MANITOBA PUBLIC INSURANCE

Round 1 Information Requests

2015 GRA

July 31, 2014

Public Utilities Board

Automotive Recyclers Association

Canadian Automobile Association

Consumers' Association of Canada (Manitoba)

Coalition of Manitoba Motorcycles Groups

Manitoba Public Insurance
2015 GRA Round 1 Interrogatories
July 31, 2014

PUB (MPI) 2015 GRA Information Requests

Net Income

PUB (MPI) 1-1

Reference: Quarterly Report

Please file the Corporation's quarterly report for the period ending May 31, 2014.

PUB (MPI) 1-2

Reference: Meeting Minutes

Please file the Corporation’s Board of Directors and Audit Committee meeting minutes for 2013/14 that relate to:

a) IT Optimization/BTO Projects;

b) Gartner Scorecard and all reports to the Board related to IT Spending;

c) RSR Targets/DCAT;

d) Cost Containment; and

e) Approval of the 2015 GRA.

PUB (MPI) 1-3

Reference: PFT of Dan Guimond, slide 4

Please provide an expanded Organization Chart including department level detail (e.g. Pricing & Economics) and identify the individual currently holding each position shown on the chart.

PUB (MPI) 1-4

Reference: Pro-Forma Scenarios

a) Please provide a restated PF.1, PF.2 and PF.3 separating the vehicle premiums from the RSR Rebuilding Fees, and separating out amounts relating to the premium deficiency reserves.

b) Using the presentation from a) above, please provide a restated PF.1, PF.2 and PF.3 with a 0.0% rate change in 2015/16 and no RSR Rebuilding Fee.

c) Using the presentation from a) above, please provide a restated PF.1, PF.2 and PF.3 with a 0.0% rate change in 2015/16 and the applied for 1.0% RSR Rebuilding Fee.

d) Using the presentation from a) above, please provide a restated PF.1, PF.2 and PF.3 with a 1.4% rate change in 2015/16 and the applied for 1.0% RSR Rebuilding Fee.

e) Using the presentation from a) above, please provide a restated PF.1, PF.2 and PF.3 with the applied for 2.4% rate change in 2015/16 and no RSR Rebuilding Fee.

f) Using the presentation from a) above, please provide a restated PF.1, PF.2 and PF.3 with the applied for 2.4% rate change in 2015/16 and a 2.0% RSR Rebuilding Fee starting in 2015/16.

PUB (MPI) 1-5

Reference: Pro-Formas, R.1 Motor Vehicle Premium

a) Please provide a restated PF.1, PF.2 and PF.3 and R.1 pages 5 and 6 "Motor Vehicle Premiums Written and Earned" to reflect a volume factor of 2.0% throughout the forecast period.

b) Please provide a restated PF.1, PF.2 and PF.3 and R.1 pages 5 and 6 "Motor Vehicle Premiums Written and Earned" to reflect an upgrade factor of 2.85% throughout the forecast period.

PUB (MPI) 1-6

Reference: Revenues

a) Why are the "Impact of Rate Change" and the "Impact of Change in RSR Rebuilding Fee Adjustments" calculated to exclude volume increases? [R.1, Page 5]

b) Why is ceded written premium not equal to ceded earned premium as forecasted for 2014/15? [R.1, Page 6]

c) How is the analysis of historical fleet rebates and surcharges affected by historical and proposed changes in average rate level? [R.1.3, Page 14]

d) To what does the Corporation attribute the decline in the fleet rebate ratio in fiscal year 2013/14? [R.1.3, Page 14]

e) "There is a strong indication that the DSR program is very close to its 'steady state' distribution of drivers on the DSR scale." [R.2, Page 21] Given this assertion, why is the forecasted distribution in DSR level 15 showing significant growth, and the forecasted distribution in DSR levels 10 to 14 showing significant decline? [R.2, Page 22]

f) "The written driver premium forecast is calculated by multiplying the policy year projected earned driver units by the driver licence premiums at each DST level." [R.2, Page 23] Why are <u>earned</u> driver units used to calculate <u>written</u> driver premiums?

g) How does the Corporation test the need for changes to service fees and other revenue sources i.e. how does the Corporation compare the cost of delivering a service with the fees collected in providing the service? [R.4, Pages 28 to 32]

h) "The motor vehicle transaction fees forecast is based on historical average growth rates" [R.4, Page 28] Given this assertion, why does the forecast growth rate vary between 0.9% and 6.5% over the forecast period? [R.4, Page 29]

i) Please provide an illustrative derivation of the projected amounts of Quarterly Financing Interest and Monthly Financing Interest. [R.4, Page 31]

PUB (MPI) 1-7

Reference: PF.6, 2015/16 Comparative Statement

a) Please explain why 80% and not 100% of IBM Data Centre Costs are transferred to Normal operations.

b) Basic Operating expenses increased by $4.9 million from last year's projection to this year's forecast. Please provide a detailed comparative schedule similar to E2.1 reflecting the changes.

PUB (MPI) 1-8

Reference: PF.4, AI.6, 2014 Basic Annual Report , p. 15, Note 24

Please explain why the allowance for doubtful accounts on the Basic Annual Report (page 15) is $15.1 million at February 28, 2014.

PUB (MPI) 1-9

Reference: PFT of Dan Guimond, p. 16

Mr. Guimond has stated that "… management will not contemplate, for example, any of the following cost-cutting opportunities: … arbitrarily increase the Basic deductible to avoid claims …"

a) Under what circumstances would the Corporation consider an increase to the Basic deductible?

b) To provide context for this issue, please provide an estimate of the indicated overall change in average rate level if a $100 increase in Basic deductible was being proposed for 2015/16 (vs. +2.4% as filed).

Investments

PUB (MPI) 1-10

Reference: Interest Rate Forecasts

a) Please file a copy of each of the forecasts utilized by MPI in setting the interest rate forecast.

b) Please indicate the frequency and timing of updates to the 5 Major Banks and Global Insight interest rate forecasts used by MPI.

c) Please file the interest rate forecast eliminating the highest forecast interest rate for each quarter and provide a comparison of the results with the current proposed interest rate forecast for each of short term and long term interest rates.

PUB (MPI) 1-11

Reference: II.4.4, MUSH, Table 4.4

Please provide an update to table 4.4 including the actual results for the years 2009/10 to 2013/14.

PUB (MPI) 1-12

Reference: II.5.1, Table 5.1

a) Please update the Canadian equity table to include fiscal years 2009/10 to 2013/14.

b) Please update table 5.3.1 adding an additional column including the corresponding actual calendar year for S&P/TSX Canadian equity returns.

PUB (MPI) 1-13

Reference: II.6.3, US. Equity Returns

Please provide the supporting analysis for using Total Canadian equity return data for forecasting Total U.S. Equity Returns.

PUB (MPI) 1-14

Reference: II.6 U.S. Equities, Table 6.1

Please update the U.S. equity table to include fiscal years 2009/10 to 2013/14.

PUB (MPI) 1-15

Reference: II.8.1 Infrastructure, Table 8.1

Please update the summary table 8.1 since the inception of infrastructure investments including the actual returns on the infrastructure investments.

PUB (MPI) 1-16

Reference: II.9.2 Infrastructure, Table 9.2

a) Please update the table of pension expense, including the pension expense for fiscal years 2009/10 through 2013/14.

b) Please provide the supporting documentation for the current pension discount rate of 4.2% and the related pension expense.

PUB (MPI) 1-17

Reference: II.9.5 Line of Business Allocation

a) Please file table 9.5 for each of the four years used in the rolling average and provide the calculations for a three year and four year average.

b) Please indicate how investment income allocated to Basic would change based on a four-year rolling average.

c) Please provide a full description of the negative equity anomaly.

d) Please explain why the Basic investment income allocation is kept static at 83.8% and was not changed based on forecasted changes in the balances to 2018/19 given that the balance sheet is now modeled.

PUB (MPI) 1-18

Reference: II.1.2, pp. 13, 14, ALM Study

a) Please file the Request for Proposal for the ALM Study.

b) Please describe the current status of the ALM Study.

c) Please file the expected scope of work for the study.

PUB (MPI) 1-19

Reference: II.17

Please provide the most current Investment Activity & Performance Report.

PUB (MPI) 1-20

Reference: II.11

Provide an updated listing of the Corporation's impaired investments that have been written down but remain in the portfolio as of June 30, 2014.

PUB (MPI) 1-21

Reference: II.11 Unrealized Gains

Please provide a breakdown of the Corporation’s unrealized gains by security at the end of the first quarter of the current fiscal year and comment on any significant changes since February 28, 2014.

PUB (MPI) 1-22

Reference: Table 1.1 - Interest Rate Scenarios, PFT of Dan Guimond, p. 16

Mr. Guimond has indicated in his Pre-Filed Testimony that if interest rates do not rise as the Banks are forecasting, MPI will incur a revenue deficiency of 1.9% or $16 million.

a) Please re-cast PF.1, PF.2, PF.3, Table 11.3 and Table 13.2.2 consistent with these concerns.

b) Please re-cast PF.1, PF.2, PF.3, Table 11.3 and Table 13.2.2 assuming a 50 basis point upward change in the currently forecast yield curve in 2014/15 and 2015/16 .

PUB (MPI) 1-23

Reference: Investment Income – Attachment B, p. 6

Please file any analysis undertaken in support of the assertion that the probability of interest rates declining or rising is closer to being equal.

PUB (MPI) 1-24

Reference: Investment Income - Attachment C, p. 21

a) Please file the detailed survey and supporting information underlying the PWC Presentation.

b) Please summarize the other development considerations set out on p. 21.

PUB (MPI) 1-25

Reference: II.7A.3 Real Estate Investment Returns

a) Please provide an updated comparison between actual investment returns earned on the real estate investments since 2009/10 with the IPD Canada Annual Property Index Income Return and the proxy used in the forecast (CPI + 4%) to that provided in response to PUB/MPI I-29 (a) at the 2014 GRA.

b) Please expand chart 7.3 to include the annual change in CPI and the proxy return based on CPI +4%.

PUB (MPI) 1-26

Reference: II.8.1, Table 8.1, Infrastructure Investments

a) Please explain the reduction in market value from $76.4 million in 2013/14 at the last GRA to $60.5 million in 2014/15, a 20% decline in market value.

b) Please provide details on the current holdings of the infrastructure fund.

PUB (MPI) 1-27

Reference: AI.11 Financial Forecast Model Test Report

Please identify the author of the Financial Forecast Model Test Report.

PUB (MPI) 1-28

Reference: II.9.2 Pension

Please file a copy of the most recent Actuarial Pension Benefit Plan report (December 31, 2013).

PUB (MPI) 1-29

Reference: II.13 Interest Rate Forecasting

a) Please discuss the merits of implementing an Olympic forecasting methodology to eliminate the high and low forecasts from each quarter.

b) Please discuss how the Corporation adjusted the forecast information prepared on a quarterly calendar basis to a fiscal year end basis. Please provide detailed calculations and a description of the process followed.

PUB (MPI) 1-30

Reference: II.13 Appendix 1 Inflation Rate Forecast

Please explain how the Province of Manitoba determines its CPI forecast and indicate the extent to which it utilizes any of the forecasts used by MPI.

Basic Ratemaking

PUB (MPI) 1-31

Reference: PFT of Dan Guimond, p. 21

How will the CLEAR system respond to the expected emergence of 250 new makes and models between 2014 and 2016 as the auto manufacturers respond to the pressure to meet fuel emission standards legislation with new technologies and materials?

PUB (MPI) 1-32

Reference: RM.2.2

Please provide each of the rate line regression analyses with the customary regression diagnostics and graphical representations.

PUB (MPI) 1-33

Reference: RM.4.3, p. 37

Please provide supporting analysis for the Major Class Drift assumptions, including commentary on any significant shifts from the corresponding assumptions used in the prior GRA.

PUB (MPI) 1-34

Reference: RM Exhibit V

a) Please provide supporting rationale for the proposed rounding and the proposed lower limit of 0% for the selected pure premium trends by coverage.

b) Please provide a graphical representation of each of the pure premium trend regressions (actual vs. fitted vs. selected), and provide supporting rationale for those pure premium trend selections based on a fitted trend with an R-squared statistic below 67%.

PUB (MPI) 1-35

Reference: AI.7

With respect to the incurred loss development factor assumptions selected for Private Passenger AB Weekly Indemnity, AB Other Indexed and AB Other Non-Indexed [RM Exhibit VI – 5, 6 and 7, respectively], please identify the sources of these assumptions, providing GRA appendix/page cross references as appropriate to the Actuary's Report as of 28 February 2014 [AI.7, Appendices E, F and G, respectively].

PUB (MPI) 1-36

Reference: RM Exhibit XII

Please provide a supplement to RM Exhibit XII showing, for each rating classification within each Major Class, a comparison of the raw (i.e., before minimum bias) current average rate relativities, the fitted (i.e., after minimum bias) current average rate relativities, and the ratio of the latter to the former.

Actuary's Report as of February 28, 2014

PUB (MPI) 1-37

Reference: Actuary's Report

Please provide a copy of the actuarial specialist report on the Basic actuarial valuation prepared as audit evidence in support of the audit opinion provided by PricewaterhouseCoopers LLP for the financial statements as at, and for the period ending 28 February 2014.

PUB (MPI) 1-38

Reference: RM Exhibit V-2

Please discuss what consistency should be expected, and what consistency is actually evident by coverage, between the Bornhuetter-Ferguson selected loss trends in the valuation analysis, for example 3.25% for ABO Non-Indexed [AI.7, Appendix G, Page 16], vs. the combination of the selected volume factor of 1.75% [R.1.1, Page 9] with the selected pure premium trends in the ratemaking analysis, for example 0.75% for ABO Non-Indexed [RM Exhibit V-2].

PUB (MPI) 1-39

Reference: AI.7

a) With respect to the Property Damage coverage, please provide supporting analysis for the $3.5 million addition to the IBNR bulk provision with respect to accident year 2013/14. [AI.7, Exhibit 4, Sheet 2]

b) With respect to the Collision coverage, please provide supporting analysis for the $13 million addition to the IBNR bulk provision with respect to accident year 2013/14. [AI.7, Exhibit 4, Sheet 3]

PUB (MPI) 1-40

Reference: AI.7

With respect to the AB Weekly Indemnity coverage [AI.7, Appendix E]:

a) Please provide the basis of selection of each selected incurred interval loss development factor assumption, including the Tabular Reserve 120 – Ultimate factor selection. [Pages 5, 6]

b) Please discuss the rationale for each of the changes made in the selected incurred interval loss development factor assumptions (including the Tabular Reserve 120 – Ultimate factor selection), relative to the corresponding selections made as at 28 February 2013. [Page 5, 6]

c) Please specify when the Tabular Reserve table was last re-calibrated to reflect Basic experience, and the expected timing of the next such re-calibration.

d) Please provide the $ impact on the reported incurred losses and ALAE (by accident year and in total) specifically arising from the 2013 PIPP claims review.

e) Please provide documentation of the precise manner in which the Incurred Development Method analysis properly accounts for this change in case reserving practices. [Pages 5 - 9]

f) Please provide documentation of the precise manner in which the Incurred Bornhuetter-Ferguson Method analysis properly accounts for this change in case reserving practices. [Pages 10 - 11]

g) Please provide the Incurred Bornhuetter-Ferguson Method trend regression analysis with the customary regression diagnostics and a graphical representation. [Page 10]

h) Please provide the basis of selection of each selected paid interval loss development factor assumption, including the Tabular Reserve 120 – Ultimate factor selection. [Pages 13, 14]

i) Please discuss the rationale for each of the changes made in the selected paid interval loss development factor assumptions (including the Tabular Reserve 120 – Ultimate factor selection), relative to the corresponding selections made as at 28 February 2013. [Page 13, 14]

j) Please discuss how the change back to the 2011 methodology (using the higher of the incurred BF method and paid BF method for the most recent three years only) fully accounts for the 2013 PIPP claims review. [Exhibit 4, Sheet 5]

PUB (MPI) 1-41

Reference: AI.7, Appendix F

With respect to the AB Other Indexed coverage [AI.7, Appendix F]:

a) Please provide the basis of selection of each selected incurred interval loss development factor assumption, including the 216 – Ultimate factor selection. [Pages 10, 11]

b) Please discuss the rationale for each of the changes made in the selected incurred interval loss development factor assumptions, relative to the corresponding selections made as at 28 February 2013. [Page 10, 11]

c) Please provide the $ impact on the reported incurred losses and ALAE (by accident year and in total) specifically arising from the 2013 PIPP claims review.

d) Please provide documentation of the precise manner in which the Incurred Development Method analysis properly accounts for this change in case reserving practices. [Pages 10 - 14]

e) Please provide documentation of the precise manner in which the Incurred Bornhuetter-Ferguson Method analysis properly accounts for this change in case reserving practices. [Pages 15 - 16]

f) Please provide the Incurred Bornhuetter-Ferguson Method trend regression analysis with the customary regression diagnostics and a graphical representation. [Page 15]

g) Please provide the basis of selection of each selected paid interval loss development factor assumption, including the 216 – Ultimate factor selection. [Pages 18, 19]

h) Please discuss the rationale for each of the changes made in the selected paid interval loss development factor assumptions, relative to the corresponding selections made as at 28 February 2013. [Page 18, 19]

i) Please discuss how the change back to the 2011 methodology (using the higher of the incurred BF method and paid BF method for the most recent three years only) fully accounts for the 2013 PIPP claims review. [Exhibit 4, Sheet 6]

Actuarial Standards Compliance

PUB (MPI) 1-42

Reference: AI.9

The cited quote from the 1992 GRA suggests that the "pure actuarial based method" is inconsistent with the Corporation's non-profit mandate, reportedly because the method does not recognize investment income on retained earnings as an offset to premium. Is this still the Corporation's position, and if so, why? [AI.9.3, Page 3]

PUB (MPI) 1-43

Reference: AI.9

Please describe the nature and extent of the actuarial foundation for the Driver Premiums and the Vehicle Premium discounts provided under DSR, and the implied balance between the resulting aggregated Driver Premiums and aggregated Vehicle Premiums, and discuss how these matters fit within the context of Mr. Johnston's opinion that indicated rates have been derived in accordance with accepted actuarial practice in Canada. [AI.9.4, Page 4]

PUB (MPI) 1-44

Reference: AI.9

Please provide supporting documentation for the derivation of the "Req Rate (Bal)" values shown by Major Class and Overall. [AI.9.5, Page 8]

PUB (MPI) 1-45

Reference: AI.9

Please discuss how the derivation of the estimated overall indicated rate change of +7.6% recognizes the present value of cash flows relating to the revenue at the indicated rate.

PUB (MPI) 1-46

Reference: AI.9

Please provide a restated version of the "Major Classification – Required Rate Changes" derivation exhibit which includes a profit provision that recognizes as a premium offset the contribution of the expected investment return on the assets supporting Basic Total Equity. [AI.9.5, Page 8]

PUB (MPI) 1-47

Reference: AI.9

Please provide supporting documentation for the selected discount rate of 4.15%, with GRA cross-references as appropriate.

PUB (MPI) 1-48

Reference: AI.9.5, p. 11

Please provide supporting rationale for choosing to discount cash flows to the end of the proposed rating year 2015/16, i.e., 28 February 2016.

Claims Incurred

PUB (MPI) 1-49

Reference: CI.3.1

With respect to the PIPP AB Weekly Indemnity coverage:

a) Please confirm that the "Claim Count Incurred > $0" values [Page 11] are estimated ultimate claim counts by accident year. If so, please provide the supporting analysis for the derivation of these estimated ultimate claim counts. If not, please define the nature of these claim count statistics and the underlying rationale for their use in this analysis.

b) Please provide the claim count 10-year trend regression analysis with the customary regression diagnostics and a graphical representation.

c) Please provide exhibit/sheet or appendix/page cross references to the Actuary's Report as of 28 February 2014 in AI.7 for the estimated ultimate amounts by accident year as shown [Page 11].

d) Please document the derivation of the estimated ultimate severities broken down between "Claims $0-$100,000" and "Claims $250,000+" [Page 12], in particular explaining why claims between $100,001 and $250,000 are excluded, and how the possibility of distinct claim count and amount development patterns between the two groups is addressed.

e) Please provide the two claim severity 13-year trend regression analyses ("Claims $0-$100,000" and "Claims $250,000+", respectively) with the customary regression diagnostics and graphical representations.

f) Please link the projected amounts shown for "Interest Rate Impact" and "All Other Changes" by fiscal year [Page 13] to the supporting Exhibit 1/1b tables.

g) For each table comprising Exhibit 1, please provide footnotes with GRA cross-references as needed to fully document the derivation formulae and data sources underlying forecasted values, in particular making it clear how the impact of changing discount rates (as implied by the GRA's interest rate forecast) is captured.

PUB (MPI) 1-50

Reference: CI.3.2

With respect to the PIPP ABO Indexed coverage:

a) Please provide the claim count 5-year trend regression analysis with the customary regression diagnostics and a graphical representation.

b) Please provide the two claim severity 13-year trend regression analyses ("Claims $0-$100,000" and "Claims $250,000+", respectively) with the customary regression diagnostics and graphical representations.

PUB (MPI) 1-51

Reference: CI.3.3

With respect to the PIPP ABO Non-Indexed coverage:

a) Please provide the claim count all year trend regression analysis with the customary regression diagnostics and a graphical representation.

b) Please provide the two claim severity 13-year trend regression analyses ("Claims $0-$100,000" and "Claims $250,000+", respectively) with the customary regression diagnostics and graphical representations.

PUB (MPI) 1-52

Reference: CI.5

With respect to the Collision coverage:

a) Please confirm that the cited "change in reserving practices" [Page 31] relates to the addition of a bulk IBNR provision of $13 million (before provision for adverse deviations) due to the backlog of unrecorded vehicle damage claims resulting from the extreme cold weather. If not, please describe the nature, timing and extent of the cited "change in reserving practices".

b) Please provide the forecasted "HTA Earned Units" for accident years 2014/15 to 2018/19 underlying the forecasted ultimate incurred amounts [Page 36], and document the derivation of the forecasted "HTA Earned Units" for accident year 2014/15 providing GRA cross-references as appropriate.

c) Please document the derivation of the accident year 2014/15 ultimate severity providing GRA cross-references as appropriate.

d) Please comment on the extent to which the Corporation believes its frequency and severity forecasts fully encompass the expected impact of "changes in vehicle technology, more complex vehicle manufacturing, and use of non-repairable components" as these types of vehicles grow in significance over time in the insured fleet of vehicles.

PUB (MPI) 1-53

Reference: CI.8.5, p. 54

Please provide additional supporting rationale for the assumption of no changes in the premium deficiency provision over the forecast period, in particular considering that the current GRA proposes a rate level in excess of the required rate level for the 2015/16 rating year due to the inclusion of a 1% RSR rebuilding fee.

Basic Expenses

PUB (MPI) 1-54

Reference: Recycled Parts

Please provide a table summarizing the Corporation's costs for new parts, aftermarket parts and recycled parts for vehicles repaired for the last ten years as a dollar and percentage of total parts used, in the form provided in answer to PUB/MPI I-44 at the 2011 GRA.

PUB (MPI) 1-55

Reference: SM5.3, TI.5 Trend Analysis 2014 GRA

a) Please provide an update to the trend analysis from 2010 to 2019 on a similar basis as that provided in response to PUB/MPI I-52 last year.

b) Provide the same analysis as (a) for the Corporation

c) Please re-file the table as restated in (a) above excluding expenditures on immobilizer installations, related administrative costs and BTO/BPR expenditures.

d) Please include in the trend analysis the compounded annual growth for 2009/10 through 2013/14 and 2013/14 to 2016/17.

PUB (MPI) 1-56

Reference: E.3, Appendix 4 Expense Allocation Formulas

a) Please file the cost allocation schematic for 2015/16

b) Please provide a comparison between E.7 Appendix 2 provided at the last GRA with E.3 Appendix 4 provided this year and indicate any changes in allocators used in the cost allocation methodology.

c) Please also provide details of any changes made to the cost categories, accounting units, groupings of accounting units or purification adjustments made to the methodology since the last GRA, in particular the Driver Licensing and Control cost category and all accounting units that appear to be in last year's schematic and not this year's.

d) Please indicate whether there were any changes in the allocation of Initiatives from the last GRA.

Operating & Administrative Expenses

PUB (MPI) 1-57

Reference: Expenses

a) "It should be noted that upon completion of a project, ongoing expenses will transfer into the normal operations expense grouping." [E.1, Page 6] Given this assertion, why are there forecasted amounts for Improvement Initiative Ongoing Expenses? [E.1, Page 5]

b) If the next replacement cycle for certain types of data processing equipment is scheduled to occur in 2016/17 following a three year cycle, why isn't the amount shown for 2013/14 actual in this regard elevated relative to the 2014/15 and 2015/16 forecast amounts? [E.2.1, Pages 7 and 9]

c) Please indicate when the last furniture and equipment refresh was made and provide a comparison with the level of expenditures then with those forecast for 2017P.

d) "The amortization of deferred development project costs starts on March 1st of the year after the project is ***completed***." "For projects that are ***still in progress***, the amortization of deferred development expenses are forecasted as part of ongoing expense related to improvement initiatives and are not included as normal operating expenses." [E.2.1, Page 10] Please reconcile and explain these two statements?

PUB (MPI) 1-58

Reference: Expenses E.1 Overview Appendix 9 PUB/MPI I-80 (a) Attachment 2014 GRA

a) Please detail the costs incurred related to the Mainframe decommissioning and advise of to what extent those costs have been allocated to Basic.

b) Please explain the increase in ongoing IBM Data Centre expenses in 2012/13 and 2013/14 and why these one-time date conversion expenditures were not capitalized.

c) Please explain the differentiation between data processing IBM Data Centre expenditures and ongoing annual IBM Data Centre expenses.

d) Please explain why the annual IBM Data Centre expenditure appears to have increased from that forecast last year for the years 2014/15 through 2017/18.

PUB (MPI) 1-59

Reference: E.2.1 Corporate Normal Operating Expenses

a) Please update the table to include fiscal years 1999/2000 through 2012/13.

b) Please provide additional columns indicating the compound annual growth rate for 2009/10 through 2013/14, 2013/14 to 2016/17 and 2016/17 to 2018/19.

c) Please provide a similar analysis in (a) for Basic Normal operations.

d) Please provide a summary of the details of Special Services and Other expenses for 2013/14 and a forecast for the years 2014/15, 2015/16 and 2016/17.

e) Please provide a schedule reflecting (a) and (b) for total Corporate operations.

f) Please provide a schedule on the same basis as (c) for total Basic operations.

g) Please refile (a) to include Initiative Implementation and Initiative Ongoing expenditures.

h) Please file Basic expenses on a similar basis as that provided in CAC/MPI I-6 (2014 GRA) for the years 2012/13 through 2016/17.

PUB (MPI) 1-60

Reference: Expenses, Appendix 1, Appendix 9, PF.6, PF.7 – Data Processing Costs, E.4.2

a) Please reconcile for 2015/16 the $29.6 million in Corporate data processing costs on Appendix 1 with the data processing costs of $20.4 million included in Appendix 9.

b) Please provide a detailed comparison of the Basic Initiative Implementation expenses for 2015/16 and 2016/17 forecast last year with that forecast this year by project.

c) Please provide detailed support for the provisions for future project expenses of $2,397,000 for 2015/16 and $3,195,000 for 2016/17 [E.4.2].

PUB (MPI) 1-61

Reference: Expenses Appendix 1 pp. 5 & 8 - Merchant Fees

a) Please provide the current merchant fee rates and the proposed revised rates and explain the basis for the expectation of an increase in merchant fee rates.

b) Please provide the determination of merchant fee costs for 2014/15 and the two test years.

c) Please explain why 2013/14 is affected by an "anticipated" increase in merchant fee rates.

PUB (MPI) 1-62

Reference: Expenses Appendix 9, PUB/MPI 2-33 (2014 GRA)

a) Please provide the Information Technology Costs Table in Appendix 9 broken down between Normal operations, Initiative implementation and Initiative ongoing expenses.

b) Please update the schedule of IT expenses to include the years 2005/06 through 2008/09 and include two columns providing the compound annual growth rate for 2005/06 to 2013/14 and 2013/14 through 2018/19.

c) Please update the corporate capital IT schedule as in (a) above, and include a column on the right of total capital costs by project.

PUB (MPI) 1-63

Reference: SM.2 Benchmarking pp. 12, 19, AI.12

a) Please provide a description of each of the productivity factors that are being developed to assess cost containment measures [SM.2, p. 12].

b) In table format, please file a 5-year historical analysis of each of the metrics provided in AI.12 for the fiscal years 2009/10 through 2013/14 and those forecast through 2016/17, including all relevant data to determine the ratios. Please comment on the internal trends.

c) Please file a copy of any reports, presentations or customized analyses provided by the Ward Group to the Corporation's management since the last GRA, including the Trend Analysis Report referenced.

d) Please provide the composition of the Canadian Personal Auto Group, Canadian Benchmark Group and US Personal Auto Group.

PUB (MPI) 1-64

Reference: SM5.2 Benchmarking p. 19, AI.12, CAC/MPI I-5 2014 GRA

Please file an update to CAC/MPI I-5 from the 2014 GRA, providing operational, claims costs and premium historical statistics similar to TI.5 Part 1 & 2 from the 2013 GRA.

PUB (MPI) 1-65

Reference: CAC/MPI 1-20 2014 GRA, AI.12

a) Please provide an update to CAC/MPI I-20 (2014 GRA).

b) Please reconcile the claims/claims employee ratio per CAC/MPI I-20 (2014 GRA) with that reported in 1.2.3 Reported Claim per Claims FTE for 2010 through 2012.

c) Please reconcile the claims expense per claims ratio provided in response to CAC/MPI I-20 at 2014 GRA with that presented in 1.2.2.

PUB (MPI) 1-66

Reference: AI.12 1.1 – Corporate Comparison

Please provide a Corporate Performance benchmarking comparison with SGI for 2012 and 2013 (from publicly available information if required) relative to the operational efficiency metrics listed by MPI.

PUB (MPI) 1-67

Reference: Benchmarking

a) Is it practical to provide benchmarking of the Corporation's claims handling practices by reference to the disability duration guidelines and rehabilitation plans built on leading industry practices as provided to staff? [SM.1, Page 21]

b) Is it practical to produce benchmarking vs. Basic operations for SGI and ICBC? [SM.2, Page 16]

c) With respect to the Operational Efficiency Measures employed, it is practical to develop any of these metrics for Basic operations only? [SM.2, Page 17]

PUB (MPI) 1-68

Reference: Compensation Expense p. 16 &17

a) Please provide supporting calculations for the vacancy provision in 2015/16.

b) Please file a headcount analysis indicating where the Corporation targets reducing its staffing levels.

c) Please provide a schedule providing the estimated current number of staff that are eligible for retirement, the assumed retirement pattern for the years 2014/15, 2015/16 and 2016/17 and discuss the proposed salary savings to be realized.

d) Please extend the Corporate Annual Salary Changes – Normal Operations schedule to include forecast years, 2014/15 through 2016/17.

PUB (MPI) 1-69

Reference: 2 Expenses E2.1.2, Appendix 3 Staffing Levels

a) Please provide the detailed Normal Operations budget for 2014/15

b) Please provide the same level of detail in Appendix 3 for staffing levels of Implementation operations, segregating between MPI employees and contractors.

c) Please explain how MPI has adjusted its salary expense for rate setting purposes to counter this persistent under budget variance.

PUB (MPI) 1-70

Reference: E.2.1.2 Corporate Staff Levels, p. 15

Please provide an updated staffing comparison (actual versus budget or forecast) from 2005/06 through 2018/19 including Normal Operations and Initiative staffing levels, both with and without contractors.

PUB (MPI) 1-71

Reference: Expenses pp. 12, 13 – Compensation

a) Please provide the staffing analysis in support of the assumption that for forecasting purposes 50% of the staff are eligible for step increases in light of the hiring freeze currently in place.

b) Please file the detail of payroll in a similar format to TI.8 from the 2013 GRA for the fiscal years 2011/12 to 2016/17.

c) Please refile the Compensation and Salary analysis from Expenses p. 12 including fiscal years 2011/12 to 2016/17.

PUB (MPI) 1-72

Reference: Expenses Appendix 3 2013/14 Reorganization

a) Please explain the reason for and timing of the reorganization which saw the elimination of the Claims Control and Safety Operations Department in 2013/14. Please provide a schedule indicating where the staff from that department was reassigned.

b) Please explain how the re-organization has impacted the cost allocations between Basic and the other lines of business.

PUB (MPI) 1-73

Reference: E.4.1 p. 23 - Capitalized Payroll

Please provide a schedule of total salaries and benefits and the portion of internal payroll costs capitalized in each of the years 2005/06 through 2018/19.

PUB (MPI) 1-74

Reference: E.4.1 Appendices 7, 8 Project costs

a) Please provide a budget comparison of BTO/BPR projects by major component this year with the budget provided last year for 2013/14, 2014/15 and 2015/16 in similar format to PUB I-58 (b) Attachment at the last GRA.

b) Please provide any supporting calculations for the provisions for projects, by project, for 2015/16 to 2018/19.

c) Please file Information Technology Costs including the compound annual growth rate for 2009/10 to 2013/14 and 2013/14 to 2018/19.

PUB (MPI) 1-75

Reference: E4.2 p. 24, Physical Damage Reengineering AI.10 pp. 4, 8

a) Please provide a detailed description and supporting calculations in respect of the anticipated savings of $13.3 million in operating and claims incurred related to the PDR project.

b) Please file a detailed budget in support of the $65.5 million PDR project cost and provide a comparison of the budget established in the Project Charter with the actual and forecast expenditures on the project found in E.4.2.

c) Please provide a comparison to the $56.4 million budgeted for the project last year (PUB/MPI 2-33 Attachment) and explain the reason for the increase.

d) Please describe the nature of expenditures being expensed on the Physical Damage Re-engineering project.

e) Please provide details of each contract issued, by consultant, and amount of contract related to the PDR.

PUB (MPI) 1-76

Reference: PUB/MPI I-62 p. 2, 2014 GRA

Please explain what concerns were raised by Gartner related to MPI's tendering process and describe the current IT tendering process.

PUB (MPI) 1-77

Reference: E.4.1 Project costs - Basic Expenses, pp. 23, 26

a) Please provide a detailed breakdown by cost element of implementation expenses by improvement initiative projects for 2013/14 to 2018/19.

b) Please provide a detailed breakdown by cost element of ongoing expenses by improvement initiative projects for 2013/14 to 2018/19.

PUB (MPI) 1-78

Reference: E.4.2 Information Security Strategy & Roadmap

Please file the Project Charter and total capital, implementation and ongoing costs related to this project.

PUB (MPI) 1-79

Reference: Gartner Scorecard PUB/MPI 2-23 2014 GRA AI.12 Appendix 4

a) Please file an update to the response to Gartner's recommendations provided at PUB/MPI 1-62 last year, for activities that were acted upon or were being evaluated last year and please provide a description of the actions and the financial and operational impact of those actions.

b) Please provide a new schedule detailing all recommendations made by Gartner in this year's Scorecard, the status of each recommendation and the Corporation's comments.

c) For any recommendations that were made and not accepted by MPI last year or this year, please summarize the reasons for not implementing the recommendation.

PUB (MPI) 1-80

Reference: AI.12 Appendix 4 Gartner 2014 Scorecard

Gartner indicates that MPI has increased its IT base and as a result should experience an increase in IT "run rate" costs. Gartner has identified $19.5 million in IT spending that will impact future IT Costs. Please indicate what MPI is budgeting for increased annual IT operating costs related to the new IT infrastructure.

PUB (MPI) 1-81

Reference: AI.12 Appendix 4 Gartner 2014 Scorecard pp. 11, 12

Gartner observes that IT staffing is above the peer group and insurance industry averages and that staffing should decline given the transition to third party service providers. Please indicate the current IT staffing level (MPI and Contractors) and the expenses that MPI expects to incur over the next five years.

PUB (MPI) 1-82

Reference: PUB/MPI I-76 2014 GRA, Expenses Appendix 1

Please provide a detailed breakdown by cost category of Basic Claims, operating and road safety expenses for the years 2009/10 through 2018/19 and provide the compound annual growth rate for 2009/10 to 2013/14, 2013/14 to 2016/17 and 2016/17 to 2019/20.

Capital Expenditures

PUB (MPI) 1-83

Reference: Information Technology Expenses – Appendix 9

Please update the IT Corporate costs schedule and delineate the costs paid to external parties versus those incurred internally and include compounded annual growth rates from 2009/10 through 2013/14 and 2013/14 through 2018/19.

International Financial Reporting Standards (IFRS)

PUB (MPI) 1-84

Reference: OV.15 IFRS

a) Please file any internal or external reports prepared subsequent to the August 2013 Deloitte report on IFRS 9 and/or IFRS 4.

b) Please indicate whether there has been any evolution of MPI's considerations on the elections available under IFRS 9 and/or IFRS 4 and whether MPI continues to intend to consult with the Board in advance of any decisions.

RSR Rebuilding and Rebating

PUB (MPI) 1-85

Reference: PFT of Dan Guimond

Mr. Guimond has stated at Slide 9 that "Predictable and clear criteria for RSR rebuilding & rebating is needed."

a) With two proposed criteria for establishing the lower bound for the RSR target level, one based on the RSR balance and the other based on the Total Equity balance, how does the Corporation propose that the two criteria will work together to define a lower bound for the RSR target level?

b) What are the proposed criteria for establishing the proposed increase or decrease of the RSR rebuilding fee for a given rating year?

c) What are the proposed criteria for establishing the proposed size of the RSR rebate for a given rating year?

d) Please provide the supporting argument and rationale for adoption of a 100% MCT ratio (vs. some other level of MCT ratio) for defining the upper bound for the RSR target level.

e) For reference purposes, please describe the nature and extent of the reliance on the MCT for Basic RSR target level setting purposes currently in use by SGI and ICBC.

PUB (MPI) 1-86

Reference: Volume III, 2013 Annual Report p. 25, Corporate Strategic Plan p. 15

MPI has indicated that it will transfer excess funds from the competitive lines, dependent on the Board’s Order relative to the RSR Target methodology. In last year's Annual Report and this year's Corporate Strategic Plan MPI has reflected retained earnings targets of $32 million for Extension and $35 million for SRE. In this year's Annual Report, MPI has restated the target for Extension to be $72 million and the SRE target to be $42 million.

a) Please reconcile the RSR Targets for the three lines of business set out on Page 15 of the Corporate Strategic Plan with the current targets indicated in the Annual Report.

b) Please explain why MPI increased the target for the Extension line of business by 55% or $40 million, to $72 million.

c) Please explain why MPI increased the target for the SRE line of business by 14%, or $5 million.

d) Please provide a description of the basis for setting the retained earnings target levels for Extension and SRE.

Road Safety and Loss Prevention

PUB (MPI) 1-87

Reference: PFT, p. 19

Please provide the Corporation's definitions of the terms "Road Safety" and "Loss Prevention" and the source of each definition.

PUB (MPI) 1-88

Reference: Expenses - Appendix 6

Please identify which line items the Corporation characterizes as Road Safety expenses and which line items the Corporation characterizes as Loss Prevention expenses, with reasons for each characterization.

PUB (MPI) 1-89

Reference: SM.1.3.3, p. 28

The Corporation has provided examples of its current loss prevention strategies.

a) Are there other loss prevention strategies being undertaken by the Corporation?

b) If so, what are those strategies and what are the corresponding savings to the Corporation?

PUB (MPI) 1-90

Reference: Expenses - Appendix 6, SM.3, Attachment B

a) Please provide a forecast of Road Safety and Loss Prevention expenses at the same level of detail found at Expenses - Appendix 6 through the outlook period.

b) Please advise of why there is no material increase to the overall budget being forecast through the outlook period, either for existing or new programs.

c) Please provide a detailed Road Safety and Loss Prevention budget for 2014/15 by specific program and compare that to 2013/14 actual spending.

d) Please explain the reasons for reductions in spending in 2013/14 for Occupant Safety Strategies and Motorcycle Safety Education and Program Evaluation.

e) Please advise of why the Road Safety Programming budget is to fall by approximately $500,000, or almost 1/3.

PUB (MPI) 1-91

Reference: Anti-Theft Initiatives, SM.3

For the years 2009/10 through 2013/14 (actual) and that forecast for 2014/15 through 2018/19, please provide the annual spending on all aspects on the anti-theft initiative including the immobilizer program, support of the specialized auto theft prosecution team, support of the Winnipeg Police Service, WATSS and all other anti-theft initiatives delivered either internally or by external parties for which the Corporation has extended financial support as set out in PUB/MPI I-63 last year.

PUB (MPI) 1-92

Reference: SM.3.6.5, p. 22

The Corporation has stated that it is investigating the potential uses of certain emerging vehicle technologies. Please describe each of the emerging technologies and the extent to which these technologies have been implemented in other jurisdictions, to the Corporation's knowledge. What is the status of the Corporation's investigation with respect to each technology, and when are the results of each investigation expected to be available?

PUB (MPI) 1-93

Reference: E.4.3.1, p. 28

a) Please confirm that Phase I of the HSDE program redevelopment is completed and that the ADTSEA report filed last year represents the Phase I report. If the ADTSEA report filed last year does not represent the Phase I report, please identify the report and file a copy.

b) Please advise of when Phase II of the HSDE program redevelopment will commence, with the issuance of a Request for Proposal by the Corporation.

c) Last year the Corporation advised the Board (PUB/MPI I-95(b)) that the formative evaluation of the HSDE program completed by Northport & Associates helped to inform the Corporation's review and redesign of the program. Do each of the recommendations made by Northport & Associates (Attachment B to PUB/MPI I-95 last year) continue to be implemented by the Corporation? If not, why not?

PUB (MPI) 1-94

Reference: SM.3.6.5, p. 21

a) Last year the Corporation advised the Board (PUB/MPI I-95(c)) that it expected to receive the final AAA Foundation for Traffic Safety summative evaluation report before the end of 2013, subject to change based on the timing to complete evaluations in other participating jurisdictions. Please advise of when the release of the report is expected and the reasons for the delay.

b) Please advise of the cost to the Corporation for the AAA Foundation for Traffic Safety summative evaluation.

c) Please advise of why the Corporation did not conduct its own summative analysis as ordered by the Board in Order 151/13.

PUB (MPI) 1-95

Reference: OV.9, p. 23

What education and awareness efforts is the Corporation undertaking that are different than those which it has undertaken in the past?

PUB (MPI) 1-96

Reference: SM.3.2, p. 7

Please advise of what changes were made to the Road Safety Calendar and how those changes are expected to enhance awareness and expand enforcement programs.

PUB (MPI) 1-97

Reference: SM.3.3, p. 9

a) Please advise of the depth of the analysis conducted by the Corporation relative to collision and claims data.

b) Please confirm whether this analysis was conducted by the Corporation in previous years.

c) If not, please advise of the source of the change in circumstance that has enabled the Corporation to commence conducting this analysis.

PUB (MPI) 1-98

Reference: SM.6.14

a) The Board ordered that the Corporation file an independent review of its current Road Safety portfolio with a view to optimizing the portfolio. Why has the Corporation not done so?

b) The Board ordered that the Corporation file an independent review of the optimal size of its Road Safety budget. Why has the Corporation not done so?

PUB (MPI) 1-99

Reference: SM.3.6.1, p. 13

The Corporation has advised that its Road Safety delivery function has been integrated into its broader Community Relations portfolio for greater alignment of programming and better leveraging of sponsorship opportunities.

a) From which portfolio were Road Safety matters handled previously, and did that portfolio liaise with Community Relations?

b) Is the "new Road Safety Manager" reflective of a new position within the Corporation or has a new individual been hired to fulfill an existing role?

c) Are the two analyst positions reflective of new positions within the Corporation or have new individuals been hired to fulfill in existing roles?

PUB (MPI) 1-100

Reference: SM.3.6.2, p. 14

a) What external firm retained has been retained by the Corporation and what is the anticipated cost of that retainer?

b) Please file the proposal of the successful firm and advise of whether the work plan in the proposal has since changed.

c) How will the work of the external firm interplay with the work of the Road Safety Manager and the two analysts referenced above?

d) How far has the external firm progressed with its analysis to date and when is the work anticipated to be completed?

e) The timeline provided at Attachment C will result in the research & analysis for a given year not being available for that year's GRA process, and the Corporation's priorities being identified concurrently with the Board's Order being issued. Can the timeline be revised such that the Board can see the completion of the research & analysis within the GRA process and have the opportunity for input into the priorities being identified?

f) Please confirm that RACI stands for "responsible, accountable, consulted and informed".

PUB (MPI) 1-101

Reference: SM.3.6.3, pp. 16 and 19

a) Please advise of whether Attachments D and E were prepared for the GRA filing, or for another primary purpose.

b) Please describe the function of an automated license plate reader, including why it is advantageous, and please advise of the cost of the device.

PUB (MPI) 1-102

Reference: SM.3.6.4, p. 20

a) Please advise of any other examples of the Corporation's new and innovative approaches to target key audiences about Road Safety (aside from the social media strategy and distracted driving simulator referenced).

b) Please advise of when the social media strategy will be implemented and what action items that strategy will include.

c) Please advise of whether the distracted driver simulator will be incorporated into the existing HSDE program. If not, how will the simulator be made available to teen audiences?

PUB (MPI) 1-103

Reference: SM.3.7, p. 24

a) Please advise of whether the Corporation:

   (i) engages in any further discussion with the stakeholders to whom data is communicated regarding ideas or plans for changes to collision "hotspots";

   (ii) monitors changes in data over time relative to collision "hotspots";

   (iii) identifies common characteristics as between collision "hotspots";

   (iv) considers specific strategies relative to each of the three categories of vulnerable road users for the purposes of improving safety.

b) Please advise of why locations of fatalities are not included in claims data, and whether the Corporation has plans to change that practice.

c) Please advise of why the locations of collisions in rural areas of Manitoba are not tracked by the Corporation.

d) Please advise of whether the Corporation records and tracks the locations of claims arising from road conditions including potholes. If so, please file that data for the last five years.

DCAT

PUB (MPI) 1-104

Please clarify or correct the table provided summarizing the "DCAT Restated Base Forecast" [RSR.1 Page 6].

PUB (MPI) 1-105

Please provide supporting rationale for why the proposed 100% MCT ratio upper target is an RSR target (excluding Accumulated Other Comprehensive Income), rather than a Total Equity target [RSR.1 Pages 10, 11].

PUB (MPI) 1-106

Please provide supporting analysis and rationale for the proposed 100% level for the MCT ratio as an RSR upper target [RSR.1 Pages 10, 11].

PUB (MPI) 1-107

Please identify and justify all significant differences in modeling assumptions between the GRA Basic forecast [PF.1 to PF.3] and the DCAT Base Scenario [RSR.2 Exhibit 1a to 1c]. Which forecast represents the Corporation's best estimate projection of Basic operations?

PUB (MPI) 1-108

Please identify and discuss the significance of the main driving forces behind the increase in the Corporation's proposed RSR lower target of $172 million from the 2013 DCAT up to $194 million from the 2014 DCAT [RSR.2 Page 25]. Please include commentary on the reasonableness of the magnitude of this shift from one DCAT to the next, and how indicative this might be of the expected stability in proposed RSR lower targets going forward.

PUB (MPI) 1-109

Please provide a restated Exhibit 1a, 1b and 1c, separating the vehicle premiums from the RSR Rebuilding Fees, and separating out amounts relating to the premium deficiency reserves [RSR.2 Exhibit 1].

PUB (MPI) 1-110

Please provide a restated Exhibit 1a, 1b and 1c, assuming 0.0% RSR rebuilding fees, and separating out amounts relating to the premium deficiency reserves [RSR.2 Exhibit 1].

PUB (MPI) 1-111

Please discuss the reasonableness of the assumed 0.0% rate changes in 2016/17 and beyond as best estimate assumptions considering Basic's break-even mandate [RSR.2 Page 22 and SM.4 Page 8].

PUB (MPI) 1-112

Please discuss the reasonableness of the assumed steady 1.0% RSR Rebuilding Fee in 2016/17 and beyond as best estimate assumptions considering the forecasted level of Basic RSR and Total Equity [RSR.2 Page 22, PF.2].

PUB (MPI) 1-113

Please provide the supporting analysis for the assumed "Change in the Premium Deficiency or Deferred Policy Acquisition Cost Write Down – Impact on Net Income" [RSR.2 Page 24].

PUB (MPI) 1-114

Please provide the supporting analysis of "Historical Total Returns on the S&P/TSX by Percentile and Return Period (Cumulative)" and the distribution fitting process underlying the "Selected Adverse Scenarios by Percentile and Return Period (Cumulative)" [RSR.2 Pages 29 and 30].

PUB (MPI) 1-115

Please provide the supporting analysis of "Historical Declines in Long-Term Bond Yields (1956 to April 2014)" and the distribution fitting process underlying the "Selected Adverse Scenarios by Percentile and Period (Cumulative)" [RSR.2 Page 42].

PUB (MPI) 1-116

For the selected 4 year, 1-in-40 probability Combined Scenario (Equity Returns, Interest Rates and Claims Incurred), please provide the assumed cumulative S&P/TSX Total Returns by year, the assumed interest rate declines (before limitation) by year, and the assumed cumulative simulated total ultimate losses by year (comparable to the tables shown on RSR.2 Page30, Page 83 and Page 42, respectively).

PUB (MPI) 1-117

Please provide the supporting analysis of "Correlation between Equity Returns and Interest Rate Movement" [RSR.2 Page 49].

PUB (MPI) 1-118

Please provide a restated Exhibit 5a, 5b, 5c, 5h, 5i and 5j separating the vehicle premiums from the RSR Rebuilding Fees, and separating out amounts relating to the premium deficiency reserves [RSR.2 Exhibit 5].

PUB (MPI) 1-119

Please document the derivation of the resulting MCT ratio if the RSR balance is restated to the suggested RSR upper target as at 28 February 2013 and 28 February 2014, and discuss the results [RSR.3].

PUB (MPI) 1-120

Please provide supporting documentation for the amounts shown for the "Assets with a Capital Requirement of 100%" [Row 17] for the Basic MCT ratios as at 28 February 2013 and 28 February 2014 [RSR.3].

PUB (MPI) 1-121

Given the presence of significant balances shown as "Assets with a Capital Requirement of 100%" for the Basic MCT ratios as at 28 February 2013 and 28 February 2014 [RSR.3], why do the DCAT forecasted MCT ratios not reflect forecasted "Assets with a Capital Requirement of 100%" [for example RSR.2 Exhibit 1d]?

PUB (MPI) 1-122

In general, how does the Corporation propose to address future changes to the MCT for purposes of having an RSR upper target based on the MCT?

PUB (MPI) 1-123

In making its current recommendation for a 100% MCT RSR upper target, what consideration has the Corporation given to the current draft proposed changes to the MCT taking effect 1 January 2015?

PUB (MPI) 1-124

Does the Corporation anticipate making any changes in 2015 to its proposed RSR upper target in response to the current draft proposed changes to the MCT taking effect 1 January 2015?

PUB (MPI) 1-125

Please provide an illustration of the expected impact of the 2015 draft proposed changes to the MCT by restating the Basic MCT ratios as at 28 February 2013 and 28 February 2014 to reflect OSFI's current 2015 Draft MCT Guideline.

PUB (MPI) 1-126

Reference: AI.11 p.15 Financial Model Guide

a) Please indicate when MCT functionality will be incorporated into the financial model.

b) Please describe any other functionality currently being developed for inclusion the model.

PUB (MPI) 1-127

Reference: AI.11, Financial Forecast Model Test Report, p. 14

Please discuss the source of the difference of $1.547 million in section 2.1.2(e).

PUB (MPI) 1-128

Reference: Financial Forecast Model Test Report

a) Please provide a full description of the limitations with the financial model and implications of these limitations on the use of the model. [AI.11 p. 4]

b) Please provide a full listing of any model changes that have been made since the 2014 DCAT technical conference and the reason for the changes. Provide any supporting documentation.

PUB (MPI) 1-129

Reference: AI.11 Financial Forecast Model Test Report, p. 30/.pdf p. 31 – Impact of changes in U.S. Equity Portfolio

Please describe the relationship within the model between large changes in the market value of the U.S. equity portfolio and the fixed income asset values.

PUB (MPI) 1-130

Reference: AI.11 pp. 6, 11 Sensitivity Testing

a) Please provide an interpretive description of the results of the sensitivity testing conducted and explain the criteria used to assess the difference from base case and reach the conclusion that the results were acceptable.

b) For the Sensitivity Testing performed please provide a comparison between the expected pattern of outcomes with the differences from base.

PUB (MPI) 1-131

Reference: Peer Review

Please file the peer review for the 2014 DCAT Report.

PUB (MPI) 1-132

Reference: RSR.2, p. 29

a) Please confirm whether the equity decline scenario is limited to the return on the Canadian portion of the equity portfolio.

b) Please indicate how the equity decline returns are forecast to impact returns on other investment categories?

PUB (MPI) 1-133

Reference: DCAT p. 30 – Dividend Yield

a) Please explain how the dividend yield would be expected to remain constant if the market value of a security has declined. Is it assumed that dividend paying stocks will cut their dividend from current levels due to a decline in the market value of their shares? Please provide an illustrative example of how the dividend yield is determined.

b) Please indicate the level of dividend income assuming no decline on dividends for the existing portfolio

PUB (MPI) 1-134

Reference: Impairments p. 31

Please explain the basis for the 80% of book value threshold for impairment of equity investments.

PUB (MPI) 1-135

Reference: DCAT Exhibit 2n

Please explain what factors are behind the unrealized losses on marketable bonds in concert with the equity declines in 2015/16 and 2016/17.

PUB (MPI) 1-136

Reference: DCAT p. 31

MPI states that the highlighted cells reflect where the base forecast equity assumptions were used. MPI states that it identified these cells because the historical data indicates that equity returns are not independent from year-to-year (especially after large declines), and therefore, these results may not be plausible beyond the return period tested.

a) Please explain what historical returns have indicated after large declines and why the financial model is based on normal base scenarios rather than historical recovery in determining financial adequacy.

b) Please explain why the highlighted cells are considered not plausible.

c) Please provide the returns on both the Canadian and U.S. equity markets during the last five years subsequent to the 2008 financial correction.

PUB (MPI) 1-137

Reference: DCAT High Loss Ratio

Please explain why reinsurance and reinstatement premiums would not increase after a high loss event.

PUB (MPI) 1-138

Reference: DCAT p. 43 Interest Rate Decline Scenario

a) Please indicate how long the interest rate yield of 1.68% remained in effect for the Government of Canada 10 year bonds.

b) For the periods in question in (a) please indicate the annualized return on the Canadian and U.S. equity markets.

PUB (MPI) 1-139

Reference: DCAT p. 50 Combined Scenario

a) Please explain what factors have led MPI to conclude that the financial model is not providing plausible results in the shaded cells. Please indicate what the historical experience has indicated.

b) Please indicate all historical four year periods since 1956 when there was a decline in interest rates in concert with reductions in equity returns as modeled by MPI.

PUB (MPI) 1-140

Reference: DCAT Exhibits 4g, 5g

a) Please explain the differentiating factors which underpin the $51 million reduction in marketable bonds unrealized gains and $8 million reduction in marketable bonds realized gains between the interest rate decline scenario and the combined scenario.

b) Please indicate the interplay between inflation under the interest rate decline scenario and the returns assumed for infrastructure and real estate which are based in part on inflation.

PUB (MPI) 1-141

Reference: DCAT p. 40 Interest Rate Adverse Scenario

a) Please provide the supporting econometric or financial analysis that supports the plausibility of a decline in interest rates over the next five years from current levels to historical lows.

b) Please discuss and indicate how management action such as cash flow matching the actuarial liabilities would impact the results of the interest rate decline and combined adverse scenarios.

PUB (MPI) 1-142

Reference: DCAT p. 32, 2013 DCAT p. 26

Please provide the decline in equity market scenario, investment income and cumulative difference from base forecast investment income table in similar format to that provide in the 2013 DCAT and compare with last year explaining any differences in results.

PUB (MPI) 1-143

Reference: AI.12 Appendix 4 p.8/Gartner Report p. 6

MPI indicates that if one-time investments were excluded its scoring would be similar to the Peer group for IT spending as a percentage of revenue.

a) Please indicate to what extent the Peer group ($30.1 million in Change the Business) includes or excludes large “one time” investments to assess the reasonableness of the assertion made on comparability.

b) Please provide MPI’s IT spending as a percentage of revenue since 2000 including and excluding one-time investments.

PUB (MPI) 1-144

Reference: AI.12 Appendix 4

a) Please provide a description of cost containment and the basis for MPI's improved scoring on this metric.

b) Please discuss the implications on cost containment of no change in Business Process Management and how MPI intends to improve this metric.

PUB (MPI) 1-145

Reference: AI.12 Appendix 4 pp. 8 &13

a) Gartner recommends that MPI should invest in strong Governance over third-party service providers and MPI's current maturity score for Business Process Management is below Peer group scores and has not improved from last year.

b) Please provide a full explanation of what type of Governance Management is required over Third Party Service Providers and the changes MPI proposes to its current practices in this area.

ARM (MPI) 2015 GRA Information Requests

ARM (MPI) 1-1

Please provide annual totals of the Corporation's payment for recycled parts for claims over the last 12 years together with breakdown of spending on total parts (new, recycled, after market) for these same years, and indicate the percentage that the recycled parts comprise vs. the total parts cost.

ARM (MPI) 1-2

Please explain the Corporation's basis of payment to repairers for parts, addressing the amount of the repairer's mark up of the parts.

ARM (MPI) 1-3

Is there a monetary gain for a repairer to reject recycled parts and instead then use new parts?

ARM (MPI) 1-4

What steps or mechanisms does the Corporation use to ensure that the repair shops use recycled parts that are available?

ARM (MPI) 1-5

Does MPI use all recycled parts available from recyclers' inventories? Or are there more parts or more types of parts quoted or available to quote than the amount purchased?

ARM (MPI) 1-6

Please indicate whether the procedures, or the staffing, have charged in the last two (2) years for monitoring the use of recycled parts referred to in ARM 1-4 above.

ARM (MPI) 1-7

Please describe the RCO (now RPP) office and its functions.

ARM (MPI) 1-8

What is the current costs of running the RPP office? What is included in these costs?

ARM (MPI) 1-9

What is the current costs of running the "E" Glass Program? What is included in these costs?

ARM (MPI) 1-10

What is the annual pay out on glass claims for the last 10 years, by year?

ARM (MPI) 1-11

Since MPI took over the RCO (now RPP) there has been an increase in participants, what is the increase in parts quoted and supplied attributable to these new participants annually?

ARM (MPI) 1-12

Are all recycled parts applied to claims supplied by RPP participants? If not, are the parts and the vendors held the same criteria as the RPP participants?

ARM (MPI) 1-13

How is "parts only" salvage disposed of? What are the applicable restrictions?

ARM (MPI) 1-14

What percentage goes to RPP participants to be properly processed?

ARM (MPI) 1-15

What criteria is followed to determine salvage classification?

ARM (MPI) 1-16

Who performs the above evaluation/designation?

ARM (MPI) 1-17

What procedures and standards do you have in place to ensure parts only salvage will be responsibly and competently dismantled and then property recycled or otherwise safely disposed of?

ARM (MPI) 1-18

What is in place to ensure that the danger and risk that is inherent in parts only salvage will be appropriately dealt with from an environmental and health risk perspective if sold to a non-RPP participant?

ARM (MPI) 1-19

Please provide more details on the initiatives and changes involved in the PD Re-Engineering Program? Is there a source or background document the Corporation can provide?

ARM (MPI) 1-20

What safeguards will be instituted to check that estimating by body shops in the new distributed estimating initiative will be as cost effective to the Corporations as the current system and ensure costs are controlled? Please show the breakdown of the expected savings.

ARM (MPI) 1-21

What is the Corporation specifically planning to change in its "streamlining of parts sourcing"?

ARM (MPI) 1-22

Please explain in detail how the Corporation plans to use "predictive analytics" in connection with parts sourcing and provide examples.

ARM (MPI) 1-23

Please describe what toxic contaminants and substance are produced as a result of an automobile total loss and what effects these substances have in the environment and the health and safety of Manitobans who come into contact with same.

ARM (MPI) 1-24

Physical change costs approached 495.5 million dollars over the last year as set out in AI.10. What does the Corporation plans to do to ensure this amount is controlled in the forthcoming year?

ARM (MPI) 1-25

Does part of the cost control involve greater use of recycled parts in the coming years?

ARM (MPI) 1-26

Please confirm that the Corporation did previously maintain a "Recycled Parts First Policy" or a similar named policy or theme. Has the policy changed?

ARM (MPI) 1-27

Please confirm that the Corporation has changed as of July 7, 2014 to not purchase recycled glass. Please also describe the Corporation's justification in making the change.

ARM (MPI) 1-28

Please advise whether the Corporation agrees that the "E-glass" computer program was deficient in being able to locate glass in the recycler's inventories. Please comment on whether this computer program deficiency resulted in the loss of purchasing for recycled glass and the consequent decision not to buy recycled glass.

ARM (MPI) 1-29

Why did the Corporation decide to take over the RCO?

CAA (MPI) 2015 GRA Information Requests

CAA (MPI) 1-1

How many single vehicle collisions were reported in/from,

a) December 2013
b) January 2014
c) February 2014
d) December 1, 2012 – February 28, 2013
e) December 1, 2011 – February 28, 2012
f) December 1, 2010 – February 28, 2011
g) December 1, 2009 – February 28, 2010
h) December 1, 2008 – February 28, 2009

CAA (MPI) 1-2

For the following time frames, what percentage of total claims took place

a) Within city of Winnipeg limits
b) Within city of Brandon limit
c) Outside of Winnipeg and Brandon city limits
   - December 1, 2013 – February 28, 2014
   - December 1, 2012 – February 28, 2013
   - December 1, 2011 – February 28, 2012
   - December 1, 2010 – February 28, 2011
   - December 1, 2009 – February 28, 2010
   - December 1, 2008 – February 28, 2009

CAA (MPI) 1-3

Before the collision, how many claims in each time period were reported by drivers with the following Driver Safety Rating (DSR):

a) +5
b) +6
c) +7
d) +8
e) +9
f) +10
g) +11
h) +12
i) +13
j) +14
k) +15

- December 1, 2013 – February 28, 2014
- December 1, 2012 – February 28, 2013
- December 1, 2011 – February 28, 2012
- December 1, 2010 – February 28, 2011
- December 1, 2009 – February 28, 2010
- December 1, 2008 – February 28, 2009

CAA (MPI) 1-4

From December 1, 2013 – February 28, 2014, how many vehicles involved in collisions had winter tires?

CAA (MPI) 1-5

When providing funding to police agencies to administer programs like Road Watch and distracted driving blitzes, how much direction is given by Manitoba Public Insurance to the policing agencies, in regards to:

a) Location

b) Time of day of enforcement

c) Frequency

CAA (MPI) 1-6

In section SM.3.6.2 in the 2014 Rate application, Manitoba Public Insurance references hiring an external firm to:

> *"assist in developing a formal process to review road safety priorities and a formal road safety research and evaluation framework to identify emerging issues that have potential to impact claims and claims cost on a forward-looking basis."*

a) What is the cost of this external firm?

b) When will this report be completed?

CAA (MPI) 1-7

In section SM.3.6.4 in the 2014 Rate Application, Manitoba Public Insurance references a distracted driving simulator.

a) What was the total capital cost of this simulator?

b) Where will this simulator be used?

c) What are the annual operating costs of this simulator?

CAA (MPI) 1-8

Manitoba Public Insurance is the sole funder for Mature Drivers Workshops, put on by Safety Services Manitoba. How many people attended this workshop for the following time periods:

a) March 1, 2013 – February 28, 2014

b) March 1, 2012 – February 28, 2013

c) March 1, 2011 – February 28 2012

d) March 1, 2010 – February 28, 2011

CAA (MPI) 1-9

Does Manitoba Public Insurance collect data on what (if any) relationship exists between snow clearing and collisions?

CAC (MPI) 2015 GRA Information Requests

Claims

CAC (MPI) 1-1

Reference: Value to Manitobans SM.1 page 16.

Preamble: "In fiscal year 2013-2014, based on the office of the Auditor General recommendation, Manitoba Public Insurance studied the four previously non-indexed PIPP benefits for reasonableness and fairness and we have made recommendations to index these benefits going forward."

a) Please describe the four non-indexed PIPP benefits.

b) By indexing these four benefits, please provide the estimated annual claims incurred increase by fiscal year for 2013/14 through to 2017/18.

c) Has legislation passed to index the four non-indexed PIPP benefits, if not, when is legislation expected to pass.

CAC (MPI) 1-2

Reference: Value to Manitobans SM.1 page 19.

Preamble: Service Centre Model. "As this initiative matures, the Corporation expects to remove, in a substantial way, seasonal backlogs in claims."

a) Please provide a claims volume backlog history by quarter for the last two fiscal years:

Fiscal Year 2012/13:	**Claims Volume Backlog**
Nov - Jan	
Feb - Apr	
May - Jul	
Aug - Oct	
Fiscal Year 2013/14:	
Nov - Jan	
Feb - Apr	
May - Jul	
Aug - Oct	

b) Please elaborate on the procedures and processes put in place to overcome claims volume backlogs.

c) Please explain, in general terms, the impact (financial and otherwise) of claims volume backlogs on policy liability valuations and claims incurred forecasting.

d) Please provide a detailed analysis of how claims incurred reserves were booked at year-end for the claims volume backlog.

CAC (MPI) 1-3

Reference: SM.4 2015/16 Comparative Statement page 14.

Preamble: Increase in claims incurred by $2,630,000 due to higher costs from Collaborative Estimating Initiative.

a) Please explain, in detail, the justification and benefits of implementing the Collaborative Estimating Initiative.

b) Please provide the detailed Collaborative Estimating Initiative project costs, by fiscal year.

CAC (MPI) 1-4

Reference: SM.5 Rate Setting Framework page 6.

Preamble: "Complementing this is the use of underlying statistical data. The Corporation uses the data as reported in its claims database in a structured, consistent manner each year."

a) Please elaborate on the reliability of the claims database. Please itemize the procedures MPI has in place to ensure the accuracy of the claims database.

b) Please elaborate on and itemize the changes made to the claims system impacting the claims database during the last year.

CAC (MPI) 1-5

Reference: CAC (MPI) 1-91 (a) and (b) and PUB (MPI) 1-36 (a) to (f) of the 2014 GRA.

Please prepare and file similar schedules as filed in CAC (MPI) 1-91 (a) and PUB (MPI) 1-36 (a) to (f) in the 2014 GRA for Basic Insurance; namely, Six Year Claims Frequency Comparison, Six Year Claims Severity Comparison, and Six Year Claims Incurred Comparison and comparing Original Projected, Revised Projected and Actual Basic Insurance; namely, Schedule 1 Ten Year Claims Frequency Comparison, Schedule 2 Ten Year Claims Severity Comparison, Schedule 3 Ten Year Claims Incurred Comparison, Schedule 4 Ten Year Comprehensive – Theft Claims Frequency Comparison, Schedule 5 Ten Year Comprehensive – Theft Claims Severity Comparison and Schedule 6 Ten Year Comprehensive – theft Claims Incurred Comparison.

CAC (MPI) 1-6

Reference: Volume III 2013 Annual Report AI.6 Part 1B page 14.

Preamble: "..we are enhancing our collaborative relationship with the repair industry and working to address the challenges of increasingly complex vehicle design and construction. This is aided by the extension of our agreement with the Automotive Trades Association and the Manitoba Motors Dealers Association, during which a cooperative approach will allow us to develop solutions to common issues".

a) Please file a copy of the extended agreements with the Automotive Trades Association and the Manitoba Dealers Association.

b) Please elaborate on the changes made to the extended agreements.

c) Please elaborate on the "cooperative approach" which will allow developing solutions to common issues.

CAC (MPI) 1-7

Reference: Volume III 2013 Annual Report AI.6 Part 1B page 14.

Preamble: "An update to the Manitoba Collision Repair Industry Study which will be used to determine the effectiveness of initiatives undertaken to date and set the foundation for future process improvements".

a) Please file a copy of the updated Manitoba Collision Repair Industry Study.

b) Please elaborate on the recent updates made to the study.

CAC (MPI) 1-8

Reference: Volume III 2013 Annual Report AI.6 Part 1B page 23.

Preamble: "Salvage vehicles were sold to automobile recyclers and the public to be rebuilt or used for replacement parts" amounting to $27,355,000.

a) Please calculate and provide the amount of salvage vehicle sales allocated to Basic Insurance.

b) Please provide a detailed operating statement for salvage vehicle sales for the fiscal years 2013/14 and forecasted for 2014/15 and 2015/16.

CAC (MPI) 1-9

Reference: Annual Audited Financial Statement for the fiscal year ended February 28, 2014 (Report).

Preamble: The Actuary's Report indicates the following "…I have valued the policy liabilities of Manitoba Public Insurance Corporation..." In the Basis of Reporting Statement of Compliance section of the Report it states "…the external actuary is required to carry out a valuation of the insurance contract liabilities…"

Please elaborate on the difference(s) between 'policy liabilities' and 'insurance contract liabilities'.

CAC (MPI) 1-10

Reference: Annual Audited Financial Statement for the fiscal year ended February 28, 2014 (Report) page 31.

Preamble: "Adjustment to the Selected IBNR for Claims Reporting Backlog The Corporation experienced a significant increase in the number of collision claims for the most recent accident year due to a worse than normal winter season. As a result, there were significant delays in the claims reporting process…The change in the selected IBNR increased the discounted net claim liabilities by $18.8 million and ILAE provision by $3.8 million.

a) Please elaborate on the status of the claims backlog.

b) Please elaborate on how the updated information technology infrastructure aided in the managing of the claims volume backlog, if any.

c) Please elaborate as to when the special backlog IBNR of $18.8 million and ILAE provision of $3.8 million will be released back into operational results.

CAC (MPI) 1-11

Reference: CAC (MPI) 1-95 of the 2014 GRA—Physical Damage Growth Rates

Preamble: In the 2014 GRA the physical damage growth rate factors were found as part of Exhibit 5 and 6 in Volume II Claims Incurred.

a) Please file a copy of the detailed Repair Rates Growth Factors similar to the tables in Exhibit 5, Table 5 and Exhibit 6, Table 5 Volume II Claims Incurred of the 2014 GRA.

b) Please comment on any significant changes, in the Repair Rates Growth Factors, from the 2014 GRA compared to the 2015 GRA.

CAC (MPI) 1-12

Reference: CAC (MPI) 1-94 from the 2014 GRA – Statistical Measures of the Efficacy of Forecasting Methodology

a) Please extend the tables provided in the referenced response from last year's GRA to include the 2013/14 insurance year.

b) Please elaborate on improvements achieved and made in the Forecasting Methodology from the 2014 GRA to the 2015 GRA.

CAC (MPI) 1-13

Reference: Claims Incurred Forecasting

a) Please provide an update of the Claims Forecasting Committee membership. If there have been any changes in the membership since the 2014 GRA, please explain the changes in membership.

b) Please describe the expertise brought to the table by the current Claims Forecasting Committee members.

CAC (MPI) 1-14

Reference: Volume II Claims Incurred CI.1 page 5

Preamble: "For coverages where claim payments occurs over a longer period (e.g. PIPP accident benefits), the Corporation starts by forecasting the accident year ultimate incurred losses and then uses the development assumptions to project 'backwards' the paid and incurred losses from ultimate to 12 months."

Please compare the current year forecasting methodology for PIPP claims incurred to previous years, explain and rationalize the differences, if any.

CAC (MPI) 1-15

Reference: Volume II Claims Incurred CI.2 page 7

Preamble: Development Assumptions. For Collision negative development occurs from year 4 to 8 and for Property Damage negative development occurs from year 4 to 9.

a) Please explain the cause of the negative development for Collision and Property Damage.

b) Please quantify the negative development by year and coverage.

CAC (MPI) 1-16

Reference: Volume II Claims Incurred CI.2 page 9

Preamble: Assumed Claim Liability Duration (Years)

a) Please elaborate on the claim duration of 10.30 years for 2013/14 compared to other years.

b) Please file a claim liability duration chart, by coverage, for fiscal years ended February 29, 2013 and February 28, 2014.

CAC (MPI) 1-17

Reference: Volume II Claims Incurred CI.3 page 11 and Appendix C

Preamble: "Prior accident year's Weekly Indemnity ultimate loss estimates were increased significantly in the October 2013 Appointed Actuary's report. The increase was caused mainly from a March 2014 review of all existing PIPP claims reserves,…"

a) Please file a copy of the March 2014 PIPP review report.

b) Please elaborate on the significant increase in Income Replacement ($107,539,000 for 2014 compared to $69,581,000 for 2013) and Expenses ($46,026,000 for 2014 compared to $17,316,000 for 2013) as shown in Appendix C.

c) Please elaborate on the cause of what necessitated the March 2014 PIPP review.

d) Please elaborate on the changes to the Reserving Calculator caused by the March 2014 PIPP review, if any.

e) Please elaborate on how the March 2014 PIPP review could have affected the October 2013 Appointed Actuary's report which would have been completed before March 2014 (released January 17, 2014).

CAC (MPI) 1-18

Reference: Volume II Claims Incurred Appendix C and Appendix D

Preamble: Differences in total claims incurred.

Please reconcile and explain the difference in claims incurred between Appendix C and D. (For example, the claims incurred for 2014 on Appendix C is $225,768,000 and on Appendix D the amount is $99,797,833).

CAC (MPI) 1-19

Reference: Volume II Claims Incurred CI.3.4 page 24

Preamble: PIPP Enhancements. In 2013/14 the claims incurred are negative by $3,292,000, a decrease from the 2014 GRA of $13,510,000. In 2014/15 the reported claims incurred are forecasted to be $13,975,000. The rationale given is as follows: "The reported incurred forecast in 2014/15 increases significantly as the development assumptions assume that a large percentage of the current IBNR for PIPP enhancements will be reported."

Please elaborate on this assumption in light of the significant decrease in IBNR in the previous year (a decrease from forecast of $14 million).

CAC (MPI) 1-20

Reference: Volume II Claims Incurred CI.5 page 25 and CI.1 page 5

Preamble: Collision, Comprehensive and Property Damage

Please provide the 'at-12-month' claims incurred data, used to develop the claims incurred forecasts, by peril for collision, comprehensive and property damage by accident year for the previous five fiscal years and for the forecasting period by fiscal year.

CAC (MPI) 1-21

Reference: Volume II Claims Incurred CI.5 page 31

Preamble: Collision Claims Incurred. "…there were several factors that led to the 2013/14 severity increase that were not contemplated in last year's forecast. – 1% higher severity due to a change in reserving practices. The higher reserves do not reflect a change in the cost of collisions, but rather a change in the timing of when reserves are recorded and removed."

a) Please elaborate on the impact on severity as a result of the change in timing of when reserves are recorded and removed.

b) Please elaborate on the process of how reserves are removed as a result of full payments and partial payments for claims and expense reserves.

c) By way of an example, please demonstrate how severity rises by 1% but claims incurred to do not increase.

d) Please explain and detail the "change in reserving practices" that has been implemented.

CAC (MPI) 1-22

Reference: CAC (MPI) 1-91(a)

Preamble: Collision Trend

a) Please prepare a comparison analysis of the Collision, Comprehensive, and Property Damage claims frequency, claims severity and claims incurred by fiscal year quarter, in formats similar to 2014 CAC (MPI) 1-91(a), for the fiscal years 2012/13A through to 2013/14A and annually for fiscal years 2015/16P through to 2017/18P. (A – Actual, P – Projected)

b) For claims incurred, for the same periods and coverages as in (a) above, please provide a spreadsheet detailing the claims incurred amount into its components (paid, salvage recoveries, change in reported reserves, change in IBNR and ILAE, unallocated expenses and other).

CAC (MPI) 1-23

Reference: Volume II Claims Incurred CI.5 pages 32 and 33

Preamble: Collision Claims Incurred Total Losses. "the most significant factor impacting the total loss severity was an increase in average vehicle value produced by the Corporation's valuation tool – Blackbook."

a) Please elaborate and list the various valuation tools MPI uses to set total loss reserves.

b) Please describe and list the source(s) of the data contained in the Blackbook.

c) Please elaborate on the relevance of the average Blackbook values to the values of the MPI fleet of insured vehicles.

d) Please explain and provide an analysis comparing the higher MPI average claim settlement value to the average Blackbook value.

e) Please explain whether the total loss vehicle salvage recovery value is included in the calculation of the MPI average claim settlement value.

f) Please prepare an analysis comparing ICBC and SGI average total loss settlement values to MPI's total loss settlement values for the last three fiscal years.

CAC (MPI) 1-24

Reference: Volume II Claims Incurred CI.8.5 pages 54

Preamble: Change in Premium Deficiency or DPAC Write-Down

a) With a proposed 3.4% rate change effective March 1, 2015, please elaborate as to whether the Corporation is forecasting to be premium sufficient as of March 1, 2015. If not, please elaborate as to when the Basic Insurance will no longer be reporting a premium deficiency.

b) Please elaborate on the rate change required to eliminate the premium deficiency by February 28, 2016.

CAC (MPI) 1-25

Reference: Volume II Claims Incurred CI.8.4 pages 53, Revenues R.3 page 25

Preamble: Reinsurance Ceded Claims

Please elaborate as to why MPI is not forecasting reinsurance ceded claims incurred for the years 2014/15 through to 2018/19 but is forecasting reinsurance ceded premiums for the years 2014/15 through to 2018/19.

CAC (MPI) 1-26

Reference: Volume II Claims Incurred Exhibit 8

Preamble: Body Shop Signing Bonus, PIPP out of House Counsel and Miscellaneous Provision

a) Please elaborate on the Body Shop Signing Bonus of $22,187 in 2013/14.

b) Please elaborate on the PIPP out of House Counsel expenses of $66,517 for 2013/14 and no expenses projected for years 2014/15 through to 2018/19.

c) Please elaborate on the anticipated detailed expenditures for the $750,000 annual provision for years 2014/15 through to 2018/19, if any.

CAC (MPI) 1-27

Reference: Volume III Actuarial Reports AI.7 October 31, 2013 and February 28, 2014

Preamble: Page 6 of the October 31, 2013 Actuarial report states "We revised the loss development factors for Collision to reflect recent experience. Impact: Increase of $0.2 million." In the letter dated May 2, 2014 to Ms. Heather Reichert forming part of the February 28, 2014 Actuarial report it states: "Due to the extreme cold weather, there was a backlog of unrecorded vehicle damage claims. A bulk IBNR ($16.5 million before provision for adverse deviations) was added for the February 28, 2014 valuation to reflect the delay in processing." In Volume II Claims Incurred CI.5 Collision page 35 it states "A special collision IBNR provision of $13 million was added to the 2013/14 year to account for the significant lag in claim reporting as a result of the high claims frequency."

a) Please confirm that up to October 31, 2013 there was no indication of a significant change (increase or decrease) to the collision severity and frequency.

b) Please reconcile the $16.5 million bulk IBNR to the special collision IBNR provision of $13 million.

c) Please file the detailed actuarial analysis supporting the actuary's determination of the requirement for the bulk IBNR of $16.5 million.

CAC (MPI) 1-28

Reference: Actuarial Principles and Practices

Please provide an analysis of changes to actuarial principles and practices since the last GRA hearings impacting MPI's Policy and Liability valuations, if any.

CAC (MPI) 1-29

Reference: On page 3 of section SM.6 the corporation states that a full review of all PIPP claims was completed in the 2013/14 year because of apparent under-reserving of claims.

a) Please specify what led the corporation to believe there was under-reserving of claims.

b) Please give specifics in regards to how the review was done – what reserving guidelines were used, what claims were reviewed, what coverages were impacted and by how much. If a report was created please provide the report.

c) Should the increase in case reserves not coincide with a decrease in expected development on claims in the Actuary's report? If not, why not?

CAC (MPI) 1-30

Reference: AI.10

Preamble: On page 8 of Charter PDR – AI.10 it states that "The Corporation recently completed an RFP process with the purpose of acquiring and implementing predictive analytics software. This software will primarily be leveraged to predict claims fraud cases with the anticipation of increasing claim recoveries associated with claims fraud."

Please give further details on how this software will be used. Specifically, what variables will be used as input to the models, will it be used to scan claims for potential fraud and will it be used prior to claims being made or only after the claim is made.

CAC (MPI) 1-31

Reference: Claims Incurred section page 11

Please provide all of the figures used in the calculation of the All year Trend for Claim Count Incurred > $0, Severity and Ultimate.

CAC (MPI) 1-32

Reference: With reference to the various trends used to forecast severity, frequency and ultimate incurreds it is normal practice for companies with large amounts of data to fit distributions to their loss history to predict these trends.

Why does the Corporation rely on simple linear trends instead of using more advanced methods to determine these trends?

CAC (MPI) 1-33

Reference: Page 55 of the Claims Incurred section

Please reconcile the Claims Incurred figures shown for the 2010/11 and 2011/12 years to the figures shown for those years on the table on page 50.

CAC (MPI) 1-34

Reference: Page 55 of the Claims Incurred section

Please reconcile the ULAE figures shown for the 2009/10 to 2011/12 years to the figures shown for those years on the table on page 51.

CAC (MPI) 1-35

Reference: Page 55 of the Claims Incurred section

Please reconcile the Change in ILAE figures shown for the 2012/13 year to the figure shown for that year on the table on page 52.

CAC (MPI) 1-36

Reference: Page 55 of the Claims Incurred section

Please explain what the Other Financial Adjustments are and where in the application these figures are broken down.

CAC (MPI) 1-37

Reference: Page 35 of the Claims Incurred section and the February 28, 2014 Actuary's Report

Please explain how the special collision IBNR provision of $13 million was calculated.

Cost Control

CAC (MPI) 1-38

Reference: Pre-Filed Testimony page 13

Preamble: "The Corporation has done many things in the past to ensure that the biggest expense it has – claims costs – is managed with the state-of-the-art systems".

Please explain, in general terms, how the state-of-the-art systems aided the Corporation in controlling claims costs.

CAC (MPI) 1-39

Preamble: Direct claims incurred, per Volume III AI.6 Part 1A page 2 Universal Compulsory Automobile Insurance Annual Financial Statement, increased from $669,398,000 in 2013 to $749,889,000 in 2014; an increase of $80,491,000.

Please explain and, if possible, quantify the financial impact the state-of-the-art systems had in controlling the increased claims incurred of about $80.5 million for this period.

CAC (MPI) 1-40

Reference: Pre-Filed Testimony page 14 and SM.1 page 8 Value to Manitobans

Preamble: "…initiatives undertaken by the Corporation have resulted in cost savings or cost avoidance of $60 million per year".

a) In general terms, please explain the difference between cost savings and cost avoidance.

b) Please provide a table as follows:

Name of Initiative	Cost Category (Claims Incurred or Expenses)	Amount of Cost Avoidance ($000)	Amount of Cost Savings ($000)	Total Cost Avoidance and Savings ($000)
Total				**$60,575**

c) Please provide the analysis undertaken, by initiative, in estimating the annual savings of approximately $60 million.

CAC (MPI) 1-41

Reference: Pre-Filed Testimony page 14, Volume III AI.6

Preamble: "Despite the increase in the number of claims this year, total corporate claims and operating expenses are lower than last year".

Per Corporate Annual Audited Financial Statements

Expense Category	2014 ($000)	2013 ($000)	Increase (Decrease) ($000)
Claims expense	132,564	126,848	5,716
Loss prevention/Road safety	15,558	15,881	(323)
Operating	115,840	124,828	(8,988)
Regulatory/Appeal	3,791	3,424	367
Total	**267,753**	**270,981**	**(3,228)**

Per Annual Audited Universal Compulsory Automobile Insurance Financial Statements

(Basic Insurance)

Expense Category	2014 ($000)	2013 ($000)	Increase (Decrease) ($000)
Claims expense	114,552	108,587	5,965
Loss prevention/Road safety	12,816	13,031	(215)
Operating	67,982	63,758	4,224
Regulatory/Appeal	3,766	3,392	374
Total	**199,116**	**188,768**	**10,348**

a) Please confirm that the Corporate expenses decreased from 2013 to 2014 by $3,228,000 and Basic Insurance expenses for the same years increased by $10,348,000.

b) Please explain and provide a detailed analysis for the opposite financial impact between Corporate and Basic Insurance relating to operational efficiency from 2013 to 2014.

CAC (MPI) 1-42

Reference: Pre-Filed Testimony page 14

Preamble: "…the Corporation acknowledges the impact of a second year of a significant financial loss and has taken the following serious management actions in implementing cost containment strategies".

Please provide the anticipated annual cost savings for fiscal year 2015/16 for each cost containment strategy in the following table relating to Basic Insurance:

Cost Containment Strategy	Estimated Savings ($000)
Hiring Freeze	
Out-of-Province Travel	
Expenses for Meetings	
Total	

CAC (MPI) 1-43

Reference: Pre-Filed Testimony page 15

Preamble: "…a committee of senior managers has been formed to identify, investigate and implement operating cost reduction initiatives…"

Please file a copy of the Terms of Reference relating to this committee.

CAC (MPI) 1-44

Reference: Pre-Filed Testimony PowerPoint Presentation page 2

Preamble: "…Address physical damage claims cost …Offer customer service delivery options at lower operational costs…"

a) In general terms, please elaborate on the anticipated types of service delivery options at a lower operational cost to be offered to customers.

b) Please elaborate on the actions required in preparing the organization for the digital economy and in preparing the organization to adapt to meet new operational realities.

CAC (MPI) 1-45

Reference: Corporate Strategic Plan 2014-2018 AI.6 Part 2 Page 12

Preamble: A strategy relating to Goal 2 states "To maintain claims expense per reported claim at a maximum of 50 per cent of industry average".

a) Please confirm claims expense per reported claim for fiscal years 2012/13 and 2013/14 were maintained within 50 per cent of the industry average.

b) Please file a copy of the detailed calculations, assumptions, data sources and analyses which support that claims expense per reported claim for Basic Insurance were maintained at 50 per cent of industry average. If the calculation is only performed at a corporate level, please file a copy of the corporate calculation and analyses.

CAC (MPI) 1-46

Reference: Corporate Budget

a) Please provide the approved corporate budget for ongoing operations and for new projects and initiatives for the 2013/14 fiscal year for Basic Insurance and the Corporation.

b) Please indicate when the 2013/14 budget was approved and file a copy of the Budget and Operations Committee of the Board of Directors Minute approving the Budget.

c) Please show variances between the approved budget and actual results and explain any significant variances.

d) Please provide the budgetary guideline for ongoing operations in 2013/14 and indicate whether this guideline was met.

e) Please provide the approved budget for ongoing operations and for new projects and initiatives for the 2014/15 fiscal year for Basic Insurance and the Corporation.

f) Please indicate when the 2014/15 budget was approved and file a copy of the Budget and Operations Committee of the Board of Directors Minute approving the Budget.

g) Please provide the budgetary guideline for ongoing operations in 2014/15 and indicate whether this guideline was met.

CAC (MPI) 1-47

Reference: SM.1 Value to Manitobans page 19

Preamble: Service Centre Model. "Flexible staffing opportunities, where staff cross-train in more than one role, resulting in higher service availability without adding staff.."

a) Please describe the professional and other training required for an individual to be an expert service centre employee.

b) Please file a sample job description a qualified service centre employee would follow.

CAC (MPI) 1-48

Reference: SM.2 Benchmarking

Preamble: “As indicated previously, based on the Corporation’s business model a higher FTE per $100 million of GPW is expected.” Currently, as reported, the FTE’s per $100 million of GPW for MPI is 153.54 compared to, for example, the Canadian Personal Auto Group of 103.07.

In general terms, please elaborate and describe the required adjustment to the MPI value to be comparable to the Canadian Personal Auto Group.

CAC (MPI) 1-49

Reference: SM.4 Projected Financial Results Page 11

Preamble: 2014/15 Comparative Statement

The comparative statement presented represents the 2013/14 comparative multi-year statement and not the 2014/15. For the record, please file the correct comparative multi-year statement.

CAC (MPI) 1-50

Reference: SM.4 Projected Financial Results 2015/16 Page 14

Preamble: Downtown Allowance and Health and Wellbeing Flexible Spending Plan.
The normal operating expenses increased by $2,127,000 due to the new Downtown Allowance and Health and Wellbeing Flexible Spending Plan.

Please provide a detailed explanation and the benefits achieved by the new Downtown Allowance and Health and Wellbeing Flexible Spending Plan.

CAC (MPI) 1-51

Reference: Operating Historical Statistics – CAC (MPI) 1-5 of 2014 GRA

Please prepare and file Operational and Claims Cost History statistics similar to the attachment to CAC (MPI) 1-5 of the 2014 GRA.

CAC (MPI) 1-52

Reference: Summary of Basic Expenses and Compensation Increases –Basic Share – CAC (MPI) 1-6 and PUB (MPI) 1-74 (a, b and c) and PUB (MPI) 1-78 of 2014 GRA

Please prepare and file Basic Expenses and Compensation Increases in a format similar to CAC (MPI) 1-6 attachment, PUB (MPI) 1-74 a, b and c attachments and PUB (MPI) 1-78 attachment of the 2014 GRA.

CAC (MPI) 1-53

Reference: Compensation Reports

Please file a copy of the public compensation report as of December 31, 2013 prepared in accordance with the Compensation Disclosure Act together with the Auditor's report.

CAC (MPI) 1-54

Reference: Organization

a) Please file a copy of the current corporate organization chart, detail and explain any changes that have occurred since last year.

b) Please prepare and file an analysis describing the duties and responsibilities of each division/function highlighting any changes from last year.

CAC (MPI) 1-55

Reference: Consultants

a) Please complete the following table, by fiscal year, for consultants engaged at MPI:

	2012/13 Actual	2013/14 Actual	2014/15 Budget
Number of Consultants			
Consulting fees incurred	$	$	$
Divisional Area of Engagement			

b) Please provide a detailed analysis, by project, and area of engagement of the listed consultants.

c) Please advise which firms currently provide IT consulting services to MPI.

CAC (MPI) 1-56

Reference: External Audit and Actuary fees

a) Please complete the following table by fiscal year:

	2012/13 Actual	2013/14 Actual	2014/15 Budget
External Auditor:			
• Audit fees			
• Consulting/other fees			
Appointed Actuary:			
• Valuation fees			
• Consulting/other fees			

b) For both the external auditor and the appointed actuary please explain the purpose and reports produced or opinions rendered for their engagement and fees paid for consulting and other services, if any.

c) Please file a copy of the engagement letter (service contract) for both the external auditor and actuary as it relates to their services for 2013/14.

d) Please file a copy of the most recent external auditor search RFP.

CAC (MPI) 1-57

Reference: MPI Internal Indicators – CAC (MPI) 1-17 of 2014 GRA

Please reproduce the attachment to CAC (MPI) 1-17 from the 2014 GRA, updating it to include 2014 with Loss/Prevention/Road Safety costs removed from Claims Expenses and included with Operating expenses.

CAC (MPI) 1-58

Reference: Trend Analysis – CAC (MPI) 1-18, PUB (MPI) 1-32 (c) and PUB (MPI) 1-52 (a) and (b) from the 2014 GRA

Please reproduce Schedules 1, 2 and 3 in response to PUB (MPI) 1-32(c) and PUB (MPI) 1-52 (a) and (b) from the 2014 GRA, updating it to include 2018/19.

CAC (MPI) 1-59

Reference: Secondment

Has the government seconded any of MPI's staff for whom MPI pays their salary and benefits? If yes, please quantify the operating expense relating to basic insurance.

CAC (MPI) 1-60

Reference: Donations and Sponsorships

Please provide a detailed schedule of donations and sponsorships made by MPI during 2013/14 compared to 2012/13.

CAC (MPI) 1-61

Reference: 2014 GRA CAC (MPI) 1-20

The following indicators and calculations were confirmed by MPI in information requests CAC (MPI) 1-20 in the 2014 GRA.

Indicator	2006/7	2007/8	2008/9	2009/10	2010/11
i. Operating Expense Ratio	14.2%	15.0%	15.0%	16.0%	16.2%
ii. Claims Expense Ratio	14.1%	14.7%	14.8%	14.8%	15.2%
iii. Loss Ratio	82.8%	79.0%	74.5%	70.9%	44.4%
iv. Combined Ratio	111.1%	108.6%	104.3%	101.8%	75.8%
v. Investment Income Ratio	16.1%	16.4%	0.5%	11.6%	11.2%
vi. Investment Yield	6.3%	4.0%	(5.8)%	13.7%	8.4%
vii. Operating Expense/Policy	$48	$50	$48	$54	$65
viii. Claims Expense/Claims	$409	$416	$487	$482	$487
ix. Policies/Support Employee	2,485	2,499	2,556	2,446	2,590
x. Claims/Claims Employee	253	266	233	234	245
xi. Premiums/Policy	$776	$777	$794	$807	$804
xii. Insurance Costs/Capita	$553	$566	$593	$606	$615

Indicator	2011/12	2012/13	2013/14	2014/15	2015/16
i. Operating Expense Ratio	16.4%	17.1%	16.4%	16.0%	15.6%
ii. Claims Expense Ratio	16.1%	16.5%	16.1%	16.0%	15.3%
iii. Loss Ratio	80.4%	87.4%	84.5%	79.2%	76.8%
iv. Combined Ratio	112.8%	121.0%	117.0%	111.2%	107.6%
v. Investment Income Ratio	13.3%	9.0%	15.0%	7.7%	5.3%
vi. Investment Yield	6.4%	6.9%	6.2%	3.5%	2.6%
vii. Operating Expense/Policy	$61	$67	$67	$69	$68
viii. Claims Expense/Claims	$541	$521	$514	$543	$549
ix. Policies/Support Employee	2,560	2,409	2,368	2,426	2,468
x. Claims/Claims Employee	241	255	257	259	259
xi. Premiums/Policy	$790	$736	$764	$801	$823
xii. Insurance Costs/Capita	$624	$589	$614	$646	$668

Indicator	2016/17	2017/18	2018/19
i. Operating Expense Ratio	%	%	%
ii. Claims Expense Ratio	%	%	%
iii. Loss Ratio	%	%	%
iv. Combined Ratio	%	%	%
v. Investment Income Ratio	%	%	%
vi. Investment Yield	%	%	%
vii. Operating Expense/Policy	$	$	$
viii. Claims Expense/Claims	$	$	$
ix. Policies/Support Employee			
x. Claims/Claims Employee			
xi. Premiums/Policy	$	$	$
xii. Insurance Costs/Capita	$	$	$614

(i) Operating Expense Ratio (%) (The numerator to include the following—commissions, operating expenses, premium taxes and regulatory/appeal expenses.)

The ratio of operating expenses to net premiums earned measures the company's operational efficiency in underwriting its book of business.

(ii) Claims Expense Ratio (%) (The numerator to include claims expenses and loss prevention/road safety expenses.)

The ratio of claims expense to net premium earned measures the company's efficiency in adjudicating claims.

(iii) Loss Ratio (%)

The ratio of claims incurred to net premiums earned measures the company's underlying profitability, or loss experience, on its book of business.

(iv) Combined Ratio (%)

The sum of the loss, operating expense and claims expense ratios, not reflecting investment income or income taxes, measures the company's overall underwriting profitability, and a combined ratio of less than 100 indicates an underwriting profit.

(v) Investment Income Ratio (%)

The ratio of investment income to net premiums earned measures the contribution of investment income toward the combined ratio in measuring the company's overall net profitability.

(vi) Investment Yield (%)

To be calculated on current market value basis as per Annual Reports.

(vii) Operating Expense/Policy ($)

The operating expense/policy dollar value measures the cost efficiency or activity cost of issuing a policy.

(viii) Claims Expense/Claims ($)

The claims expense/claims dollar value measures the cost efficiency or activity cost of adjudicating a claim.

(ix) Policies/Support Employee (#)

The policies/support employee number value measures the number of policies a support employee can handle or the number of support employees required to manage policies effectively and efficiently.

(x) Claims/Claims Employee (#)

The claims/claims employee number value measures the number of claims a claims employee can handle or the number of claims employees required to manage claims effectively and efficiently.

(xi) Premiums/Policy ($)

The premiums/policy dollar value measures net premiums written changes per policy, year over year, even if there is no premium rate increases or decreases.

(xii) Insurance Costs/Capita ($)

The insurance costs/capita dollar value measures net premiums written (basic insurance) changes per capita based on the provincial population providing a social or public cost indicator.

a) Please update the tables with the 2013/14 actual indicators and reference the source data in the 2015 GRA and provide detailed calculations.

b) Please update the tables with 2014/15 through to 2018/19 with updated forecasted indicators and reference the source data in the 2015 GRA and provide detailed calculations.

c) Please elaborate on any significant differences in the indicators from last year.

CAC (MPI) 1-62

Reference: Claims and Operating Expenses statistics – CAC (MPI) 1-21 from the 2014 GRA.

a) Please update and file Tables 1 to 4 as per CAC (MPI) 1-21 (a) from the 2014 GRA with 2015 GRA "actual" and "forecasted" information.

b) Please elaborate on any significant differences from last year values.

CAC (MPI) 1-63

Reference: Annual Audited Financial Statements Ended February 28, 2014 pages 27 and 28.

Preamble: Provision for Employee Current and Future Benefits

Please file a copy of the December 31, 2013 external actuary's report relating to the actuarial valuation of future employee benefits.

CAC (MPI) 1-64

Reference: Pro Formas Volume II page 7

Preamble: Normal operations expenses indicate a higher external labour costs required to support project delivery of $2,223,000 and initiative implementation expense indicate an additional external labour expense for unbudgeted projects (ITO transition) of $1,470,000.

Please provide a detailed analysis of these increased external labour costs which were over and above the forecast provided in the 2014 GRA.

CAC (MPI) 1-65

Reference: Volume II Expenses E.2.1.1 page 14

Preamble: "Management will undertake a careful analysis of each vacated position to assess the value to the Corporation and will look to eliminate up to 30 positions."

a) Please advise if the 30 positions have been removed from the staffing compliment for the forecasting period. If not, why not?

b) If not 30, please advise of the number of positions that have been removed from the staffing compliment for the forecasting period. Please explain why they were removed.

CAC (MPI) 1-66

Reference: Volume II Expenses E.4 page 23

Preamble: Capital expenditures:

($000)	13/14A	14/15P	15/16P	16/17P	17/18P	18/19P
Land & Buildings	$2,507	$2,245	$2,504	$741	$1,182	$717
Automobiles	569	609	1,253	748	1,105	1,158
Furniture & Equipment	1,034	1,215	1,518	999	999	999
Total	$4,110	$4,069	$5,275	$2,488	$3,286	$2,874

a) Please provide a detailed analysis of the items purchased for 2013/14 for Land & Buildings, Automobiles and Furniture and Equipment.

b) Please explain the significant increase in Automobile expenditures in 15/16, 17/18 and 18/19.

CAC (MPI) 1-67

Reference: Volume I Pre-Filed Testimony PowerPoint Presentation Corporate Priorities page 2

Preamble: "Prepare the organization for the digital economy; adapt to meet new operating realities"

Please elaborate if the Corporation anticipates a reduction in the use of physical space as it moves to a digital economy. If yes, is the Corporation anticipating leasing some of its Service Centre plant space to commercial tenants? Please elaborate. If not, please explain.

CAC (MPI) 1-68

Reference: Volume II Expenses Appendix 1 page 4.

Preamble: Data Processing Variance of $4 million 2013/14. "$4.0 million increase over the 2014 GRA related to greater than forecasted expenses for initiative implementation external labour costs."

Please provide a breakdown of the variance related to external labour costs by initiative.

CAC (MPI) 1-69

Reference: Volume II Expenses Appendix 1 page 3.

Preamble: Special Services for basic insurance.

Please provide a detailed account analysis of the special services amount of $5,164,000 for basic insurance or corporate for 2013/14.

CAC (MPI) 1-70

Reference: Volume II Expenses Appendix 1 page 10.

Preamble: Postage for basic insurance.

Please elaborate on the zero allocation of postage expenses to claims expense in the 2015 GRA for years 2014/15 through to 2017/18.

CAC (MPI) 1-71

Reference: Volume II Expenses Appendix 9 page 40.

Preamble: IBM Data Centre vs. IT Compensation.

Please elaborate as to the continuing IT compensation expense of about $10 to $12 million per year from 2014 through to 2018 vs. the IBM Data Centre managed service model expense of about $7 million per year – one would expect the IT compensation expense amount to decline as a certain amount of work has been transferred to IBM.

CAC (MPI) 1-72

Reference: Volume III Benchmarking Appendices Page 1 and 7

Preamble: Operational Efficiency and Claims Performance

Please provide targets for MPI's Corporate Performance Measures for years 2013, 2014 and 2015 for each Metric for Operational Efficiency and Claims Performance. If targets have not been developed, please elaborate as to when they will be developed.

CAC (MPI) 1-73

Reference: SM.2

Preamble: On page 19 of Section SM.2 a comparison is made between MPI and other auto groups.

Please specify which insurers are included in the Canadian Personal Auto Group, the Canadian Benchmark Group and the US Personal Auto Group.

CAC (MPI) 1-74

Reference: SM.2

Preamble: On page 21 of section SM.2 a comparison is made of insurance rates in Winnipeg, Calgary and Toronto.

What companies are being used in this comparison?

Business Process Review

CAC (MPI) 1-75

Reference: SM.1 Value to Manitobans

Preamble: Bodily Injury Improvement Initiative (BI3) page 26.

The Corporation has realized savings of $16 of the $41.9 million projected. Of the $16 million saved to-date, please provide a detailed analysis showing the amount relating to reductions in claims leakage and productivity improvements.

CAC (MPI) 1-76

Reference: Volume II Expenses E.4.2 page 26.

Preamble: HRMS project and ongoing expenses for basic insurance are expected to be:

Year	Amount Phase 1 & 2 ($000)	Amount Phase 3 & 4 ($000)	Total ($000)
2015P	$1,984	$0	$1,984
2016P	2,000	196	2,196
2017P	1,993	196	2,189
2018P	1,982	196	2,178
2019P	1,982	196	2,178
Total	**$9,941**	**$784**	**$10,725**

a) Please provide a detailed analysis of the total project expenditure to implement the HRMS system, by account category, compared to the initial business case estimates and explain any significant difference.

b) Please file a copy of the post-implementation review report for the HRMS project.

c) Please detail and elaborate on the benefits achieved to-date, for basic insurance, by implementing the HRMS system.

CAC (MPI) 1-77

Reference: Volume II Expenses E.4.2 page 24.

Preamble: Total Provision for Future Projects is as follows:

($000)	2016P	2017P	2018P	2019P
Deferred	$4,793	$10,384	$11,183	$11,183
Capital	399	799	799	799
Expense	2,397	3,195	3,994	3,994
Total	$7,589	$14,378	$15,976	$15,976

a) Please confirm that the Provision for Future Projects do not impact the proposed rate change of 3.4% effective March 1, 2015. If the provision for future projects impacts the rate change, please quantify the financial impact.

b) Please explain, in general terms, the projects/initiatives anticipated requiring a total provision for the years 2016 through to 2019 of $53,919,000.

CAC (MPI) 1-78

Reference: Volume II Expenses E.4.3.1 page 25 and 28.

Preamble: BI3/FINEOS Upgrade

Please elaborate on the costs of ($289,000 plus $1,257,000) $1,546,000 to upgrade the BI3/FINEOS. Please provide a copy of the upgrade cost benefit analysis and project plan.

CAC (MPI) 1-79

Reference: Volume II Expenses Appendix 1 page 16.

Preamble: Security Strategy & Roadmap initiative

Please provide a description of the Security Strategy & Roadmap initiative, including a cost benefit analysis, if available.

CAC (MPI) 1-80

Reference: Volume III AI.10 Charter PDR page 6.

Preamble: "The following two pilots are related to the Collaborative Estimating and are expected to start in fourth quarter 2013 and the third quarter 2014."

Please elaborate on the success of the 'pilots' to-date and provide the results of the Collaborative Estimating pilot from the fourth quarter 2013.

CAC (MPI) 1-81

Reference: Volume III AI.10 Charter PDR page 8.

Preamble: Loss Prevention Project RFP

Please file a copy of the Loss Prevention Project predictive analytics software RFP.

CAC (MPI) 1-82

Reference: Volume III AI.10 Charter PDR page 8.

Preamble: PD Re-engineering Program Charter budget of $65,485,774

Please provide a copy of the detailed budget, by cost category/project, and broken down by fiscal year for the Physical Damage Re-engineering Program.

CAC (MPI) 1-83

Reference: Pre-Filed Testimony page 13

Preamble: MPI states on page 13 of the Pre-Filed Testimony section that "No driver is discriminated against on the basis of age, gender or marital status."

Is it not true that some drivers in Manitoba pay more for their auto insurance than they would if rates were set using a more granular rating algorithm? Stated another way, is it not true that subsidization exists between drivers in Manitoba?

CAC (MPI) 1-84

Reference: SM.2

Preamble: On page 28 of section SM.2 a comparison is made between MPI, SGI and ICBC on how the consumer feels when dealing with the three corporations.

Has the Corporation looked at these types of comparisons with private insurers? If not, why not?

CAC (MPI) 1-85

Reference: SM.2

Preamble: On page 33 of section SM.2 it insinuates that SGI may have higher public support because they also offer home insurance.

Please give supporting documents for this insinuation.

Risk Management

CAC (MPI) 1-86

Reference: PUB Orders SM.6 Page 6

Preamble: Five-Year IT Strategic Plan. "Second, the Board and Management committee will be developing an overall vision and strategy for the next five years."

Please elaborate whether the mentioned vision and strategy relates to the Five-Year IT Strategic Plan or the Corporate Strategic Plan. If the mentioned vision and strategy relates to the IT Strategic Plan, please elaborate on the expected content of the plan.

CAC (MPI) 1-87

Reference: PUB Orders SM.6 Page 7

Preamble: "With respect to information and technology support for the overall business strategy, the Business Transformation Office has developed a structured methodology whereby a portfolio of technology enabled business transformation initiatives is developed which support the stated business strategy."

Please file a copy of the structured methodology referred to in the preamble.

CAC (MPI) 1-88

Reference: Audit Committee Minutes

Please file a copy of the Audit Committee of the Board of Directors Minutes for the 2013/14 fiscal year.

CAC (MPI) 1-89

Please indicate, list and explain any technical, process, information technology or management constraints that the PUB should take into consideration in issuing its 2015 GRA ruling effective March 1, 2015.

CAC (MPI) 1-90

Please indicate, list and explain any financial transactions under consideration or in progress that have not been explicitly reported in the 2015 GRA, either by management, the Board of Directors or Government, which could impact the 2015 GRA proposed rates.

CAC (MPI) 1-91

Reference: Crown Corporation Council

Please file copies of the last four quarterly reports prepared by the Crown Corporations Council relating to MPI.

CAC (MPI) 1-92

Reference: Compliance to Legislation

Please file a copy of the most recent Compliance to Legislation Authority Audit report.

CAC (MPI) 1-93

Reference: Risk Profile

a) Please indicate whether there have been any material changes to the Corporation's risk profile since last year's GRA, with respect to financial risk, operational risk, continuation of service risk, unpaid claims risk, information technology risk or with respect to any other risk factors. If so, please elaborate and provide details.

b) Please indicate whether the Corporation expects any changes to its risk profile going forward through the outlook period. If so, please elaborate and provide details.

CAC (MPI) 1-94

Reference: 2013 Annual Report AI.6 Part 1B pages 31.

Preamble: In the Risk Management section of the 2013 Annual Report the Corporation describes the corporate Risk Management Framework and risk mitigation strategies.

a) Please elaborate on the Risk Management Framework.

b) Have there been any changes to the Risk Management Framework since last year.

CAC (MPI) 1-95

Reference: 2013 Annual Report AI.6 Part 1B pages 31.

Preamble: "Much of the risk management process is focused on Goal 1. Rates, on average, will be lower than those charged by private insurance companies for comparable coverage and services." The key risk mitigation areas are listed on page 31.

Please list or elaborate on the key risk mitigation areas for Goals 2 to 7 described in the Corporate Strategic Plan 2014-2018 Volume III AI.6 Part2 pages 12 to 17.

CAC (MPI) 1-96

Reference: Value to Manitobans – SM.1

On page 42 of section SM.1 of the rate application it states "Manitoba Public Insurance relies on the Canadian Loss Experience Automobile Rating (CLEAR) system". Since the CLEAR tables were not published in 2013 what CLEAR table did the Corporation rely upon for this year's rate application?

CAC (MPI) 1-97

Reference: AI.4

With reference to Section AI.4.1 has the Corporation completed any territorial analysis to validate the current rating territories? If not, why not? If so, when was this analysis completed? Please provide the results.

Revenues

CAC (MPI) 1-98

Reference: Volume I Overview page 25

Preamble: 2015/16 and 2016/17 Average Rating Period Forecast – 2015 GRA versus 2014 GRA ('000's)

a) Please file the detailed operating statements comprising the 2015 GRA and 2014 GRA averages.

Preamble: Per the table on page 25 of the Overview, when summing the Earned Revenues, Claim Costs, Expenses and Investment Income the resulting Net (Loss) is as follows:

	2015GRA	2014GRA	Difference
Per table	($15,880)	$11,339	($27,219)
CAC Summation	($35,150)	$15,398	($50,548)

b) Please explain the reason for the difference between the table and the CAC Summation.

CAC (MPI) 1-99

Reference: 2013 Annual Report AI.6 Part 1B page 23

Preamble: The rate comparison chart in the Annual Report measures Winnipeg, Calgary and Toronto.

Please prepare and file an updated chart including Halifax, Regina and Vancouver.

CAC (MPI) 1-100

Reference: Volume II Pro Formas page 9

Preamble: Actual premiums written form 2013/14 are less than expected by $3,990,000.

Please provide a detailed analysis of the decrease in premiums written compared to the forecast in the 2014 GRA.

CAC (MPI) 1-101

Reference: Volume II R.1.3 Net Fleet Rebates page 13

Preamble: "The loss experience is the ratio between all losses paid by the Corporation and fleet premiums."

For greater clarity, please elaborate on the loss experience: is the ratio between all 'losses paid' or all 'losses incurred'?

CAC (MPI) 1-102

Reference: Volume II R.4 Service Fees and Other Revenue page 25

Preamble: "This year's forecast is higher than last year's forecast mainly as a result of…ignition interlock program."

Please explain the ignition interlock program and the fees earned from this program.

CAC (MPI) 1-103

Reference: Volume II R.4 Service Fees and Other Revenue page 31

Preamble: "Miscellaneous fees include … lemon law revenue…."

Please elaborate on the lemon law revenue and the amount of fees collected from this source for the last fiscal year.

CAC (MPI) 1-104

Reference: Volume II R.4 Service Fees and Other Revenue page 31

Preamble: "Unclaimed cheque forecasts are based on an analysis of the current amount of outstanding premium rebate cheques plus the expected amount of normal operations write offs."

Please file a copy of the 'analysis' referred to in the preamble.

CAC (MPI) 1-105

Reference: Volume II Revenues Appendix A page 1

Preamble: Driver Premium Forecast by DSR Level.

Please update and extend the table on page 1 of Appendix A to include Driver Premiums Written by DSR Level for fiscal years 2013 through to 2017.

CAC (MPI) 1-106

Reference: Referring to page 13 of the Revenues section

Please give the loss ratios for fleets for 2011/12 through 2013/14.

CAC (MPI) 1-107

Reference: Referring to page 16 of the Revenues section

Please give the actual anti-theft discounts for the years 2010/11 to 2013/14.

CAC (MPI) 1-108

Reference: Revenues page 23

Preamble: On page 23 of the Revenues section it is noted that the table shows that the vehicle units per earned driver unit is higher for those drivers in the higher DSR levels.

Has the Corporation considered that those in the higher DSR levels may be insuring vehicles that they do not actually drive? That is, could it be that some of those drivers in the higher DSR levels insure vehicles for their family members or friends?

CAC (MPI) 1-109

Reference: Revenues page 31

Preamble: On page 31 of the Revenues section there is reference to "lemon law revenue".

Please explain what that refers to.

Investments

CAC (MPI) 1 -110

Reference: Pre-Filed Testimony page 23

Preamble: "..I ask that the Board work with me to come to agreement on …A risk based interest rate forecasting methodology…"

a) In general terms, please elaborate on what would constitute a risk based interest rate forecasting methodology.

b) Please compare and contrast the proposed risk based interest rate forecasting methodology to the current methodology.

c) Please elaborate on the P & C Industry use of the risk based interest rate forecasting methodology.

d) Please elaborate on the use by SGI and ICBC of the risk based interest rate forecasting methodology.

CAC (MPI) 1-111

Reference: Volume I Overview page 29

Preamble: "..while we wait for the results of the asset liability matching study…"

a) Please advise when the asset liability matching study will be completed and, when completed will the study be filed with PUB?

b) Please file a copy of the asset liability study Request for Proposal, Terms of Reference and the service agreement with the consulting firm engaged to perform the study.

CAC (MPI) 1-112

Reference: Volume III 2013 Annual Report AI.6 Part 1B page 28 and 37

Preamble: The Corporation reported an operating net loss of $44.8 million. "The total fair value of the Corporation's investments portfolio was $2.4 billion at February 28, 2014, an increase of 5.3 per cent or $123.7 million from the previous year."

Please elaborate and contrast the growth in the investment portfolio to the net operating loss.

CAC (MPI) 1-113

Reference: Volume II Pro Formas page 11

Preamble: MPI is projecting, for 2015/16, higher CDN equities gain due to higher forecasted return assumptions of $5,035,000.

Please elaborate on the change to higher return assumptions. Please provide the source supporting the higher return assumptions.

CAC (MPI) 1-114

Reference: Volume II Investment Income II.1.1

Preamble: "There is a significant forecasting risk if the interest rate forecast does not materialize: the proposed premium rate increase would be deficient by approximately 2%."

a) Please elaborate on the risk and quantify the percentage by which the premium rate would be deficient if the claims incurred forecast does not materialize, if any.

b) Please elaborate on the risk and quantify the percentage by which the premium rate would be deficient if the revenue forecast does not materialize, if any.

CAC (MPI) 1-115

Reference: Volume II Investment Income II.5 page 33

Preamble: "The Canadian equity portfolio is managed by three active managers and one passive manager under contract with the Department of Finance."

Please file a copy of each equity manager's Mandate.

CAC (MPI) 1-116

Reference: Investment Performance Report

Please file a copy of the February 28, 2014 and May 31, 2014 investment performance reports provided to the Investment Committee of the Board of Directors.

CAC (MPI) 1-117

Reference: Investment Income II.9.5 page 53

Please file a copy of the most recent investment income allocation formulas.

CAC (MPI) 1-118

Reference: Value to Manitobans – SM.1, Page 38

Please list the properties that the Corporation owns or rents for its own use.

Investment Income

CAC (MPI) 1-119

Reference: Volume II, Investment Income, Page 75 Portfolio Asset Classes, Page 21 Cash and Short Term

Preamble: Page 75 indicates a range of 0% to 3% with a 1% target for the Cash and Short Term asset class. Page 21 indicates that the portfolio allocation will increase from 1% to the maximum 3% by 2018/19, well above the 1% target.

a) Since higher rates of return are forecast to be available in other asset classes, why are you modeling an increased allocation above the target rate?

b) Please describe and quantify the benefit to consumers of this allocation as opposed to a target allocation of 1%

CAC (MPI) 1-120

Reference: Volume II, Investment Income, Page 75 Portfolio Asset Classes, Page 22 Marketable Bonds

Preamble: Page 75 indicates three separate bond asset classes or mandates, Marketable Universe Bonds, Marketable Long Term Bonds, and Real Return Bonds, each with separate minimum maximum and target allocations. In aggregate these three separate bond asset classes or mandates range from a minimum of 30% to a maximum of 58% with a 39% target. That target of 39% for those three asset classes also appears subject to an overall total of 80% when Cash and Short term instruments and Non-Marketable Bonds are included, as the aggregate maximum of those 5 asset classes would add to 86%. Table 3.1 on Page 22 indicates that the portfolio allocation for Marketable Bonds will fall from 38.7% as at 2013/14 year end to 37.5% in 2014/15, well above the 30% target, and 32.3% in 2015/16.

a) In light of the concerns expressed throughout the application relating to interest rate risks, and significant realized and unrealized gains and losses in the period 2014/15 to 2017/18, and the apparent liquidity indicated by the turnover rates indicated on page

24, please indicate why the marketable bond portfolio duration risk is not being more rapidly reduced.

b) Please describe and quantify the benefit (or costs) to consumers of the forecast allocations as opposed to a target allocation.

c) Please describe and quantify the benefit (or costs) to consumers of the forecast allocations as opposed to a minimum allocation.

d) Please provide a table in form similar to Table 3.1 for each of the three separate bond asset classes or mandates, Marketable Universe Bonds, Marketable Long Term Bonds, and Real Return Bonds.

CAC (MPI) 1-121

Reference: Volume II, Investment Income, Attachment A PDF Page 5, Investment Income Page 24 line8 and Table 3.3.1.2, Marketable Bonds

Preamble: Attachment A PDF Page 5 appears to indicate that the fixed income assets should "be passively managed in a 'buy and hold' strategy". Table 3.3.1.2 appears to indicate the marketable bond turnover of up to 101% over the last seven years.

a) Please explain the apparent contradiction of "buy and hold" and annual rates above in recent years

b) Please identify the last year the turnover rate was below 20% and provide annual data for each of the intervening years.

CAC (MPI) 1-122

Reference: Volume II, Investment Income, Page 22 Table 3.1, Page 26 Table 3.3.1.4, Marketable Bonds

Preamble: Table 3.1 appears to indicate that the spread of marketable bonds will decrease from 61 basis points in 2014/15 to 48 basis points in 2018/19. Table 3.3.1.4 appears to indicate the marketable bond duration and spread are related, and implies that the duration will fall from over 9 years to under 8 years during the periods indicated.

Please compare each of the Marketable bonds duration, and, the duration of the debt portfolio by individual asset class to the forecast liability or overall claims duration.

CAC (MPI) 1-123

Reference: Volume II, Investment Income, Page 22 Table 3.1, PDF Page 5 Attachment A

Preamble: Table 3.1 appears to indicate that the spread of marketable bonds will decrease from 61 basis points in 2014/15 to 48 basis points in 2018/19. PDF Page 5 Attachment A appears to indicate that the fixed income portfolio is to be diversified amongst federal, Manitoba, other provincial, municipal and corporate issues and amongst a variety of maturities.

Please quantify the extent to which the decline in the spread forecast is due to changes

a) in the allocation of purchases to higher quality government credits relative to relative to corporate issues.

b) In the maturities forecast to be purchased, or

c) Other assumptions

CAC (MPI) 1-124

Reference: Volume II, Investment Income, Page 28 Section II.3.3.2.2, Convexity

Preamble: Section II.3.3.2.2, mentions the topic of Convexity and provides a February 2014 value, but does not provide any historical values to allow readers to appreciate the trend in Convexity for 2010 through 2013. Section II.3.3.2.2 does not discuss how and in what manner the Convexity calculation assists the Board in understanding the interest rate and matching risks faced by MPI.

a) Please provide the comparable data points for February 2010 through 2013.

b) Please explain why this measure for this single date should be forecast as constant and its importance in the discussion of investment income.

CAC (MPI) 1-125

Reference: Volume II, Investment Income, Page 6 Table of Ending Values and Allocations, PDF Page 5 Attachment A

Preamble: The Table of Ending Values and Allocations appears to indicate that the size of the allocation to Canadian Fixed Income decreased from nearly $1.3 billion to s forecast of $792 million 2015/16. MUSH, another class of Fixed income assets will increase from $461 million to $657 million. PDF Page 5 Attachment A appears to indicate that the Corporation expects to book approximately $5 million in gains or losses from fixed income assets.

a) Please provide the annual gains or losses from the fixed income assets to which this guideline refers for the actual and forecast periods in the Table of Ending Values and Allocations.

b) Please discuss the relevance of the $5 million level relative to fixed income assets of over $1 billion, and the substantial changes in the value of fixed income portfolio over the 2009/10 to forecast 2018/19 period.

CAC (MPI) 1-126

Reference: Volume II, Investment Income, Page 6 Table of Ending Values and Allocations, PDF Page 19 Attachment A

Preamble: The Table of Ending Values and Allocations appears to indicate that the ending rebalanced allocations, but aggregates sub categories of Canadian Equities and US equities. Paragraphs 7.3 and 7.4 of PDF Page 19 Attachment A appears to grant certain discretionary authority to allocate assets into sub mandates.

a) Please enhance the Table of Ending Values and Allocations by providing the split of the various equity categories into their component parts.

b) Does paragraph 7.3 place a maximum cap on Canadian Small Cap of 3%?

c) If paragraph 7.3 places a maximum cap on Canadian Small Cap of 3%, is this maximum subject to the same leisurely rebalancing as other asset classes?

d) Were the Working Group to have allocated 3% of the total fund to Canadian Small Cap mandate, and as a result of adverse market conditions, the Canadian Small Cap allocation exceeded 20% of total allocation to Canadian Equities, would a rebalancing be required?

e) Please discuss why the allocation discretion is 20% in Canadian equities and 30% in the US equity asset classes.

CAC (MPI) 1-127

Reference: Volume II, Investment Income, PDF Page 20 Attachment A

Preamble: Paragraph 8.4 of PDF Page 20 Attachment A appears to grant certain discretionary authority to remove fixed income assets from the duration calculation.

a) Has the Working Group exercised that authority at any time, and if so, please discuss the reason for the decision?

b) Are any of the duration calculations actual or forecast in this application based on the exercise of that authority, and if so, please provide the unaffected calculation?

CAC (MPI) 1-128

Reference: Volume II, Investment Income, Page 27 Duration, lines 7, 12 and 15

Preamble: Line 12 indicates that the overall claims duration is recalculated at each “fiscal year end”. The model adjusts the duration of the marketable bond portfolio on a “quarterly basis”.

In real life, are the various debt managers required individually or in aggregate, or with the assistance of finance to adjust the duration of the marketable bond portfolio on a “quarterly basis”? If not when is the portfolio compared to the “bandwidth”?

CAC (MPI) 1-129

Reference: Volume II, Investment Income, Page 29 Table 4.1, MUSH, Page 55 MUSH, Page 75 Portfolio Asset Classes, PDF Page 14 Attachment F

Preamble: Page 75 indicates a range of 15% to 25% with a 20% target for the MUSH asset class. Page 55 indicates that the "minimum and maximum allocation is considered when new MUSH bonds are to be purchased. Table 4.1 indicates that in forecast 2014/15 and 2015/16 MUSH will represent more than 25% of the portfolio. PDF Page 14 Attachment A indicates that the annual commitment to MUSH will be determined "the Department".

a) Why are we modeling a level of MUSH purchases in excess of the Investment Policy maximum allocation to this asset class?

b) Was there a problem in forecasting purchases of approximately $7 million fewer purchases of MUSH, such that the MUSH proportion would not exceed 25%?

c) Is it the intention of "the Department" to cause MPI to invest in MUSH bonds in excess of the Investment Policy maximum allocation to this asset class?

d) Please describe and quantify the benefit (or costs) to consumers of the forecast asset allocation being greater than the maximum.

e) Please provide and enhanced table 4.1 which contains the forecast duration of MUSH in each of the years 2014/15 through 2018/19

CAC (MPI) 1-130

Reference: Volume II, Investment Income, PDF Page 14 Attachment A

Preamble: PDF Page 14 Attachment A indicates that the threshold for investment in MUSH is that there be "no degradation in yield or grade" in comparison to a 10 year Canada bond. As Canada bonds frequently have a higher rating or grade than other issuers, and trade at lower rates than provincial bonds of similar term to maturity, we are unclear how the prevention of degradation is achieved, particularly in light of the underperformance of this asset category compared to the benchmark chosen by MPI.

a) Does "no degradation in yield or grade" mean MUSH bonds must only meet the 10 year Canada rate?

b) Does "no degradation in yield or grade" mean MUSH bonds must only meet the Manitoba 10 year rate at the time of purchase by MPI, or are there other enhancements provided, and if so please quantify.

CAC (MPI) 1-131

Reference: Volume II, Investment Income, PDF Page 12 Attachment A

Preamble: PDF Page 12 Attachment A indicates that the benchmark for MUSH is the DEX Provincial Total Return Bond Index. We are unclear how the characteristics of the benchmark match the characteristics of the MUSH portfolio.

Please compare or contrast the characteristics of the MUSH portfolio to the characteristics of the DEX Provincial Total Return Bond Index?

CAC (MPI) 1-132

Reference: Volume II, Investment Income, PDF Page 16 Attachment A

Preamble: PDF Page 16 Attachment A indicates that Fund may purchase derivatives and enter into forward transactions, futures or "swaps" consistent with risk management. Interest rate swaps can alter the duration of a bond portfolio. The Board will be aware from previous Manitoba Hydro hearing that MH has entered into interest rate swap transactions.

a) Has the Fund ever entered into an interest rate swap forward or future transaction, and if so please provide the details of the transaction and the purpose for which it was entered into?

b) Has the management or the Working Group considered a derivative or swap transaction as a method to reduce the interest rate risk or duration variance identified in this application, and if so, please provide details of the transaction considered?

c) Has the management or the Working Group considered a derivative or swap transaction as a method to reduce the interest rate risk or duration variance identified in this application, and if not, in what if any circumstances would considering such a transaction, clearly considered reasonable in section 6.12 of Attachment A, be appropriate?

CAC (MPI) 1-133

Reference: Volume II, Investment Income, PDF Page 19 Attachment A

Preamble: PDF Page 19 Attachment A, in section 7.2 removes a sentence which indicates the date of the last allocation review without providing a new date.

a) What was the date of the last allocation review?

b) When is the next allocation review contemplated?

c) If there is no specific date for review of asset allocation, has a threshold been identified to trigger such a review?

CAC (MPI) 1-134

Reference: Volume II, Investment Income, Page 29 lines 18 and 19, MUSH, Attachment F

Preamble: Lines 18 and 19, indicate that the MUSH bonds provide additional yield over a 10 year Canada bond, but do not provide any information as to the term, amortization, or other features of the MUSH bonds. Attachment F indicates that the Non-marketable bonds underperformed the benchmark in several years, including 2012 and 2010.

a) For the 3 most recent MUSH bonds purchased for MPI please provide term sheets setting out the maturity, coupon, repayment terms and average life, and the spread to the relevant or most comparable Canada bond at date of purchase.

b) Please extend the annual performance information in Attachment F back in time to allow the calculation of the compound annual return in MUSH and its benchmark for a period of 10 years.

c) Please discuss the factors which lead to the 7.7% underperformance in 2012 and the 2.5% underperformance in 2010.

CAC (MPI) 1-135

Reference: Volume II, Investment Income, Page 75 Portfolio Asset Classes

Preamble: Page 75 indicates that real Return Bonds are a permitted asset class, but there is no discussion as to the Real Return bonds in the preceding pages.

a) Please provide details of the percentage of the portfolio that is currently made up of Real Return Bonds or is anticipated to be included in the portfolio in the period 2014/15 through 2018/19.

b) To the extent that there are no Real Return Bonds, in the portfolio, why has it not been opportune to purchase those bonds?

c) Please discuss the market conditions in which it is anticipated that it may be opportune to acquire assets in that asset class.

d) In anticipation of the acquisition of Real Return bonds, please provide a discussion as to the anticipated yields, the spreads related to Canada bonds of similar maturities, the accounting treatment with respect to interest paid and accretion of value., turnover, and, a discussion of how assets of that class will impact the calculation of duration of the fixed income or bond portfolio.

CAC (MPI) 1-136

Reference: Volume II, Investment Income, PDF Page 5 Attachment A, Page 3 Attachment E

Preamble: PDF Page 5 in Attachment A indicates that the Corporation may request the external equity investment managers to realize capital gains. Page 3 in Attachment E appears to indicate that as at February 28, 2014, the aggregate unrealized gain in the Canadian portfolio was over $76 million on an asset value of $380 million. The table on page 5 of the Investment Income section shows a forecast drop in realized Canadian Equity gains from $58 million in 2014 to $16 million in 2015.

Has the Corporation ever requested [other than as part of a rebalancing] the realization of equity capital gains of its asset managers, and if so, please describe the circumstances?

CAC (MPI) 1-137

Reference: Volume II, Investment Income, Pages 33-38 Canadian Equities

Preamble: Information about 4 Canadian Equities mandates is supplied, including some information related to accounting treatment, expectations for market return assumptions, realization of gains, dividend yield, and sales or turnover. There appears to be no modeling of any value being added by any of the managers in the future. In each case the assumed future turnover rate range of each active Manager appears to lower than one might expect based on the data presented

a) Please provide the weighted average total turnover, for each to the years 2006-2013 for the three active managers only.

b) For each of 4 managers, please provide the date at which that mandate was originally funded.

c) As firms such as RBC Investor Services provide comparative performance statistics on fund managers, if MPI has employed such a service,

    (i) Please provide a table showing the active managers percentile ranking compared to other Canadian equity managers in that mandate category [e.g. Canadian equity, Canadian small cap, real estate, infrastructure] for each of the years 2006-2013.

    (ii) If the benchmarks are other than those set out in section 5.5 of Investment Objectives in Attachment A, please enhance the table in Attachment F by identifying the benchmark used for each mandate category [e.g. Non-Marketable Bonds, Canadian equity, Canadian small cap, real estate, infrastructure],

    (iii) Please segment Canadian Equities data in the Table in Attachment F by manager, for each of the years.

(iv) Please clarify how, if at all, the SSGA MA S&P/TSX Index fund identified in Attachment E, is reflected in the table in Attachment F.

d) With respect to Manager A, as table 5.6.1 provides data showing an average turnover of approximately 23.75% for the years 2006-2013, please explain why its expected future turnover is the range of 15% to 20%?

e) With respect to Manager B, as table 5.6.1 provides data showing an average turnover of approximately 23.63% for the years 2006-2013, please explain why its expected future turnover is the range of 15% to 25%?

f) The 2013 turnover rate for Manager B is materially higher than the other data points. Please discuss the reason for this value, perhaps a change in investment philosophy, change of staff, or change of manager?

g) With respect to Manager C, as table 5.6.1 provides data showing an average turnover of approximately 39.25% for the years, 2006-2013, please explain why its expected future turnover is the range of 25% to 35%?

CAC (MPI) 1-138

Reference: Volume II, Investment Income, Pages 33-38 Canadian Equities

Preamble: Information about 4 Canadian Equities mandates is supplied, including some information related to accounting treatment, expectations for market return assumptions, realization of gains, dividend yield, and sales or turnover.

Table 5.6.1 indicates zero turnover for the S&P Index investment Mandate for the period 2006-2013. This has the effect of reducing the overall turnover average and therefore reducing the current forecast year net income from equities.

Press releases from S&P Dow Jones Indices http://ca.spindices.com/indices/equity/sp-tsx-composite-index show frequent changes in the index portfolio. For example on June 13, 2014, AutoCanada, Canaccord, Canyon Services, Painted Pony, Parex, Primero, RMP, TORC, were added and Silvercop was removed from the Composite Index. A similar announcement with 6 additions and 2 deletions to the Composite was made March 14, 2014. Various reorganizations also trigger adjustments to the Index as may be seen with the March 25, 2014 Shoppers Drug Mart and June 9, 2014 Osisko Mining, and similar releases. Substantial new issues may trigger weighting adjustments to the Index as may be seen with the November 14, 2013 release related to Barrick Gold.

a) Under what circumstances is it correct to view the Index mandate as having zero turnover?

b) If it is correct to view this mandate as having zero turnover, why is it appropriate to include it in the calculation of the average turnover of the equity portfolio?

c) Please indicate whether any of the companies listed in the preamble are or have been in the portfolios since 2012. If yes, please specify each company and the year(s) they were in the portfolios.

CAC (MPI) 1-139

Reference: Volume II, Investment Income, PDF Pages 12 and 24 Attachment A, and, Attachment F

Preamble: PDF Page 12 in Attachment A, provides an annual expected return that differs from the benchmark found on page 24 of Attachment A for Canadian equities, and, Attachment F, provides an annual expected return benchmark in percentage terms.

If the annual expected return benchmark in Attachment F, is not the benchmark as the term is used on page 24 of Attachment A, please explain the adjustment to the value, and provide the raw benchmarks for Canadian equities for the periods indicated in Attachment F.

CAC (MPI) 1-140

Reference: Volume II, Investment Income, Page 39 Table 6.1, Page 41 Line 18 Turnover Ratio

Preamble: Table 6.1 on page 39 indicates a $17 million realization in 2018/19. Line 18 on page 41 indicates that there are "no sales of U. S. equities projected over the five year forecast period".

a) Please reconcile the $17 million realization in 2018/19, with Line 18 on page 41.

b) As the EFT managers may be required to rebalance their portfolios as the index changes, and distribute a portion of income other than dividends to unit holders, please discuss how MPI will account for income other than dividends realized from a US EFT.

CAC (MPI) 1-141

Reference: Volume II, Investment Income, Attachment A, PDF Page18, Line 20 page 42 Accounting Treatment of Real Estate Pooled Fund, Line 13 page 45, Accounting Treatment Cityplace

Preamble: Attachment A, PDF Page18, indicates that all real estate will be accounted for on a Fair Value Through Profit and Loss basis. Line 20 page 42 Accounting Treatment of Real Estate Pooled Fund appears to indicate that all unrealized losses and gains flow through the profit and loss statement. Line 13 page 45 Accounting Treatment Cityplace appears to indicate that changes in the market value are not reflected in the profit and loss statement

Please explain the apparently conflicting treatment in Attachment A, and pages 42 and 45.

CAC (MPI) 1-142

Reference: Volume II, Investment Income, Page 43, Return Assumption, Real Estate Pooled Fund.

Preamble: At line 17, page 43, the corporation indicates that recent returns for the real estate pooled fund have been in the 11.5% to 12.3% range. Chart 7.3 provides the Index return, which in recent years has been between 5% and 7%.

Please discuss the specific factors if any in the recent performance of the pooled fund, that would suggest that the average performance of this manager [say for the same 2009-13 period] should not be a better guide to future performance than the less attractive recent rates found in the benchmark index, to which the mangers results appear to have a low correlation.

CAC (MPI) 1-143

Reference: Tab, Page 45, Return Assumption, Cityplace, Page 5 Summary of Investment Income

Preamble: While page 5 Summary of Investment Income provides information as to the Forecast Pooled fund in line 7A, it does not have a line 7B to reflect the $3 million per year income from Cityplace.

a) Does the information in line 7A of the Summary of Investment Income, include both the Cityplace and Pooled Fund results?

   (i) and if not, please amend the table on Page 5, or

   (ii) if it does, please provide a segmenting the Pooled Fund results

b) In forecasting future rental income, was the current lease renewal schedule considered, or, are the preponderance of leases extending beyond the 2019 forecast period?

CAC (MPI) 1-144

Reference: Tab, Page 55 to 57, Rebalancing, Page 75 Table providing 'Target' values for asset classes, Attachment A, Statement of Investment Beliefs.

Preamble: The discussion of rebalancing describes actions that will be modeled in certain circumstances when the value of certain asset classes cross certain thresholds. For example at page 56 line 16 and line 22, when certain classes of equities remain "outside the maximum or minimum" for "two consecutive quarters" they will be adjusted to "the target weight in the following quarter" and the proceeds will be placed in marketable bonds. In Attachment A, Statement of Investment Beliefs, the first point is that "Asset allocation is the most important factor in determining the performance of the Fund'.

a) Is this modeling description of the Rebalancing policy, under which the portfolio allocation to the various asset classes will be adjusted, an accurate representation of the policy?

b) What is the reason for requiring that any particular asset class need be outside the min-max range for half a year before action would be taken to rebalance within the min-max ranges?

c) If asset allocation is the "most important factor" in performance, and asset classes have wide ranges, such as 5% to 13% for Long Term Bonds, how is it consistent to wait two quarters to rebalance?

d) Were these rebalancing ranges developed as a result of an analysis of the relative performance of the asset classes and the extent to which the asset classes results are counterbalancing risk and optimizing return, and if so, may we see that analysis?

e) Having regard to the forecast of returns of each of the asset classes, what is the rational of rebalancing from the point of excess or deficiency [say 18.5% or 11.5% for Canadian equities] to the midpoint of the range [15% for Canadian equities] rather than some other point within the range that represents a less substantial change in portfolio allocation, which would represent a change of allocation of over 3%, or about 20% of the 'Target' allocation, as indicated on page 75?

f) For the purposes of these rebalancing rules are GOC, or Provincial real return bonds, treated as "marketable bonds" as that term appears in line 2 on page 56, or if not, what is the rebalancing policy for real return bonds?

CAC (MPI) 1-145

Reference: Volume II, Investment Income, Page 56, Rebalancing, Page 75 Table providing "Target" values for asset classes, Page 76 noting that the "asset class will be rebalanced back" into the target range for that asset class within six (6) months"."

Preamble: The discussion of rebalancing on page 56, describes actions that will be modeled in certain circumstances when the value of certain asset classes cross certain thresholds. For example at page 56 line 16 and line 22, when certain classes of equities remain "outside the maximum or minimum" for "two consecutive quarters" they "will be

Manitoba Public Insurance

adjusted to the target weight in the following quarter" and the proceeds will be placed in marketable bonds.

a) Does the rebalancing policy require rebalancing "to the target weight in the following quarter" as indicated on page 56, or "into the target range for that asset class within six (6) months", as indicated on page 76?

b) Which of the two alternatives does the forecast model embrace?

CAC (MPI) 1-146

Reference: Volume II, Investment Income, Page 7 line 23-28, 'significant forecasting risk' and 'benefits', and Duration Matching Discussion Paper

Preamble: MPI notes that a negative duration gap between fixed income and claims may give rises to "benefits from a rising interest rate forecast". In its discussion of "duration" MPI appears to use the duration of the entire fixed income holdings. To better understand the use of marching assets and liabilities to reduce risk, we have observed that the Saskatchewan Auto Fund appears to segment its portfolios into a "Matching Portfolio" and a "Return Seeking Portfolio". Within the Saskatchewan Auto Fund "Matching Portfolio" into 6 buckets of different ranges terms, e.g. "Over 1 to 3 years", and "Over 5 to 10 years", and "Over 15 years …". See page 222/279 of the pdf found at http://www.saskratereview.ca/images/docs/sgi-2013/saf-minimum-filing-requirements-srrp-website.pdf

a) Please confirm that the assumption underlying your duration calculation of "parallel shifts in the yield curve", is that each point on the interest rate curve [including, 3 months, 1 year, 3 years, 5 years, 10 years, 20 years, 30 years] is increased, or decreased, by an equal measure [say 1%]., or if unable to confirm provide the correct assumption.

b) Please confirm that the changes in the interest rate curves rarely if ever move in a parallel shift.

c) Please confirm that the changes in interest rates forecast in Tables 13.2.2 and 13.2.3 suggest that markets will move from a relatively steep T-bill to 10 year yield curve to a relatively flat T-bill to 10 year yield curve.

d) Would we be correct in thinking that by segmenting its portfolios into "buckets" of a few years duration, all other things being equal, there is more reduce the financial risk of non-parallel changes in interest rates in one portion of the yield curve, or, if not why not?

e) Saskatchewan indicates it will match "Buckets with terms over 1 year" to "within +/- 5% of the estimated liability cash flow for each bucket", does this represent a more precise matching range providing consumers with greater protection from interest rate risk than a +/- 1 year matching range or duration bandwidth, and if not why not?

f) At line 27 of page 2 of the Duration Matching Discussion Paper, MPI indicates that the "duration bandwidth … was increased from +/- 1.5 years to +/- 2 years which increased the Corporation's exposure to interest rate risk."

   (i) Was it the change of policy alone that "increased the Corporation's exposure to interest rate risk", or did the Corporation have to act to use this larger range to increase the risk?

   (ii) Please discuss the internal actions that lead to this policy change, including the administrative studies that indicated the benefits outweighed the cost, the process that lead to the recommendation to the decision maker or decision making body, and rational for the decision.

   (iii) Please provide a table showing the claims duration and fixed income portfolio duration on a quarterly basis from November 2009 and the variance, to permit one to see the extent to which the newly permitted bandwidth expansion increased risk, and the amount of aggregate claims liability and amount of the fixed income portfolio.

   (iv) Since in Attachment C, at page 18, the authors observe that "MPI duration mismatch must be within +/- 2 years" and that organizations "with shorter term liabilities had higher tolerance for mismatch", please discuss the underlying factors that resulted in the apparent reversal of the policy change increasing the bandwidth to +/- 2 to now +/- 1.

g) Please confirm that it is possible that a $500 million and a $1 billion bond portfolio could each have the same duration, but neither would immunize or match the risk of $750 million liability portfolio owing to the size mismatch, or, if unable to confirm provide the correct statement.

h) Since in Attachment C, at page 17, the authors observe that the "majority" appear to use buckets, does MPI use buckets, and if not, please provide the reasoning for holding this minority position?

i) Please provide the duration for fixed income assets and claims liabilities for each of the following periods.

(i) Up to one year
(ii) Over 1 to 3 years
(iii) Over 3 to 5 years
(iv) Over 5 to 10 years
(v) Over 10 to 15 years
(vi) Over 15 years

CAC (MPI) 1-147

Reference: Volume II, Investment Income, Attachment E

Preamble: Included in the list of Canadian Equities are 3 Canadian T bills with an aggregate value of $3.9 million.

Are these amounts uninvested cash held by active equity managers, and if not, please explain?

CAC (MPI) 1-148

Reference: Volume II, Investment Income, PDF Page 2 Attachment A, Governance

Preamble: Page 2 Attachment A, Governance appears to indicate that the next review date is "April 2013" and thereafter, the policy is to be reviewed on an annual basis.

a) Was the April 2013 review completed?

b) What is the status of the April 2014 review?

c) If the April 2014 review has been completed, please supply any policy revisions resulting there from.

CAC (MPI) 1-149

Reference: Volume 2, Investment Income, II.5.3, Total Return Assumptions, pages 34 – 36.

In preparing its analysis, has Manitoba Public Insurance considered the analysis including equity risk premium found in any of the following reports or proceedings:

- Alberta Utilities Commission, 2011 Generic Cost of Capital decision 2011-474, December 8, 2011;
- Concentric Advisors – Authorized Return on Equity for Canadian Gas and Electric Distributors and Select Comparators, Volume 1, October 1, 2013
- Concentric Advisors – Authorized Return on Equity for Canadian Gas and Electric Distributors and Select Comparators, Volume II, May 8, 2014
- TESTIMONY ON COST OF CAPITAL FOR The Alberta Utilities Commission Prepared by KATHLEEN C. MCSHANE FOSTER ASSOCIATES, INC., January 2014;
- BEFORE THE ALBERTA UTILITIES COMMISSION IN THE MATTER OF: ALBERTA UTILITIES COMMISSION (AUC) 2014 GENERIC COST OF CAPITAL APPLICATION NO.

1608918 PROCEEDING ID 2191 , EVIDENCE OF DR. SEAN CLEARY, CFA, BMO PROFESSOR OF FINANCE

- FAIR RETURN AND COMMON EQUITY RATIO FOR ATCO PIPE . EVIDENCE OF Laurence D. Booth BEFORE THE ALBERTA UTILITIES COMMISSION , January 2014

CAC (MPI) 1-150

Reference: Volume 2, Investment Income, II.5.3

Preamble: Total Return Assumptions, page 34. "Table 5.3.2 provides the percentile returns over 5, 10 and 20 year annualized periods."

Please provide the underlying data and calculations in support of Table 5.3.2.

CAC (MPI) 1-151

Reference: Volume 2, Investment Income, II.5.3,

Preamble: Total Return Assumptions, pages 35. "The large impact over the rating years can be explained by the timing of rebalancing"

Please provide an explanation of what the Corporation means by rebalancing and provide a simplified illustrative example.

CAC (MPI) 1-152

Reference: Volume 2, Investment Income, II.5.3,

Preamble: Total Return Assumptions, pages 36."For historical information, the rolling five year return for the Corporation's Canadian equity managers is shown in the chart below."

a) What insight, if any, does the Corporation suggest should be drawn from the rolling five year return for the Canadian equity managers?

b) Are there any unique factors within the most recent five years which would suggest that caution should be used in interpreting the results? If yes, please identify these factors.

Rate Stabilization Reserve and Pro-Formas

CAC (MPI) 1-153

Reference: Volume I SM.4 Projected Financial Results page 3

Preamble: "The first three pages contain the base forecast that supports the application for a 2.4% rate increase and a 1% RSR rebuilding fee".

a) The first three pages containing the base forecast are not included in this section. Please file a copy of the base forecast (excluding the 2.4% proposed rate increase and the proposed 1% RSR rebuilding fee) including the Income Statement, Balance Sheet and Statement of Retained Earnings.

b) Should the 1% RSR rebuilding fee be approved by the PUB:

(i) Please describe, by way of an example, how the resulting net income would be accounted for on the Income Statement and Statement of Retained Earnings.

(ii) Please elaborate when the proposed 1% RSR rebuilding fee would be returned to the rate payers, should it be approved by the PUB.

CAC (MPI) 1-154

Reference: Volume II Pro Formas

Please prepare a summary Basic Insurance Income Statement and Retained Earnings Statement (historical and projected) for the fiscal years 2010/11A through 2018/19P (One spreadsheet for the Income Statement and one spreadsheet for the Retained Earnings Statement).

CAC (MPI) 1-155

Reference: Volume II Pro Formas

Please prepare the following sets of financial statements (Pro Formas):

a) Increase rates by 1%

b) Increase rates by 2%

c) No rate increase but applying the MPI "risk based interest rate forecasting methodology"

d) No rate increase but increase the basic deductible from $500 to $750.

CAC (MPI) 1-156

Reference: Volume II Pro Formas.

Please prepare a Pro Forma Income Statement and Statement of Retained Earnings for 2016 and 2017 accounting for the 2.4% rate increase and the 1% RSR rebuild fee separately. For example, the headings for the 2016 Income Statement would be as follows:

Income Statement 2016P				
	Base (0% rate change)	2.4% rate change	1% RSR rebuild fee	Total
Basic				
Motor Vehicles				
Etc.				

CAC (MPI) 1-157

Reference: Volume II Pro Formas Balance Sheet page 4.

a) Please explain and provide the rationale for the following:

(i) There are no values from 2015P to 2019P for Due from other insurance companies.

(ii) There are no values from 2014A to 2019P for Deferred policy acquisition costs.

(iii) There are no values from 2014A to 2019P for Reinsurers' share of unearned claims.

(iv) There are no values from 2015P to 2019P for Reinsurers' share of unearned (unpaid) claims.

b) The Provision for unpaid claims decreased by $94,650,000 from 2014A of $1,584,042,000 to $1,489,392,000 projected for 2015P. Please provide the reasons for this decrease.

CAC (MPI) 1-158

Reference: Application section page 3

Preamble: On page 3 of the Application section it states that "A range above the recommended minimum RSR target (based on the minimum DCAT amount) with the upper range based on a 100% MCT value" is requested. Reliance on the MCT to set the RSR is a change from the recommendation in the 2014 rate application.

Please give the Corporations rationale for the change this year.

RSR/DCAT

CAC (MPI) 1-159

Reference: MCT and DCAT

Please advise if there any revisions to the Minimum Capital Test and Dynamic Capital Adequacy Test guidelines in 2013/14. If there are any revisions please file a copy of the updated guideline(s) and explain the financial impact of these revisions relative to basic insurance.

CAC (MPI) 1-160

Reference: RSR.1 page 3

a) The Corporation is suggesting that the RSR target be $194 million in retained earnings based on the DCAT with a maximum RSR target equal to the MCT ratio of 100%, which is $323 million.

(i) This suggests that the Corporation is asking that no rebates be approved by the PUB until the RSR is over $323 million. Please confirm this.

(ii) Given that the corporation is a Crown Corporation with the backing of the Provincial Government and given that it is a monopoly that can raise its rates if a once in 40 year event does occur, please explain that it is appropriate that the corporation hold between $194 and $323 million of the Manitoba taxpayers money to protect itself from this rare event. If yes, please explain.

b) With reference to page 27 of the DCAT report the Corporation has "assumed that the maximum combined rate increase and/or additional RSR rebuilding fee in a given rate application is 5.0%"

(i) Has the question been put before the Board what the maximum rate increase would be if the most adverse 1 in 20 year event did, in fact, occur? If so, please give a reference for this discussion. If not, why not?

c) With reference to page 42 of the 2014 DCAT report the Corporation is suggesting interest rate decline scenarios based on historical data from 1956 to present. An inflation-control target was adopted by the Bank and the Government of Canada in 1991 and has been renewed five times since then, most recently in November 2011 for the five years to the end of 2016. The target aims to keep total CPI inflation at the 2 per cent midpoint of a target range of 1 to 3 per cent over the medium term. The Bank raises or lowers its policy interest rate as appropriate, in order to achieve the target.

(i) Given this information how does the Corporation justify using data from 1956 to present to determine the 1 in 40 year interest rate decline scenarios?

(ii) Would the data from 1992 to present not be a more accurate representation of the possibilities going forward?

d) With reference to page 26 of the 2014 DCAT report:

(i) Please provide the tables given on this page at a 1 in 20 year probability level for the adverse events.

(ii) Please provide the tables given assuming a 10% rate increase in rates was approved for the 2016/17 year.

e) With reference to page 48 of the 2014 DCAT report it states that "Our simulation assumes that undiscounted claims are independent of interest rate and equity returns." Would it not be more appropriate to assume that inflation changes would be correlated with interest rate changes and that these inflation rate changes would impact undiscounted claims?

f) In regards to the Combined Scenario described on page 48 of the 2014 DCAT report

(i) Please give justification for the selection of this particular scenario.

(ii) Was research done into standard actuarial practice across the Canadian P&C industry to determine what other companies use as their Combined Scenario in the DCAT report? If so, please provide this research. If not, why not?

g) In regards to the Decline in Equity Markets scenario described on page 29 of the 2014 DCAT report:

(i) Would the Corporation agree that after a drop in the equity market there is a rebound within two years following the drop? If so, has this been considered and modeled? If not, please provide justification for the disagreement.

<u>CAC (MPI) 1-161</u>

Reference: 2014 DCAT Report June 27, p.13

Preamble: "The loss was caused mainly from net claims incurred, which was $104 million over budget. A summary of the main impacts are as follows:

Adverse winter driving conditions resulted in approximately 3.0% more collision and property damage claims than expected in the forecast. **Impact = ($16 million).**

Physical damage claims severity increased by 10% over the previous year mainly as a result of (i) new labour and material agreements with body shops, (ii) the 1% Provincial Sales Tax increase, (iii) and higher total loss settlement values. **Impact = ($24 million).**

A comprehensive review of existing injury claims that resulted in a significant increase in loss reserves for prior years' claims. **Impact (net of interest rate adjustments) = ($26 million). . . "**

a) Please explain whether the "comprehensive review of existing injury claims" is a regular (e.g. annual) occurrence.

b) In terms of the high-loss scenario, what specific items on p.13 are considered. In particular, is the item related to the "comprehensive review of existing injury claims" considered?

c) In view of the fact that the winter weather of 2013-14 was the worst (coldest) on record in a century, how does the claims loss compare to historical claims losses in terms of the high-loss scenario, i.e. is it a 1-in-100 year for claims losses?

<u>CAC (MPI) 1-162</u>

Reference: 2014 DCAT Report June 27, p.14, Recommendations

Preamble: "If there is a significant increase in projected claims costs, management should be prepared to increase rates as quickly as possible**"**

a) Please explain how this recommendation provides a role for the RSR to stabilize rates

b) Please explain how a "significant increase in projected claims costs" would be determined. In particular, what data and methodology would be used to distinguish between trend growth in real (above inflation) claims costs and fluctuations about this trend (volatility)?

CAC (MPI) 1-163

Reference: 2014 DCAT Report June 27, p.26

Preamble: "A summary of the projected Retained Earnings, Total Equity, and MCT scores for the selected plausible adverse scenarios (including management and regulatory action) are shown in the table below. The adverse scenarios listed below are considered to have the most significant financial impact to the Corporation's financial position."

a) Please explain what risk tolerance level (1%, 2.5% or 5%) was used for these calculations.

b) What criteria for a monopoly crown corporation have been used to select this risk tolerance level as the most appropriate to present here?

CAC (MPI) 1-164

Reference: 2014 DCAT Report June 27, pp.29-30

Preamble: "Based on the historical results above, the Corporation's selected equity decline scenarios are based on fitted distributions that best represent the historical data. The assumptions are shown as total return in the table [**Selected Adverse Scenarios by Percentile and Return Period (Cumulative)]** below."

a) Would MPI agree that these results are evidence that 1 and 2 year equity declines are followed by recovery in equity values, or rebound, in years 3 and 4?

b) Is the rebound behavior of equities after declines of 1 or 2 years analyzed and incorporated into the high-loss and combined adverse scenarios?

CAC (MPI) 1-165

Reference: 2014 DCAT Report June 27, p.30

Preamble: "In calendar year 2008 and 2009, the Canadian equity turnover ratio was 31% and 16% respectively based on the current composition of the Canadian equity managers. The base Canadian equity turnover ratio was 20%, which was based on the 5 year average of the turnover ratio. Therefore, for DCAT modeling purposes, it is assumed that Canadian equity unrealized gains/losses are realized at 20% per year."

a) Please explain whether MPI has investigated the factors that determine the substantial variation in equity turnover over time.

b) Please explain whether MPI has investigated the role of market values in determining equity turnover. In particular, is there a positive statistical relationship between movements in equity values and equity turnover such that periods of equity decline are associated with lower equity turnover (i.e. lower than 20% per year)?

CAC (MPI) 1-166

Reference: 2014 DCAT Report June 27, p.31

Preamble: "The highlighted cells indicate where the base forecast equity assumptions were used. We've identified these cells because the historical data indicates that equity returns are not independent from year-to-year (especially after large declines), and therefore, these results may not be plausible beyond the return period tested."

a) Please explain whether this statement refers to the rebound behavior of equity values after large declines.

b) Please explain whether this rebound behavior has been captured in the equity decline and combined scenarios.

CAC (MPI) 1-167

Reference: 2014 DCAT Report June 27, pp.32-33

Preamble: "We selected the two year equity decline scenario to run through the financial model. The results for this scenario are shown in the table below and in Exhibit 2a to 2g.**"**

a) Please explain what is assumed about the recovery (rebound) of equity values in years 3 and 4 in this scenario.

b) Please explain how the assumed behavior of equity values in years 3 and 4 is determined with respect to the historical data on equity declines over 3 and 4 years.

CAC (MPI) 1-168

Reference: 2014 DCAT Report June 27, pp.49

Preamble: "The correlation metrics from 1956-to-present and from 2004-to-present are provided below. **[Correlation between Equity Returns and Interest Rate Movements]"**

Please explain whether the correlations in this table are statistically significantly different from zero.

CAC (MPI) 1-169

Reference: 2014 DCAT Report June 27, p. 60 (Appendix A: Stochastic Modeling)

Preamble: "In Board Order 122/10 the Public Utilities Board ordered the following: 'MPI shall use stochastic modeling of claims incurred for rate-setting purposes'.**"**

a) Would MPI agree that stochastic modeling can also be extended to the assessment of the adequacy of a given RSR and would be a useful tool in this regard

b) Please indicate if any steps have been taken to use stochastic modeling to simulate a probability distribution for retained earnings under specified adverse conditions as the basis for assessing the adequacy of specified levels of the RSR in probabilistic terms.

CAC (MPI) 1-170

Reference: 2014 DCAT Report June 27, p. 61

Preamble: "Stochastic modeling of claims incurred cannot be used 'for rate setting purposes' as the Corporation still requires a fixed best estimate forecast for setting rates.."

Please explain how the "fixed best estimate" would differ from the mean of the claims incurred probability distribution determined in the process of stochastic modeling.

CAC (MPI) 1-171

Reference: 2014 DCAT Report June 27, p. 84

Preamble: Cumulative Simulated Ultimate Losses % Deviation from Base Forecast – All Basic Coverages

Please explain whether the decline in ultimate loss % in this table is indicative of a rebound or mean reversion pattern in claims losses that would at least partially rebuild the RSR in the absence of management action and the imposition of RSR rebuilding surcharges

CAC (MPI) 1-172

Reference: DCAT Report page 5 and Exhibit 1a to 1f

Preamble: "..we have restated the base forecast (as provided by the Corporation to the Public Utilities Board in the 2015/16 General Rate Application) to more accurately reflect the forecasted changes to future premium deficiencies and deferred policy acquisition cost write-downs."

a) Please elaborate as to which base financial statements should be consider and reviewed in the 2015 GRA—the financial statements presented in Volume II in the Pro Formas section or the "more accurately" prepared financial statements presented as Exhibits1a to 1g in the 2014 DCAT report.

b) For the record, please review the headings on Exhibits 1a to 1f in the 2014 DCAT report and, if necessary, re-filed them with the correct headings.

c) Please reconcile the Original Base Scenario net income for years 2014/15 through to 2018/19 on page 5 of the 2014 DCAT report to the net income line, for the same years, on page 3 of Volume II in the Pro Formas section and explain the differences.

CAC (MPI) 1-173

Reference: DCAT Report page 13

Preamble: "A comprehensive review of existing injury claims that resulted in a significant increase in loss reserves for prior years' claims. Impact (net of interest rate adjustments) = ($26 million)."

Please elaborate on the corresponding offset in IBNR reserves of about $26 million and provide the reference in the 2015 GRA.

CAC (MPI) 1-174

Reference: DCAT Report page 14

Preamble: "The Regulator should consider the balance of funds in both the RSR and Total Equity before making decisions on future rebates or RSR rebuilding fees."

Please elaborate on the circumstances, if any, the Regulator should consider the excess retained earnings of non-basic lines of business in approving rate changes, setting RSR levels and approving RSR rebuilding fees for basic insurance.

CAC (MPI) 1-175

Reference: DCAT Report page 14

Preamble: "Establish a range above the recommended minimum capital targets…A range could also protect the Basic program from other risk factors that are not easily quantifiable. Management should continue to monitor other important risk factors such as inflation, policy liability risk, and changes to International Financial Reporting Standards (IFRS)."

In addition to inflation, policy liability risk and changes to IFRS, please elaborate on the other risk factors contemplated that may not be easily quantifiable.

CAC (MPI) 1-176

Reference: DCAT Report page 17

Preamble: Risk Control and Financial Forecasting Department

Please elaborate on the expertise brought to the table by staff members of the Risk Control and Financial Forecasting Department.

CAC (MPI) 1-177

Reference: DCAT Report page 11 and 59 and Volume III AI.6 Part 1A page 7

Preamble: IAS 19 Employee Benefits. "The impact of this change was an increase in the balance in the Basic Rate Stabilization reserve of $27.6 million to $99.9 million as at February 28, 2014.

a) Please confirm that the total impact of $27.6 million for basic insurance of IAS 19 relates to fiscal year 2012/13 ($18,460,000) and 2013/14 ($9,110,000).

b) Please confirm that the financial impact of IAS 19 was to move pension actuarial gains and losses from the operational income statement impacting net income (loss) to Other Comprehensive Income impacting Total Comprehensive Income (Loss) and had zero impact on the net equity of the basic insurance operations.

c) Please confirm that the MPI' actuary includes Accumulated Other Comprehensive Income in the conditions required to achieve satisfactory financial condition for basic insurance.

CAC (MPI) 1-178

Reference: Volume II RSR.1 page 9 and Volume III AI.6 Part 1A page 1

Preamble: The difference between Retained Earnings (RSR) and Total Equity.

a) Please confirm that the difference between Retained Earnings (RSR) and Total Equity is Accumulated Other Comprehensive Income (AOCI).

b) Please confirm that AOCI consists of the sum of the net unrealized gain or loss on financial assets classified as available for sale (AFS) and net actuarial gain or loss on employee future benefits and amounts to $70.3 million, for basic insurance, as at February 28, 2014.

c) Please confirm that AFS assets consist of Cash and Short-term Investments, Other Investments and Equity Investments amounting to $517.6 million, for basic insurance, as at February 28, 2014.

d) Please confirm that the AFS assets are highly liquid (in other words they can be sold at any time).

CAC (MPI) 1-179

Reference: Volume II RSR.1 page 3.

Preamble: "That the Board approve a minimum (lower) RSR target of $194 million in retained earnings based on the results of the 2014 DCAT report. That the Board approve a minimum (lower) RSR target of $213 million in total equity based on the results of the 2014 DCAT report."

Please elaborate on the proposed requirement for an RSR target for total equity.

CAC (MPI) 1-180

Reference: Volume II RSR.3 Minimum Capital Test page 2.

Please provide the detail amounts, by general ledger account, comprising the Balance Sheet Assets of $136,945,000 as at February 28, 2014 compared to last year.

CAC (MPI) 1-181

Reference: Volume III AI.12 Benchmarking page 2.

Preamble: "An example of Application consolidation and standardization is the plan to move the management of physical damage claims to a standard claims management application that is currently in use for bodily injury claims."

a) During the evaluation process for selecting a claims management system to handle physical damage claims, please elaborate on the various systems that were examined before deciding on the bodily injury claims system.

b) Please file a copy of the evaluation analysis.

CAC (MPI) 1-182

Reference: Volume III AI.12 Benchmarking page 17.

Preamble: "Manitoba Public Insurance is using a higher proportion of contractors than either its peers or the Insurance Industry as a whole."

Please elaborate on MPI's IT strategy, going forward, as it relates to the use of contractors as opposed to using internal staff to implement and/or develop IT applications for MPI.

CAC (MPI) 1-183

Reference: Volume III AI.12 Benchmarking Appendix 4 page 3.

Preamble: "Despite a 2.3% reduction in the IT to Company FTE ratio, MPI spent 8% more on Personnel and 9% more on Outsourcing and used 12% more contractors than Peers."

Please elaborate on MPI's IT strategy to contain the Personnel, Outsourcing and contractors costs relative to MPI's peers in light of MPI basic insurance being a monopoly.

CAC (MPI) 1-184

Reference: Volume III AI.12 Benchmarking Appendix 4 page 4.

Preamble: "On average, over a 15 year lifecycle, only 8% of an application's lifecycle costs occur during Development, so as you increase the footprint, you increase the support base"

Please elaborate on the lifecycle costs vs. development costs of an IT application (for example, the PD Re-engineering program –Volume III Charters page 8—is budgeted to cost $65.5 million. Does this mean that the life cycle cost for this program are expected to be

$819 million {$65.5 million / 0.08} with annual projected savings of $13.3 million for a payback period of 62 years {$819 million / $13.3 million?)

Allocations

CAC (MPI) 1 -185

To review the **Basic Insurance allocation distribution** of various financial account values, please complete the following schedule and explain any significant differences year over year:

Account	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Projected	2015/16 Projected	2016/17 Projected	2017/18 Projected
Basic Net Premiums Written	$						
Basic % of Corporate Net Premiums Written							
Basic Net Premiums Earned	$						
Basic % of Corporate Net Premiums Earned							
Basic Net Claims Incurred	$						
Basic % of Corporate Net Claims Incurred							
Basic Claims Expense	$						
Basic % of Corporate Claims Expense							
Basic Loss prevention/Road Safety	$						
Basic % of Corporate Loss prevention/Road Safety							
Basic Operating expenses	$						
Basic % of Corporate Operating expenses							
Basic Investment income	$						
Basic % of Corporate Investment Income							

Road Safety

CAC (MPI) 1 -186

Reference: Pre-Filed Testimony page 19

Preamble: "…I propose that we move from discussing road safety to discussing a comprehensive loss prevention strategy."

In general terms, please elaborate on the content of a comprehensive loss prevention plan for the Basic line of business.

CAC (MPI) 1 -187

Reference: SM.3 Road Safety page 13.

Preamble: The Road Safety department has been reorganized in 2013 and a new Road Safety Manager has been hired.

a) Please file a copy of the new Road Safety organizational chart.

b) Please file copies of curriculum vitae for the Road Safety manager and senior Road Safety staff.

CAC (MPI) 1 -188

Reference: SM.3 Road Safety page 14.

Preamble: Services of an external firm have been retained to assist in developing a formal process to review current road safety priorities and establish a three-year Road Safety Strategic Plan.

a) Please file a copy of the Request for Proposal, Terms of Reference and service agreement relating to the external firm.

b) Please indicate when the three-year Road Safety Strategic Plan will be completed and filed with the PUB.

CAC (MPI) 1 -189

Reference: SM.3 Road Safety page 22.

Preamble: "With respect to the High School Redevelopment project, project scoping is underway and the Corporation expects to finalize terms of reference for the multi-year redevelopment project and release of RFP by the fall of 2014."

a) In general terms, please describe the project scoping completed to-date.

b) Please file a copy of the RFP when released in fall with the PUB.

CAC (MPI) 1 -190

Reference: SM.3 Road Safety page 26.

Preamble: "These maps demonstrate that motor vehicle collisions with vulnerable road users are broadly dispersed throughout Winnipeg and Brandon. Collision "hotspots" are generally associated to multi-lane intersections with high traffic volumes…..Other patterns are not readily apparent based on the broad dispersion of collision with vulnerable road users and the relative randomness of these occurrences. For this reason, the Corporation continues to focus its efforts primarily on broad public awareness campaigns aimed at educating both motorists and vulnerable road users on how to share the road safely."

a) Please describe the methodology applied to conclude that "other patterns are not readily apparent based on the broad dispersion of collision with vulnerable road users and the relative randomness of these occurrences".

b) Please reproduce the Map on page 1 and 2 of Attachment F enlarging and only highlighting occurrences on Portage Avenue. For reference please review the following open data video: http://youtu.be/War1pSs2LAM.

CAC (MPI) 1 -191

Reference: The Manitoba Public Insurance Corporation Act (MPIC Act)

Please advise if there have been any amendments to the MPIC Act during 2014 relating to Road Safety or safety in general. If yes, please describe the amendments and the intent of the amendments.

CAC (MPI) 1-192

Reference: CAC (MPI) 1-55 from the 2014 GRA

Please review CAC (MPI) 1-55 from last year's GRA and provide updated responses to a), b) and c) for 2013/14.

CAC (MPI) 1-193

Reference: PUB (MPI) 1-94 and CAC (MPI) 1-56 from the 2014 GRA

Please provide a five year comparative history of actual vs. budgeted expenditures by road safety and loss prevention program category. Please explain any significant differences between budget and actual expenditures.

CAC (MPI) 1-194

Reference: CAC (MPI) 1-57 from the 2014 GRA

Please update the Inter-Jurisdictional Comparison for Casualty Rates table, included in the 2014 GRA, to current.

CAC (MPI) 1-195

Reference: CAC (MPI) 1-58 from the 2014 GRA

a) Please update the Road Safety Expenses – Basic Share table from the 2014 GRA to include 2013/14 actual, forecast for 2014/15, projected for 2015/16.

b) Please explain any significant changes year over year.

CAC (MPI) 1-196

Reference: CAC (MPI) 1-48 from the 2014 GRA, Volume III AI.6 Part 2 page 17.

Preamble: Goal 7 states "Manitoba Public Insurance will lead driver and vehicle safety initiatives that reduce risk and protect Manitobans, on our streets and in their neighbourhoods. Manitobans will recognize the Corporation is living its mission". Strategy 7.1 states "To develop an evidence-based road safety strategy with an aim to reduce automobile collisions, using a multi-faceted approach".

a) For fiscal years 2007/08 through 2013/14, please provide electronic copies of the annual province wide collision statistics reports available to MPI.

b) Please provide any province-wide program monitoring and evaluation studies or plans that consider the effectiveness with which MPI and other partners currently operate and integrate their loss prevention programming.

c) Please provide any published papers, conference proceedings that provide province-wide program overviews of loss prevention programs.

CAC (MPI) 1-197

Reference: Volume 3, AI.10 Charter – HSDE

Preamble: CAC MB is interested in the expected outcome from the High School Driver Education and Redevelopment Program. The Project Charter, on page 3, states the following:

"...The program provides a unique opportunity to shape the long-term driving behaviors of approximately 12,000 new teen drivers annually. This is critically important to improving road safety given that young drivers in Manitoba, as in other jurisdictions, are over-represented in fatal, serious injury, and property damage collisions"

Please consider vulnerable road users (VRU) as a group (composed of pedestrians, cyclists, motor cyclists, other un-protected victims) rather than listing the particular victim types.

a) Please provide the statistical basis for the above statement.

b) Please provide the statistical basis for young drivers being over-represented in fatal and serious injury collisions that involve vulnerable road users as victims.

c) Please provide the age distribution of all drivers involved in fatal and serious injury collisions that involve vulnerable road users as victims.

CAC (MPI) 1-198

Reference: 2015 GRA, Volume 2, Appendix D - Claims Incurred

Preamble: CAC MB is interested in the number of injury claims based on the severity (ICD10) of injury for those who are inside a motor vehicle ("MVA") and those in the class or group of persons who are external to a motor vehicle ("vulnerable road users").

Please consider vulnerable road users (VRU) as a group (composed of pedestrians, cyclists, motor cyclists, other un-protected victims) rather than listing the particular victim types.

Please provide the chart in Volume 2, Appendix D - Claims Incurred regarding PIPP Claims Statistics by Injury Type (ICD10) for number of claims, $ Incurred, and Severity ($) with clear distinction of victim type as motor vehicle occupants or vulnerable road users, for each year from 2010 to 2014.

CAC (MPI) 1-199

Reference: Traffic Collision Statistics Report 2012

Preamble: CAC MB is interested in the contributing factors of drivers involved in traffic collisions for fatal and serious injuries and the distribution of the contributing factors when the victim is either a motor vehicle occupant or a vulnerable road user.

Please consider vulnerable road users (VRU) as a group (composed of pedestrians, cyclists, motor cyclists, other un-protected victims) rather than listing the particular victim types.

a) Please refer to Table 9-7 of the 2012 Traffic Collision Statistics Report, titled "Historical Summary of Contributing Factors Recorded for Victims of Collisions". Please list the contributing factor and total victims by year, but with clear distinction of the victims as either motor vehicle occupants, vulnerable road users or unknown.

b) Please refer to Table 9-9 of the 2012 Traffic Collision Statistics Report, titled "Summary of Speed, Distracted, and Impaired as Contributing Factors". Please make a clear distinction of the victims as motor vehicle occupants, vulnerable road users or unknown for each category of collisions, victims and driver involvement.

CAC (MPI) 1-200

Reference: CAC/Bike Winnipeg (MPI) 1-1 2014 GRA

Preamble: CAC MB seeks to continue reviewing long term MPI fatality and serious injury data in a disaggregated fashion to better understand trends relating to fatalities and serious injuries. CAC MB wishes to review the distribution of these fatalities and serious injuries amongst different road users including drivers, passengers and different categories of vulnerable road users including pedestrians, cyclists and motorcyclists.

In the request below, a working definition for the terms current and ultimate is:

Current (Current Fiscal Year Claims Incurred):

> Current fiscal year claims incurred represent the accumulation or sum of all changes in claims dollar activity (paid, reserves, recoveries, IBNR, etc.) for all previous Insurance Accident Years.

Ultimate (Ultimate Claims Incurred):

> Ultimate claims incurred for a year represent the sum of the dollar activity expected/projected/developed to be incurred for a particular Insurance Accident Year (for example what will be the ultimate claims incurred for collision for the Insurance Accident Year for 2012/13).

Please complete the tables provided in **Attachment A**, with regard to the victim type and classifications for fatalities and serious injuries.

1) MPI Fatalities - Count of Claims
2) MPI Serious Injuries - Count of Claims
3) MPI Fatalities - Cost - Current value - ($000)
4) MPI Serious Injuries - Cost - Current value - ($000)
5) MPI data – Fatalities -Cost per Claim - ($000)
6) MPI data – Serious Injuries - Cost per Claim - ($000)
7) MPI data – Serious Injuries - Ultimate value - ($000)
8) MPI Ratios – Fatalities per Licensed Active Drivers
9) MPI Ratios – Fatalities per Registered Vehicle (Commercial and Non-Commercial)
10) MPI Ratios – Serious Injuries per Licensed Active Drivers
11) MPI Ratios – Serious Injuries per Registered Vehicle (Commercial and Non-Commercial)

Please provide the formal definition of "serious injury" as used in the above statistics and reconciled with the Traffic Collision Report. Has the definition of serious injury been amended since last year?

Attachment A – MPI Claim and Cost Statistics

1. MPI Fatalities - Count of Claims											
			Motor Vehicles		Calculated	Vulnerable Road Users			Calculated	Ratio	
Calendar Year	All Fatalities	Unknown/errors	Driver	Passenger	Sub-total Vehicle Fatals	Motorcycle & Mopeds Fatalities	Peds	Cyclists	Sub Total VRU Fatals	Motor Vehicles / All Fatals	VRU/All Fatals
2000											
2001											
2002											
2003											
2004											
2005											
2006											
2007											
2008											
2009											
2010											
2011											
2012											
2013											
2014 YTD (June 30)											
Total 2000 - 2014 YTD											

Attachment A – MPI Claim and Cost Statistics

2. MPI Serious Injuries - Count of Claims

			Motor Vehicles		Calculated	Vulnerable Road Users			Calculated	Ratio	
Calendar Year	All Serious Injuries	Unknown/errors	Driver	Passenger	Sub-total Vehicle Serious Injuries	Motorcycle & Mopeds Fatalities	Peds	Cyclists	Sub Total VRU Serious Injuries	Motor Vehicles / All Serious Injuries	VRU/All Serious Injuries
2000											
2001											
2002											
2003											
2004											
2005											
2006											
2007											
2008											
2009											
2010											
2011											
2012											
2013											
2014 YTD (June 30)											
Total 2000 - 2014 YTD											

Attachment A – MPI Claim and Cost Statistics

3. MPI Fatalities - Current Value ($000)											
			Motor Vehicles		Calculated	Vulnerable Road Users			Calculated	Ratio	
Calendar Year	All Fatalities	Unknown/errors	Driver	Passenger	Sub-total Vehicle Fatals	Motorcycle & Mopeds Fatalities	Peds	Cyclists	Sub Total VRU Fatals	Motor Vehicles / All Fatals	VRU/All Fatals
2000											
2001											
2002											
2003											
2004											
2005											
2006											
2007											
2008											
2009											
2010											
2011											
2012											
2013											
2014 YTD (June 30)											
Total 2000 - 2014 YTD											

Attachment A – MPI Claim and Cost Statistics

4. MPI Serious Injuries - Cost - Current value ($000)											
			Motor Vehicles		Calculated	Vulnerable Road Users			Calculated	Ratio	
Calendar Year	All Serious Injuries	Unknown/errors	Driver	Passenger	Sub-total Vehicle Serious Injuries	Motorcycle & Mopeds Fatalities	Peds	Cyclists	Sub Total VRU Serious Injuries	Motor Vehicles / All Serious Injuries	VRU/All Serious Injuries
2000											
2001											
2002											
2003											
2004											
2005											
2006											
2007											
2008											
2009											
2010											
2011											
2012											
2013											
2014 YTD (June 30)											
Total 2000 - 2014 YTD											

Attachment A – MPI Claim and Cost Statistics

5. MPI Fatalities - Cost per Claim

			Motor Vehicles		Calculated	Vulnerable Road Users			Calculated	Ratio	
Calendar Year	All Serious Injuries	Unknown/errors	Driver	Passenger	Sub-total Vehicle Fatals	Motorcycle & Mopeds Fatalities	Peds	Cyclists	Sub Total VRU Fatals	Motor Vehicles / All Fatals	VRU/All Fatals
2000											
2001											
2002											
2003											
2004											
2005											
2006											
2007											
2008											
2009											
2010											
2011											
2012											
2013											
2014 YTD (June 30)											
Total 2000 - 2014 YTD											

Attachment A – MPI Claim and Cost Statistics

6. MPI Serious Injuries - Cost per Claim											
			Motor Vehicles		Calculated	Vulnerable Road Users			Calculated	Ratio	
Calendar Year	All Serious Injuries	Unknown/errors	Driver	Passenger	Sub-total Vehicle Serious Injuriies	Motorcycle & Mopeds Fatalities	Peds	Cyclists	Sub Total VRU Serious Injuries	Motor Vehicles / All Serious Injuries	VRU/All Serious Injuries
2000											
2001											
2002											
2003											
2004											
2005											
2006											
2007											
2008											
2009											
2010											
2011											
2012											
2013											
2014 YTD (June 30)											
Total 2000 - 2014 YTD											

Attachment A – MPI Claim and Cost Statistics

7. MPI Serious Injuries - Ultimate Value

			Motor Vehicles		Calculated	Vulnerable Road Users			Calculated	Ratio	
Calendar Year	All Serious Injuries	Unknown/errors	Driver	Passenger	Sub-total Vehicle Serious Injuries	Motorcycle & Mopeds Fatalities	Peds	Cyclists	Sub Total VRU Serious Injuries	Motor Vehicles / All Serious Injuries	VRU/All Serious Injuries
2000											
2001											
2002											
2003											
2004											
2005											
2006											
2007											
2008											
2009											
2010											
2011											
2012											
2013											
2014 YTD (June 30)											
Total 2000 - 2014 YTD											

Attachment A – MPI Claim and Cost Statistics

8. MPI Ratios - Fatalities per 1000 Licensed Active Drivers

				Motor Vehicles		Calculated	Vulnerable Road Users			Calculated	Ratio	
Calendar Year	Number Licensed Active Drivers	All Fatalities	Unknown/errors	Driver	Passenger	Sub-total Vehicle Fatals	Motorcycle & Mopeds Fatalities	Peds	Cyclists	Sub Total VRU Fatals	Motor Vehicles / All Fatals	VRU/ All Fatals
2000												
2001												
2002												
2003												
2004												
2005												
2006												
2007												
2008												
2009												
2010												
2011												
2012												
2013												
2014 YTD (June 30)												
Total 2000 - 2014 YTD												

Attachment A – MPI Claim and Cost Statistics

9. MPI Ratios - Fatalities per 1000 Registered Vehicles

			Motor Vehicles		Calculated	Vulnerable Road Users			Calculated	Ratio	
Calendar Year	All Fatalities	Unknown/errors	Driver	Passenger	Sub-total Vehicle Fatals	Motorcycle & Mopeds Fatalities	Peds	Cyclists	Sub Total VRU Fatals	Motor Vehicles / All Fatals	VRU/All Fatals
2000											
2001											
2002											
2003											
2004											
2005											
2006											
2007											
2008											
2009											
2010											
2011											
2012											
2013											
2014 YTD (June 30)											
Total 2000 - 2014 YTD											

Attachment A – MPI Claim and Cost Statistics

10. MPI Ratios - Serious Injuries per 1000 Licensed Active Drivers												
				Motor Vehicles		Calculated	Vulnerable Road Users			Calculated	Ratio	
Calendar Year	Number Licensed Active Drivers	All Serious Injuries	Unknown/errors	Driver	Passenger	Sub-total Vehicle Serious Injuries	Motorcycle & Mopeds Fatalities	Peds	Cyclists	Sub Total VRU Serious Injuries	Motor Vehicles / All Serious Injuries	VRU/All Serious Injuries
2000												
2001												
2002												
2003												
2004												
2005												
2006												
2007												
2008												
2009												
2010												
2011												
2012												
2013												
2014 YTD (June 30)												
Total 2000 - 2014 YTD												

Attachment A – MPI Claim and Cost Statistics

11. MPI Ratios - Serious Injuries per 1000 Registered Vehicles													
				Motor Vehicles		Calculated	Vulnerable Road Users			Calculated	Ratio	
Calendar Year	Registered Vehicles	All Serious Injuries	Unknown/errors	Driver	Passenger	Sub-total Vehicle Serious Injuriies	Motorcycle & Mopeds Fatalities	Peds	Cyclists	Sub Total VRU Serious Injuries	Motor Vehicles / All Serious Injuries	VRU/All Serious Injuries
2000												
2001												
2002												
2003												
2004												
2005												
2006												
2007												
2008												
2009												
2010												
2011												
2012												
2013												
2014 YTD (June 30)												
Total 2000 - 2014 YTD												

CAC (MPI) 1-201

Reference: CAC/Bike Winnipeg (MPI) 2-4 2014 GRA

Preamble: CAC MB is of the opinion that better informed consumers are an essential component in any effort to reduce the traffic social and economic costs arising from motor vehicle accidents.

a) Please complete the tables provided in **Attachment B**, with regard to the victim type and group of motor vehicle occupants and vulnerable road users, and indicate the actual annual total losses, including the count of claims and incurred costs, from 200 to 2014YTD.

b) Has MPI developed a projected (forecast or estimate) of claims or total annual losses (costs) for motor vehicle occupants and vulnerable road users into the future? If so, please provide the projection.

Attachment B – MPI Claim and Cost Statistics

1. MPI Actual Annual Total Losses - Count of Claims by Loss Year (Insurance Year)

			Motor Vehicle Occupants		Calculated	Vulnerable Road Users			Calculated	Ratio	
Calendar Year	All Victim Types	Unknown/errors	Driver	Passenger	Sub-total Vehicle Occupants	Motorcycle & Mopeds	Peds	Cyclists	Sub Total VRU	Motor Vehicles / All Victim Types	VRU/All Victim Types
2000											
2001											
2002											
2003											
2004											
2005											
2006											
2007											
2008											
2009											
2010											
2011											
2012											
2013											
2014 YTD (June 30)											
Total 2000 - 2014 YTD											

Attachment A – MPI Claim and Cost Statistics

2. MPI Actual Annual Total Losses - Costs Incurred by Loss Year (Insurance Year)

			Motor Vehicles		Calculated	Vulnerable Road Users			Calculated	Ratio	
Calendar Year	All Serious Injuries	Unknown/errors	Driver	Passenger	Sub-total Vehicle Occupants	Motorcycle & Mopeds	Peds	Cyclists	Sub Total VRU	Motor Vehicles / All Victim Types	VRU/All Victim Types
2000											
2001											
2002											
2003											
2004											
2005											
2006											
2007											
2008											
2009											
2010											
2011											
2012											
2013											
2014 YTD (June 30)											
Total 2000 - 2014 YTD											

Actuarial Standards

CAC (MPI) 1-202

Reference: Pre-Filed Testimony page 3

Preamble: An objective is stated as "Achieve an actuarial opinion of being in a satisfactory future financial condition."

Since the rate indication and proposal set forth by the Corporation is not determined using accepted actuarial practice is this not contradictory? Should the entire application not follow accepted actuarial practice for consistency and best practice?

CAC (MPI) 1-203

Reference: Exhibit 1 of Section AI.9 there is reference in the notes to Appendix 2.

Please provide the appendices to which this refers.

CAC (MPI) 1-204

Reference: Claims Incurred page 11

Preamble: The Ultimate claims costs for Weekly Indemnity shown on page 11 of the Claims Incurred section forecast for 2015/16 is $61,553. The figure shown on Exhibit 1 of Section AI.9 is $61,792. Similar mismatches exist for all coverages.

Please reconcile the ultimate forecasts shown in the Claims Incurred section to the figures shown on Exhibit 1 of Section AI.9 for each coverage separately.

CAC (MPI) 1-205

Reference: AI.9 page 11

Preamble: The interest rate used appears to be 4.15%. This is inconsistent with the discount rate used in the Actuary's report of 3.90%.

Please explain this inconsistency.

CAC (MPI) 1-206

Reference: Exhibit 2 of Section AI.9, Column 8

Please give the formula for the calculation of the discount factor of 103.62% for 2015/16 and explain how a discount factor could be above 100% for the year in which rates are to be forecast for.

CAC (MPI) 1-207

Reference: With reference to Exhibit 2 of Section AI.9

Please explain why the Corporation split 2015/16 through 2017/18 into quarters for ratemaking purposes.

CAC (MPI) 1-208

Reference: Section AI.9 page 4

Please give the calculation of the $1054 proposed average rate for Private Passenger giving the sources of the figures used to calculate this figure. Please include the breakdown of the claims incurred forecasts used in the calculation by coverage.

CAC (MPI) 1-209

Reference: Page 6 of Section AI.9

Please explain how the -5.1% profit provision was determined. Was it set at the percentage required to make the two sets of rates equal or was there a calculation behind it?

CAC (MPI) 1-210

Reference: October 31, 2013 Actuary's Report

Preamble: With reference to Appendix E Page 6 of the October 31 2013 Actuary's Report it is noted that the 116 - ultimate factor has increased from 0.996 in the February 28 2013 Actuary's report to 1.010 on this report, driven by the tail factor from 212-ultimate.

Please give the calculation, including all figures used and their source, of the 212-ultimate tail factor of 1.0356.

CAC (MPI) 1-211

Reference: October 31, 2013 Actuary's Report

Preamble: With reference to Exhibit 4 Sheet 6, Accident Benefits – Other (Indexed), of the October 31 2013 Actuary's Report it is noted that using the factors from the February 2013 Actuary's report from 116 months of development through the tail decreases the IBNR by approximately $7 million.

a) Please confirm the $7 million reduction in IBNR given the assumed change in assumptions.

b) Please give the reasoning behind the increase in factors for this coverage beyond 116 months of development.

CMMG (MPI) 2015 GRA Information Requests

CMMG (MPI) 1-1

Please update last years CMMG (MPI) 1-1 re: comparison of projected vs actual loss data for motorcycle major class.

CMMG (MPI) 1-2

Please provide the current forecast for 2015 for motorcycle specific road safety programs and initiatives – comparing same to overall road safety expenditure (relative percentages and amounts with breakdowns of expenditures).
Are there any new initiatives for motorcycle road safety? Did the advanced motorcycle rider program pilot yet?

CMMG (MPI) 1-3

Any new initiatives for wildlife collision reduction?

CMMG (MPI) 1-4

With reference to CMMG (MPI) 1-4 last year, please provide a breakdown of the losses, both paid and waived, for each head up insurance average, stepped with $25,000.00 levels for motorcycle claims over the last 5 years.

CMMG (MPI) 1-5

Please update last years CMMG (MPI) 1-5 with respect to rate requirements/loss ratio/increases and Board decisions.

CMMG (MPI) 1-6

Please update CMMG (MPI) 1-6 from last year with the annual numbers/claims costs for persons killed or injured annually due to wildlife/livestock collision in Manitoba.

CMMG (MPI) 1-7

Please update the total for MPI's advertising expenses, also breaking that total down for the type of media (radio, television, newspaper, magazine, others).

CMMG (MPI) 1-8

Please breakdown the advertising expenditures in the I.R. above according to type of message (ie: road safety, program/coverages/etc.) Please break out the cost of the specific motorcycle ads and indicate expenditures.

CMMG (MPI) 1-9

Has there been any use by the Corporation of the "hot mapping" results for motorcycle collision as provided response to CMMG (MPI) 2-2 last year? Does the Corporation plan to develop any initiatives or responses using the data in the coming year?

CMMG (MPI) 1-10

The Corporation indicated in CMMG (MPI) 2-8 that another Canadian insurer offered "transferable" plates to be used where an owner has several vehicles only one of which he may use at a time. Please provide details of this insurer.

CMMG (MPI) 1-11

Please compare the average required rate for motorcycles for all 4 Western Canadian provinces with adjustment for the variance in policy term, ie full calendar year policy vs Manitoba's 5/12 year policy period. Please provide examples for a 2013 Harley Davidson Electroglide [sic], a 2000 Honda, and a 2010 BMW examples (or similar make/model/age).

CMMG (MPI) 1-12

Please provide the last ten year calculations of loss ratios for motorcycle and for private passenger.

CMMG (MPI) 1-13

Please provide the Corporation and explanation of the determination of the RSR over 2014 and projected 2015. Please provide a percentage ranking of the factors contributing to the deterioration setting out the amount percentage and period of the effect of poor winter driving and claims associated therewith.

CMMG (MPI) 1-14

Were there any motorcycle claims during the winter months November 30, 2014 to March 30, 2015. Please state amount of claims costs incurred if answer is in the affirmative.

CMMG (MPI) 1-15

Does the Corporation agree that the deterioration in the RSR has not been contributed to by the motorcycle class of use since the last GRA.

CMMG (MPI) 1-16

Why does the Corporation cap the decrease in motorcycle rates applied for in this application instead of requesting approval for the required rate and the decrease indicated?

CMMG (MPI) 1-17

Please describe each of the PFAD's (Provisions For Adverse Deviation) employed by the Corporation.

CMMG (MPI) 1-18

Please provide a comparison of the average claims costs for vehicles in which the owner has a motorcycle insured versus vehicles where the owner does not also have a motorcycle insured.

CMMG (MPI) 1-19

Please provide a comparison of the bonus/malus points accumulated of motorcycle insured vs. the private passenger pool of insured.

CMMG (MPI) 1-20

Why does a motorcyclist not get substitute transportation covered under basic insurance when the operator is involved in a not at fault motorcycle accident?

CMMG (MPI) 1-21

What is the Corporations long term plan to rebuild the RSR, ie what are the expected contributions over the next several years?

CMMG (MPI) 1-22

What are the estimated total claims cost attributable to distracted drivers over last year?

CMMG (MPI) 1-23

Please show the number of contract employees working for MPI over the last five (5) years, indicating annual expenditures and annual increases/decreases in numbers of contractors. Please also provide the average wage broken down for each level of employee: ie. clerical, administrative, managers, supervisors, executive, senior executive.

CMMG (MPI) 1-24

Please provide what are the percentage changes in executive remuneration over the past 5 years? Please also advise in any changes in the numbers of executives.

CMMG (MPI) 1-25

Please provide what are percentage changes in management remuneration over the past 5 years?

CMMG (MPI) 1-26

Please provide what are the percentage changes in front line employees remuneration over the past 5 years?

CMMG (MPI) 1-27

Please provide number of lawyers currently employed and also those on a contract with MPI.

CMMG (MPI) 1-28

Please provide the wage to premium ratio percentage. Has the increases at MPI surpassed Canadian inflation rates? Have the wages stayed in line with private insurance companies?

CMMG (MPI) 1-29

How has the number of claims changed over the past 5 years? What is the percentage change?

CMMG (MPI) 1-30

How has the cost of administrative process of a claim changed in the past 5 years?

CMMG (MPI) 1-31

What has MPI done to reduce the costs to process a claim?

CMMG (MPI) 1-32

Adjusters now work as a team of, as opposed to the previous procedure of one adjuster per claim. How has this affected the costs of administering a claim?

CMMG (MPI) 1-33

What process has MPI used to lower operational costs and how does MPI compare to other province's crown corporations that handle vehicle insurance coverage?

CMMG (MPI) 1-34

How does MPI compare to operational costs of private insurance companies, who compete for business and have to advertise to attract clients?

CMMG (MPI) 1-35

What is the cost of the IT department and how has it changed in the past 5 years?

CMMG (MPI) 1-36

What is the amount of capital invested in buildings in the past 5 years and are assets disposed of when no longer required? How may assets are donated or disposed off at a loss in the past 5 years? Are assets handled through crown asset disposal?

CMMG (MPI) 1-37

What are the total assets of MPI over the past 5 years. Please also show the increase and decrease annually by percentage.

CMMG (MPI) 1-38

Are real estate holdings of MPI valued at current market value in its financial statements?

CMMG (MPI) 1-39

Does MPI receive any "perks" from its advertising? Jets tickets, Bomber tickets? And how much is spent on advertising in these sport venues? Does MPI contribute other events such as marathons, Junior Hockey, Goldeyes games, etc. that are not motor vehicle related?

CMMG (MPI) 1-40

How much money has MPI spent on Police officer wages and overtime for traffic enforcement?

CMMG (MPI) 1-41

Does MPI share in any of the revenue generated by the increased police enforcement to cover its costs?

CMMG (MPI) 1-42

Does MPI have any direction with respect to the duties of the traffic division of the WPS?

CMMG (MPI) 1-43

Does PI provide funding to any other police department? Brandon? RCMP? Reserve Police? And is that included in the total? What other insurance company in Canada contributes to police wages for traffic enforcement?

CMMG (MPI) 1-44

Has MPI expended funds contributed to road repairs or road maintenance or studies on road maintenance?

CMMG (MPI) 1-45

How much money does MPI spend on training of new immigrants and unemployed persons to get their class one professional driver licence? Why should MPI shareholders be paying for employment training of Manitobans and is this part of MPI's mandate for providing affordable insurance? What other insurance company pays for training for employment, specifically a class one licence?

CMMG (MPI) 1-46

Would including Fire and Theft on the basic insurance (as is done with automobiles) change the motorcycle rate drastically as MPI has the loss/premium ratio experience with motorcycles already?

CMMG (MPI) 1-47

Since the methodology of MPI has changed regarding motorcycle/auto accidents where there is loss allocation based upon fault, and the implementation of graduated licensing, how has this affected the Claims costs to premium ratio in the MC category and are the reductions in premiums truly, fairly and proportionately reflective of the reductions in claims?