necessarily the statistics weren't  
15 always exactly similar.

16 I'm just curious about the level of  
17 cooperation, given that MPI has the, you know, the full  
18 scope of the market here.

19 MR. WILF BEDARD: Now that the DVL  
20 department is part of MPI, we are now members of an  
21 organization called the CCMTA, and we do participate in  
22 their meetings. And, as I understand it, there's one  
23 this week that a member of the Corporation is attending  
24 and that's where much of this discussion takes place.

25 THE CHAIRPERSON: So, that's where you

1 would learn, you know, current best practices and other  
2 developments in other provinces and things of that  
3 nature?

4 MR. WILF BEDARD: Yes, absolutely.

5 THE CHAIRPERSON: Has SGI and ICBC and  
6 SAC part of that, too?

7 MR. WILF BEDARD: Yes, they are.

8 THE CHAIRPERSON: They're at the table  
9 where you're now at, too?

10 MR. WILF BEDARD: Yes, that's correct.

11 THE CHAIRPERSON: One (1) last question  
12 on this series, if I may, and again it's probably in all  
13 this material; hard to remember everything, particularly  
14 as you get older.

15 But anyway, the question is: Could you  
16 remind us just where do you find within MPI the research  
17 people that concern themselves with these types of  
18 developments, like, you know, the general causes of  
19 accidents and you're talking about the cost of alcohol  
20 and the cost of speeding and things like that?

21 Where do you find them and how much  
22 resources do you put to it?

23

24 (BRIEF PAUSE)

25



1 THE CHAIRPERSON: Do you have a specific  
2 department that's engaged in accident statistics and  
3 things of this nature?

4 MR. WILF BEDARD: Yes, we have a  
5 research department made up of two (2) analysts who have  
6 qualifications and history in this type of work.

7 THE CHAIRPERSON: And I'm just -- because  
8 I'm certain that your management team, including  
9 yourself, wants to be informed, do they have a regular  
10 forum by which they're able to bring forward the results  
11 of their studies and things of that nature?

12 MR. WILF BEDARD: Yes. They are  
13 involved, yeah, and members of professional associations  
14 that provide that opportunity.

15 THE CHAIRPERSON: Thank you, sir.

16

17 (BRIEF PAUSE)

18

19 THE CHAIRPERSON: We're just following  
20 with Mr. Evans, too. I would imagine the Department of  
21 Highways is also involved in exercises of studying  
22 accident experience and road conditions and things of  
23 that nature?

24

25 (BRIEF PAUSE)

1

2 MR. WILF BEDARD: To a lesser degree,  
3 yes, but they are also involved.

4 THE CHAIRPERSON: I guess what we're  
5 wondering, given the importance of the whole matter to  
6 everybody, there was some reference earlier about  
7 participating or not participating, and I was just -- we  
8 were just wondering to the degree of cooperation that the  
9 City of Winnipeg, for example, and MPI and Highway of --  
10 Department, et cetera, do you have forums where you come  
11 together and discuss common issues and things of that  
12 nature?

13

14 (BRIEF PAUSE)

15

16 MR. WILF BEDARD: Yes, the Road Safety  
17 Coordinating Committee has members of the organizations  
18 you -- you mentioned. Ad during those meetings, the  
19 targets for 2010 set by Transport Canada are discussed  
20 and the strategies on how we're going to get there. It's  
21 a province wide Committee.

22 THE CHAIRPERSON: It's not exactly  
23 directed at MPI, but the question is, is that: I imagine  
24 you're pretty forthcoming with what your findings and I'm  
25 just wondering whether you -- the others are equally

1 forthcoming, because if it's not a common enterprise,  
2 it's hard to move forward?

3 MR. WILF BEDARD: Yes. Everyone comes  
4 to the table eager to meet those targets, come with good  
5 information and there's a good dialogue that does take  
6 place.

7 THE CHAIRPERSON: Very good, thank you,  
8 sir. We'll move now to Mr. Roberts. Mr. Roberts, do you  
9 mind starting...?

10 MR. KEVIN MCCULLOCH: Mr. Chairman, if I  
11 could interrupt for a moment.

12 THE CHAIRPERSON: Of course.

13 MR. KEVIN MCCULLOCH: I believe Mr.  
14 Barron has distributed or has for distribution responses  
15 to three (3) more undertakings. We may as well get them  
16 on the record now if I can.

17 The response to Undertaking Number 11, I  
18 would file as MPI Exhibit number 19.

19 The response to Undertaking Number 12, MPI  
20 exhibit number 20.

21 And the response to Undertaking Number 13,  
22 MPI exhibit 21.

23 THE CHAIRPERSON: Very good, sir, no moss  
24 grows under your wheels. Very efficient.

25

1 --- EXHIBIT NO. MPI-19: Response to Undertaking 11.  
2 --- EXHIBIT NO. MPI-20: Response to Undertaking 12.  
3 --- EXHIBIT NO. MPI-21: Response to Undertaking 13.

4

5 THE CHAIRPERSON: Mr. Roberts...?

6 MR. NICK ROBERTS: Thank you, Mr.

7 Chairman. While Mr. Barron's up, I actually have a  
8 handout to go to everybody also.

9

10 (BRIEF PAUSE)

11

12 THE CHAIRPERSON: Mr. McCulloch, have you  
13 had a chance to look at this?

14

15 (BRIEF PAUSE)

16

17 THE CHAIRPERSON: Do you have any problem  
18 with the Board receiving it?

19 MR. KEVIN MCCULLOCH: Mr. Chairman,  
20 perhaps, for the edification of some of our Panel  
21 Members, Mr. Roberts could indicate where the information  
22 came from and how it was derived?

23 Certainly, I know that we haven't had a  
24 chance to look at it to -- to check it for accuracy. And  
25 at the best we probably can do at this time is to accept

1 it for the purposes of Mr. Roberts' questions subject to  
2 checking in accuracy and perhaps further comment once  
3 we've had a chance to have our actuary look at it.

4 THE CHAIRPERSON: I think -- are those  
5 conditions fine with you, Mr. Roberts?

6 MR. NICK ROBERTS: That's fine with me,  
7 Mr. Chairman, yes.

8 THE CHAIRPERSON: Okay. Then, Mr.  
9 Barron, the Board will receive it. Thank you.

10

11 CROSS-EXAMINATION BY MR. NICK ROBERTS:

12 MR. NICK ROBERTS: I guess I'll start off  
13 with Ms. McLaren. And this is in reference to data  
14 quality.

15 THE CHAIRPERSON: We should, by the way,  
16 Mr. Roberts, give it an exhibit number, even subject to  
17 the check. Number 3.

18

19 --- EXHIBIT NO. MUCDA-3: Handout.

20

21 THE CHAIRPERSON: Okay, Mr. Roberts?

22

23 CONTINUED BY MR. NICK ROBERTS:

24 MR. NICK ROBERTS: Ms. McLaren, would you  
25 agree with me that last year's uncovering of data errors

1 with respect to dealers was a bit of a surprise to the  
2 Corporation, dealers and this Board?

3 MR. DONALD PALMER: It was an error that  
4 we discovered. I think, actually, in the previous year,  
5 that we were not too happy with. I would agree with  
6 that, sure.

7 MR. NICK ROBERTS: And would you also  
8 agree that it is a factor in the rate increase for  
9 dealers for 2006?

10 MR. DONALD PALMER: It's included in the  
11 calculations. I guess what I would -- would say is that  
12 the -- the error actually undercharged dealers for the  
13 first three (3) or four (4) years. So, in fact, we're  
14 making up ground to probably rates that we should have  
15 been charging previously.

16 MR. NICK ROBERTS: And can you tell us  
17 what additional procedures have been put in place to  
18 ensure there are no systematic errors in the MPI  
19 database?

20 MR. DONALD PALMER: One of the -- last  
21 year, as part of regular processes, the pricing and  
22 economics rate making was subject to our internal audit  
23 review; that's done essentially every three (3) years.  
24 They have identified some checking procedures.

25 We've also got a test environment that we

1 are -- have got planned for the next -- in our work plan  
2 for the next year. Plus, data checking is -- is ongoing  
3 certainly.

4 MR. NICK ROBERTS: Was any outside  
5 expertise brought to bear on this situation?

6 MR. DONALD PALMER: No.

7 MR. NICK ROBERTS: And referring to the  
8 actuarial standard of practice related to data quality  
9 filed in response to MUCDA-2-1, what steps is the  
10 Corporate actuarial staff taking to ensure this standard  
11 is fully met?

12 MR. DONALD PALMER: Are you talking the  
13 Canadian Institute of Actuary Standard, or the Actuarial  
14 Standards Board?

15 MR. NICK ROBERTS: The Actuarial  
16 Standards Board.

17 MR. DONALD PALMER: In fact, that's a --  
18 an American standard for the American Academy of  
19 Actuaries. So, strictly speaking, we're not subject to  
20 that standard.

21 MR. NICK ROBERTS: How about the Canadian  
22 standard?

23 MR. DONALD PALMER: The -- the Canadian  
24 standard, it's an on -- it's an ongoing standard that  
25 through our regular checking procedure, you know, I'm

1 bound to ensure that our data is -- is good, and that  
2 through the checking processes of -- of this Board, it's  
3 -- it's an ongoing procedure. So, I comply with that  
4 standard.

5 MR. NICK ROBERTS: Now, is it possible  
6 for MPI to prepare a report certifying compliance and  
7 provide that at next year's Hearings?

8 MR. DONALD PALMER: No.

9 MR. NICK ROBERTS: And is there a reason  
10 for that? Why not?

11 MR. DONALD PALMER: I comply with the  
12 standards of my professional organization, and -- and  
13 that's -- and that's the standard that we uphold.

14 MR. NICK ROBERTS: Do you assign the rate  
15 making methodology?

16 MR. DONALD PALMER: No.

17 MR. NICK ROBERTS: I'm going to move on  
18 to loss development factors and the reference is PUB/MPI-  
19 1-3. For a layperson like myself can you provide a  
20 simple explanation of why the provisions for PIPP  
21 decreased?

22 MR. DONALD PALMER: Could I get that  
23 reference again please, Mr. Roberts?

24 MR. NICK ROBERTS: PUB/MPI-1-3.

25



1 (BRIEF PAUSE)

2

3 MR. DONALD PALMER: Ever year within our  
4 analysis we do a test on what we expected to happen on  
5 our past claims, versus what did happen. Our experience  
6 and our cost payment patterns changed. And on that basis  
7 is -- we have changed our development patterns, and that  
8 is the result of the decrease in reserves.

9 MR. NICK ROBERTS: So, does this mean  
10 that the loss development factors on an ultimate basis  
11 decreased from what was previously used?

12 MR. DONALD PALMER: That's a little bit  
13 of a simplistic characterization. In our evaluation of  
14 liabilities, there are probably six (6) or seven (7)  
15 different actuarial methods on reserving that we test.

16 Loss development on both an incurred basis  
17 and a paid basis. We have loss ratio methods that we  
18 employ. We have something that's a hybrid of the two (2)  
19 called Boyrherder/Ferguson (phonetic) Methods. We have  
20 tabular methodologies that we employ. We've also in the  
21 past employed methodologies using average values and  
22 claim counts.

23 So, to say that we just simply increase  
24 the loss development factor, I don't think that that's  
25 necessarily correct.

1 (BRIEF PAUSE)

2

3 MR. NICK ROBERTS: So, does this mean  
4 that the loss development on an ultimate basis decreased  
5 from what was previously used?

6 MR. DON PALMER: Our ratio of reported to  
7 ultimate would have changed, yes.

8 MR. NICK ROBERTS: And this would be  
9 similar for income replacement indemnity or IRI?

10

11 (BRIEF PAUSE)

12

13 MR. DON PALMER: And I'm going from  
14 memory here a bit, but I believe, in fact, the loss  
15 development on some of those increased.

16

17 (BRIEF PAUSE)

18

19 MR. NICK ROBERTS: And how much was the  
20 decrease for accident benefits other?

21 MR. DON PALMER: If I can refer you to  
22 AI-9(b) in Volume III, Part 2, and I'll get it myself.

23 MR. NICK ROBERTS: Take your time.

24

25 (BRIEF PAUSE)

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MR. DON PALMER: If we look at Volume III, part 2, AI-9 part (b), Exhibit 3, sheet 15.

(BRIEF PAUSE)

MR. NICK ROBERTS: I hate to say it, but we don't have that. So...

MR. DON PALMER: Within that exhibit, I'll try to describe this best I can, what this shows is the ultimate value of claims costs as it was determined February '04 evaluation versus the February '05 evaluation.

And we look at that by accident year. Now, on the income replacement and this, in fact, is Exhibit 3, sheet 14, we had estimated the ultimate value of income replacement claims for the years 1994/95 through 2003/04 as at February 2004 to be \$551.1 million.

Those same accident years as at the February '05 evaluation, came out to \$592.8 million. That indicates a, in fact, a adverse change.

So -- so it, in fact, increased the provision for income replacement.

For accident benefits 'other', that can be found on sheet 17 of that same exhibit, our ultimate

1 value was as at February 2004, was \$989.6 million versus  
2 the evaluation at February '05 of \$930.8 million.

3 So that's down about \$60 million.

4 MR. NICK ROBERTS: As I understand it, is  
5 Mr. Christie -- it's Mr. Christie who undertakes these  
6 evaluations; is that correct?

7 MR. DON PALMER: He is the appointed  
8 actuary, yes.

9 MR. NICK ROBERTS: And is he assisted by  
10 you and some of your staff.

11 MR. DON PALMER: Yes, he is.

12

13 (BRIEF PAUSE)

14

15 MR. NICK ROBERTS: And how do you come up  
16 with the estimates?

17 MR. DONALD PALMER: Through all those  
18 methodologies that I briefly listed before we do an  
19 analysis of past years' data, project that into what we  
20 believe will be the ultimate development for each  
21 accident year.

22 MR. NICK ROBERTS: Is there judgment  
23 involved in this?

24 MR. DONALD PALMER: Sure.

25 MR. NICK ROBERTS: So does it boil down

1 to judgment being heavily involved?

2 MR. DONALD PALMER: I don't know that I  
3 would characterize it as heavily involved. We're basing  
4 our projections on assumptions. There is professional  
5 judgment, for instance, just to decide which of those  
6 methodologies that we -- that I listed, which one to pick  
7 as our point estimate.

8 So, sure, there's professional judgment  
9 involved.

10 MR. NICK ROBERTS: Is there any material  
11 in the actuarial literature that provides, perhaps, a  
12 more scientific way of testing the loss development?

13 MR. DONALD PALMER: There are some recent  
14 developments talking about stochastic analysis of loss  
15 development; we have not employed those.

16 Just to add a bit to that in terms of  
17 whether it's my judgment or Mr. Christie's judgment,  
18 there's also a requirement of the Canadian Institute of  
19 Actuary standards for peer review, which Mr. Christie has  
20 to employ.

21 There is also a review done by our  
22 external auditor who employs actuaries to -- to check the  
23 results as well. So, you know, it's not anyone's single  
24 judgment that comes -- comes to bare.

25 MR. NICK ROBERTS: Could you file any of

1 those reports for next year?

2 MR. DONALD PALMER: This is the report  
3 that has been approved. I don't have the -- the  
4 individual peer review reports; I'm not party to those.

5 MR. BARRY GALENZOSKI: I think what you  
6 have to understand is that the peer review is done at the  
7 Ernst & Young level so they have to be satisfied with  
8 that. And then from the auditor's position they also  
9 have to be satisfied with the reports.

10 But their -- you know, their review is  
11 complete when they accept the report that's presented by  
12 Ernst & Young, which is part of this application in front  
13 of you.

14 MR. DONALD PALMER: The -- the -- the  
15 external auditor's opinion that appears in our annual  
16 report, essentially, is acceptance of that; that's part  
17 of it.

18 MR. NICK ROBERTS: Do you prepare a  
19 formal report or does the external auditor perform a  
20 formal report?

21 MR. DONALD PALMER: This is it.

22 MR. NICK ROBERTS: This is it?

23 MR. BARRY GALENZOSKI: The external  
24 auditor does -- performs -- doesn't prepare a formal  
25 report that they provide to us with respect to the

1 actuarial liabilities. They review the material that is  
2 in front of them and they have to agree with it before  
3 they can give you a sign off for your annual report.

4 The annual report has an audit sign off as  
5 well as an actuarial sign off.

6 THE CHAIRPERSON: Mr. Palmer, was there  
7 any process changes this year or was it consistent with  
8 the year before?

9 MR. DONALD PALMER: It has been  
10 consistent, probably for the last fifteen (15) years.

11 THE CHAIRPERSON: Was there any major  
12 event in the, so-called, real world that would have  
13 affected the review?

14 MR. DONALD PALMER: Not that I can think  
15 of, no.

16 THE CHAIRPERSON: You know, like a new  
17 contract with Manitoba Health or something like that?

18 MR. DONALD PALMER: No.

19

20 CONTINUED BY MR. NICK ROBERTS:

21 MR. NICK ROBERTS: My next reference is  
22 MUCDA/MPI-1-9.

23 In terms of the rate indicators determined  
24 for a commercial class, can you briefly explain how  
25 ultimate loss development is used?

1                   MR. DONALD PALMER:    Within each major  
2 class we have reported -- reported claims for each  
3 accident year.  Those are not the ultimate level of  
4 claims.  So we have to develop them to an ultimate level  
5 and that's -- and the development factor that we use for  
6 each accident year is from our external actuary's report.

7                   The -- the ratio from ultimate claims to  
8 reported claims.

9                   MR. NICK ROBERTS:    Is it by class?

10                  MR. DONALD PALMER:    No.  We use the same  
11 -- same development factor for -- for each class.

12                  MR. NICK ROBERTS:    So for commercial  
13 class it's the same as private passenger vehicle?

14                  MR. DONALD PALMER:    Yes.  That's subject  
15 to check.  I know we had, in the past, looked at using  
16 different development factors or some sort of credibility  
17 weighted factors.

18                  Some of those classes don't -- it's --  
19 it's tough to get their own loss development factors.

20                  MR. NICK ROBERTS:    Perhaps you can help  
21 me better understand, if according to -- and this is  
22 PUB/MPI-1-3:

23                                 "Financial provisions, thus ultimate  
24                                 claims cost for accident benefits,  
25                                 other, decreased.



1                   How did this occur with the loss  
2 development factors for commercial going up?

3                   Do you want that reference again or...?  
4                   PUB/MPI-I-3.

5

6   (BRIEF PAUSE)

7

8                   MR. DONALD PALMER:    The development  
9 factor that's shown in 1-9 is only the twelve (12) month  
10 to ultimate factor.  We would also employ the twenty-four  
11 (24) to ultimate factor, the thirty-six (36) to ultimate  
12 factor, the forty-eight (48) to ultimate factor, and so  
13 on.

14                                        It's the combination of all of those that  
15 would result in the decrease.  Not just the twelve (12)  
16 to ultimate, as you had requested.

17                   MR. NICK ROBERTS:    I'm going to move on  
18 to the size of the RSR.

19                                        Does MPI conduct a lot of surveys of  
20 customers' attitudes to a variety of issues?

21                   MR. BARRY GALENZOSKI:    Yes, they do.

22                   MR. NICK ROBERTS:    And could you describe  
23 some of these that have been conducted in the last year?

24                   MS. MARILYN MCLAREN:    Well, we have lots  
25 of information that we collect on an annual basis,

1 repeatedly, with respect to customer satisfaction, claim  
2 satisfaction, things like that. So those have been  
3 ongoing; they were done again last year.

4 One of them that we did last year for the  
5 first time was the one that we've talked about here in  
6 reference -- with respect to attitudes about auto theft  
7 prevention strategies. Nothing else springs immediately  
8 to mind.

9 MR. NICK ROBERTS: Would you agree that  
10 the ultimate source of the funds that created the  
11 retained earnings are the ratepayers?

12 MR. BARRY GALENZOSKI: Yes. We would  
13 agree with that.

14 MR. NICK ROBERTS: And some of those  
15 ratepayers would be used car dealers, motorcycle dealers  
16 and commercial truckers; that would be correct?

17 MR. BARRY GALENZOSKI: Sure. And they'd  
18 be extension policyholders and SRE policyholders.

19 MR. NICK ROBERTS: So in a sense, the  
20 retained earnings, based on past precedents related to  
21 the surplus discount, belongs to the ratepayers including  
22 the dealers?

23 MR. BARRY GALENZOSKI: When we provided  
24 the surplus discount it was provided to all. Yes.

25 MR. NICK ROBERTS: Has MPI asked any

1 groups of ratepayers if they would like the excess  
2 returned to them?

3 MS. MARILYN MCLAREN: I'm not sure what  
4 excess you're talking about?

5 MR. NICK ROBERTS: Anything beyond the  
6 PUB Order for the RSR?

7 MS. MARILYN MCLAREN: The Corporation's  
8 policy, and I think policy based in part on our  
9 understanding of our ratepayers expectations, is that  
10 when we have more than we need in our rate stabilization  
11 reserve, in our retained earnings, it ought to be  
12 returned to ratepayers.

13 MR. NICK ROBERTS: Okay. Thank you. I'm  
14 going to move on to the Immobilizer Incentive Fund.

15 Would you agree that the IIF is focussed  
16 on private passenger vehicles?

17 MR. DON PALMER: Yes, I would agree with  
18 that.

19 MR. NICK ROBERTS: And as I understand  
20 it, the IIF is considered a distinct part of -- of  
21 retained earnings and is separate from the RSR; is that  
22 correct?

23 MR. DON PALMER: That's correct.

24 MR. NICK ROBERTS: If the IIF was not  
25 used with the cost of Immobilizer Incentives it would be

1 another operating expense?

2 MR. DON PALMER: Yes.

3 MS. MARILYN MCLAREN: If we chose to do  
4 it under those circumstances, right. Which is an 'if'.

5 MR. NICK ROBERTS: Well, that's an if.

6 So would the bulk of this expense be part  
7 of private passenger vehicle rates?

8

9 (BRIEF PAUSE)

10

11 MR. BARRY GALENZOSKI: Under our current  
12 situation it isn't part of anybody's rates, because the  
13 money is coming out of rate stabilization, or out of the  
14 retained earnings and so therefore it's -- it's not being  
15 charged against any particular class of vehicle.

16 MR. NICK ROBERTS: But if it wasn't?

17 MR. DON PALMER: I think you're calling  
18 for an awful lot of if's and speculation here. In -- in  
19 the past there have -- has been specific directed  
20 expenses at particular classes.

21 We're not precluding that from happening  
22 again.

23 MR. NICK ROBERTS: So the answer is yes?

24 MR. DON PALMER: No. If we did it, as we  
25 have with all -- all else being equal, if it's -- if it

1 was treated as some expenses have been in the past, then  
2 it's a yes, but there's no guarantee that it would be.

3 MR. NICK ROBERTS: Do heavy commercial  
4 trucks, more than sixteen thousand three hundred and  
5 thirty (16,330) kilograms have access to the IIF?

6

7 (BRIEF PAUSE)

8

9 MR. DON PALMER: Yeah. No, they're not  
10 part of the program.

11

12 MR. NICK ROBERTS: And how about smaller  
13 commercial trucks?

14

15 (BRIEF PAUSE)

16

17 MR. DON PALMER: Light trucks are part of  
18 the private passenger class, so they would be, sort of --  
19 they would be available or eligible for the program.

20

21 MS. MARILYN MCLAREN: Point of  
22 clarification, what we're talking about is light  
23 vehicles, private passenger type vehicles, whether  
24 they're in the private passenger major class group, or  
25 not, they will still be part of the program. So courier  
vehicles in the commercial class would be able to

1 participate in the program.

2 MR. NICK ROBERTS: Since the focus of the  
3 IIF is private passenger vehicles, why should other  
4 groups of vehicles such as heavy commercial trucks,  
5 automobile and motorcycle dealers subsidize this program  
6 by foregoing an RSR rebate or surplus discount?

7 MS. MARILYN MCLAREN: Well, again, you  
8 know, there's lots of assumptions in there. I'm not sure  
9 that they are foregoing a surplus discount. The other  
10 point that we've made is that auto theft is a major issue  
11 for everyone that lives in this community and when we  
12 talk about the risk posed by these thirty (30) some odd  
13 vehicles driven all over the City by thieves every day,  
14 that puts all of us at risk.

15 There's a social cost to this as well as a  
16 direct, physical damage insurance cost and everyone who  
17 is part of our community will benefit when auto theft is  
18 virtually eliminated.

19

20 (BRIEF PAUSE)

21

22 MR. NICK ROBERTS: How many certified  
23 installers of these immobilizers are there in rural  
24 Manitoba -- in rural Manitoba, say in Russell, Thompson?

25

1 (BRIEF PAUSE)

2

3 MS. MARILYN MCLAREN: I don't have in  
4 front of me the actual number of facilities outside the  
5 city of Winnipeg, but I can tell you that there is about  
6 -- that there's a capacity for between fifty (50) and  
7 sixty-five (65) installations per week outside the city  
8 of Winnipeg at this point in time.

9 When the program was announced, we had  
10 maybe a dozen or so in terms of available capacity  
11 through certified installers and that's growing,  
12 virtually, every week.

13

14 (BRIEF PAUSE)

15

16 MR. NICK ROBERTS: Would you be able to  
17 give us a list of immobilizers installed in Winnipeg and  
18 installed for -- outside the city of Winnipeg that you've  
19 done so far?

20 MR. BARRY GALENZOSKI: Are you looking  
21 for the capacity or --

22 MR. NICK ROBERTS: No, actual numbers  
23 that you've done?

24 MS. MARILYN MCLAREN: Up to this point in  
25 time how many immobilizers have been installed in

1 Winnipeg and elsewhere in Manitoba since the program was  
2 announced; that's what you're looking for?

3 MR. NICK ROBERTS: Yes, please.

4 MS. MARILYN MCLAREN: Sure. We can  
5 probably get that to you before we close today.

6  
7 --- UNDERTAKING NO. 17: MPI to indicate to MUCDA how  
8 many immobilizers have been  
9 installed in Winnipeg and  
10 elsewhere in Manitoba since  
11 the program was announced.

12  
13 MR. WILF BEDARD: Perhaps I can give you  
14 a little bit of information there, just in terms of order  
15 of -- of magnitude. We've had about -- almost six  
16 thousand (6,000) people signed up for -- for an  
17 installation.

18 We've done approximately twenty-five  
19 hundred (2500) of them. The vast majority of those being  
20 within the city of Winnipeg. The greatest demand and the  
21 number of -- of installation facilities, our capability  
22 is greater in the city.

23 But as Ms. McLaren mentioned earlier, our  
24 capacity, both in the city and in the rural locations,  
25 are growing each week and we're continuing to work



1 towards continued growth.

2

3 CONTINUED BY MR. NICK ROBERTS:

4 MR. NICK ROBERTS: So you're saying since  
5 the Immobilizer Incentive Program was started you've  
6 installed twenty-five hundred (2500)?

7 MR. WILF BEDARD: Roughly, yes.

8

9 (BRIEF PAUSE)

10

11 MR. NICK ROBERTS: And so if there's that  
12 many been installed in Winnipeg, so why -- why should a  
13 customer in rural Manitoba subsidize the installation of  
14 immobilizers in Winnipeg; that seems to be what's  
15 happening?

16 MS. MARILYN MCLAREN: Don't see anybody  
17 subsidizing anyone, sorry. I'm not following the  
18 subsidization argument. Fewer people in Manitoba have  
19 come forward to take part in the program so far. But  
20 they are coming forward and it's available to everybody  
21 in the province.

22 We're not going to turn anybody away from  
23 taking advantage of this program.

24 MR. NICK ROBERTS: Okay. Thank you. Mr.  
25 Bedard, when you said these twenty-five hundred (2500) is

1 that -- and I'm a little baffled from -- from, I think,  
2 the Immobilizer program started in June, is that --  
3 somewhere around there?

4 But, the twenty-five hundred (2500), is  
5 that including, like, ones that had been installed  
6 previous to that? Is that -- how many have been  
7 installed...?

8 MR. WILF BEDARD: That's how many have  
9 been installed through this program, the new incentive  
10 program.

11 MR. NICK ROBERTS: And any of those  
12 include government vehicles or are those -- or they've  
13 already been done?

14 MR. WILF BEDARD: I don't know. I can't  
15 -- I can't answer that.

16 MS. MARILYN MCLAREN: There may be the  
17 odd one but there's not a massive effort on the part of  
18 government vehicles, no. We had about twenty-six hundred  
19 (2600) Manitobans take advantage of the plan that was in  
20 place before the end of June.

21 But since then we've had that many more.

22 MR. NICK ROBERTS: Why has MPI set aside  
23 \$40 million in the IIF, when for the a hundred and  
24 seventy-two thousand (172,000) immobilizers, the  
25 estimated cost for incentives is \$24,083,000?

1                   And that's in this upper box of our -- our  
2 table that we gave you.

3                   MR. BARRY GALENZOSKI:   Well, it's because  
4 that fund is also going to support some internal costs  
5 with respect to delivering the program.  It's going to  
6 support -- there's going to be some loss investment  
7 opportunity that it's supporting.

8                   And so there's -- there's other costs that  
9 are going to be covered off by that.  That's in the  
10 business plan.

11                   MS. MARILYN MCLAREN:   Specifically,  
12 interest free financing, the waiving of the interest --  
13 of the financing charge; things like that.

14                   MR. NICK ROBERTS:    Could you file a  
15 reconciliation between that \$40 million and the -- and  
16 the 24 million?

17                   MS. MARILYN MCLAREN:    Those numbers are  
18 all there in our financials that we've put forward.  I'll  
19 find the reference for you.

20                   MR. NICK ROBERTS:    Thank you.

21                   MR. BARRY GALENZOSKI:    Under PUB question  
22 1-6 there's a business case, a summary of the fiscal year  
23 results to the year 12/13.  So that would lay out most of  
24 those costs in there.

25

1 (BRIEF PAUSE)

2

3 MR. NICK ROBERTS: Did MPI consider the  
4 ongoing impact of the forty dollar (\$40) rebate when  
5 costing the plan?

6 MR. BARRY GALENZOSKI: Yes, we did.

7 MR. NICK ROBERTS: And would you agree  
8 that some of those vehicles will leave the -- leave the  
9 fleet through attrition and the remainder will receive  
10 the forty dollars (\$40) for the year?

11 MR. BARRY GALENZOSKI: That's been  
12 anticipated, yes.

13 MR. NICK ROBERTS: And the next year some  
14 more will leave the fleet and the remainder will receive  
15 the forty dollar (\$40) rebate?

16 MR. BARRY GALENZOSKI: Right. But more  
17 will be added that will get the forty dollars (\$40) so  
18 there's -- it's going to continue to grow.

19 MR. NICK ROBERTS: And would you agree  
20 this will continue until all the vehicles with IIF  
21 installed immobilizers leave the fleet?

22 MR. BARRY GALENZOSKI: That's correct.

23 MR. NICK ROBERTS: Okay. And would you  
24 agree this could be twenty (20) years from now?

25 MR. BARRY GALENZOSKI: It's going to be a

1 long period of time and business case will only go out to  
2 a reasonable length of period before it says this program  
3 is wrapped up and then what you've got is a steady state  
4 and it's in part of your operational costs and you just  
5 take it from there.

6 MR. NICK ROBERTS: And in this table that  
7 we prepared, an analysis based on MPI attrition rates,  
8 provided as Exhibit -- that's MUCDA-3.

9 Referring to the third line from the  
10 bottom is the estimated impact of the ongoing rebate  
11 \$38,900,791?

12 MR. BARRY GALENZOSKI: No idea, we  
13 haven't had a chance to look at this --

14 MR. NICK ROBERTS: Okay.

15 MR. BARRY GALENZOSKI: -- until just a  
16 minute or two (2) ago so.

17 MR. NICK ROBERTS: It should have come  
18 with a magnifying glass too, it's fairly small.

19 MR. BARRY GALENZOSKI: Subject to check.  
20 Well, subject to check, you know, we'll -- we'll look at  
21 it obviously and give you our word next week.

22 MR. NICK ROBERTS: And so the -- the  
23 total program costs would be \$62,983,711?

24 MR. BARRY GALENZOSKI: Well I'm having  
25 trouble with that, and obviously there needs a lot of

1 checking on that, so we'll give that a good scrutiny.

2 THE CHAIRPERSON: Without entering into  
3 the checking, just to clarify, this present value  
4 calculation of the effect of the foregone revenue, it  
5 doesn't pay any attention to any projections out of the  
6 business case with respect to savings on claims incurred,  
7 does it?

8 MR. NICK ROBERTS: That's correct, yeah.

9

10 CONTINUED BY MR. NICK ROBERTS:

11 MR. NICK ROBERTS: With a hundred and  
12 seventy-two thousand twenty-two (172,022) vehicles  
13 equipped with immobilizers, this is going to be another  
14 subject to check, does this work out to three hundred and  
15 sixty-six dollars (\$366) per vehicle?

16 MR. BARRY GALENZOSKI: You're talking  
17 about the \$62 million number?

18 MR. NICK ROBERTS: Yes.

19 MR. BARRY GALENZOSKI: You know I think  
20 you could run that number out into the year 3000 and it  
21 could be a whole bunch of money, but I don't know what  
22 the purpose of that is.

23 MR. NICK ROBERTS: Suppose we discount  
24 the future savings at the same rate as used in the MPI  
25 Pension evaluation at 5.75 percent, as shown on the

1 second page of document 1, the document I provided. In  
2 this case would there be about two hundred and eighty-  
3 five dollars (\$285) available for each immobilizer?

4 MR. BARRY GALENZOSKI: Those are your  
5 numbers and we haven't, as I said before, had a chance to  
6 check this.

7 MR. NICK ROBERTS: That's fine, thank  
8 you. Just a couple more questions, Mr. Chairman, I'll be  
9 done.

10 Just on --

11 MR. DONALD PALMER: Mr. Roberts, if I --  
12 I had -- I made a statement earlier regarding the last  
13 development factors and whether they were the same for  
14 the commercial vehicles as they were for private  
15 passenger vehicles. I confirm they are the same.

16 MR. NICK ROBERTS: And just the last  
17 couple of questions are on dealer plate rates.

18 Referring to MUCDA-2-2, over the last five  
19 (5) years in Territory 1, have dealer plates increased  
20 five hundred and sixty-six dollars (\$566)?

21 MR. DONALD PALMER: I've got my  
22 calculator buried under about a mountain of paper here,  
23 but we'll check that quickly.

24 MR. NICK ROBERTS: I knew it would be  
25 close by.

1

2

(BRIEF PAUSE)

3

4

MR. DONALD PALMER: Five sixty-six (566)

5

you said?

6

MR. NICK ROBERTS: That's right.

7

MR. DONALD PALMER: I can confirm that.

8

MR. NICK ROBERTS: And in Territory 2,

9

have they increased by five hundred and twenty-four

10

dollars (\$524)?

11

MR. DONALD PALMER: I'm going to take the

12

easy way out on this one (1). Subject to check, yes.

13

14

(BRIEF PAUSE)

15

16

MR. NICK ROBERTS: And are the -- the

17

bulk of dealers in territories 1 and 2?

18

MR. DON PALMER: Yes.

19

20

(BRIEF PAUSE)

21

22

MR. NICK ROBERTS: Looking at MUCDA-2-3

23

during that time period have the number of dealer plates

24

declined from five thousand, five hundred and seventy-

25

seven (5,577) to four thousand eight hundred and eleven



1 (4,811)?

2 MR. DON PALMER: Yes, they have.

3 MR. NICK ROBERTS: And that decline is  
4 about 16 percent?

5

6 (BRIEF PAUSE)

7

8 MR. DON PALMER: I get 14.7 percent, but  
9 close enough.

10 MR. NICK ROBERTS: Close enough. So  
11 would the -- would the part of the reason be the decline  
12 would be because of higher rates, do you think?

13 MR. DON PALMER: There could be many  
14 factors involved in that decrease. I'm not going to say  
15 it's specifically because of higher rates now.

16 MR. NICK ROBERTS: Okay.

17 Thank you Mr. Chairman. I'm all done.

18 THE CHAIRPERSON: Thank you very much,  
19 Mr. Roberts.

20 Thank you to everyone else and we will  
21 adjourn for now and return on Tuesday, at nine o'clock  
22 and just checking the schedule, I believe first up is Mr.  
23 Todd the witness for CAC/MSOS and then we're going to  
24 follow with CAA and then over to CMMG.

25 So, do you have anything to add, Mr.

1 Saranchuk?

2 Very good. Have a good weekend.

3

4 (PANEL RETIRES)

5

6 --- Upon adjourning at 4:13 p.m.

7

8

9

10 Certified Correct

11

12

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15 \_\_\_\_\_  
Wendy Warnock

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