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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE COMPANY (MPI)
GENERAL RATE APPLICATION
FOR 2011/12 INSURANCE YEAR

Before Board Panel:

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

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 12, 2010
Pages 813 to 1054

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1 --- Upon commencing at 9:03 a.m.

2

3 THE CHAIRPERSON: Okay. Good morning,
4 everyone.

5 Ms. Everard...?

6 MS. CANDACE EVERARD: Thank you, Mr.
7 Chairman.

8

9 MPI PANEL:

10 MARILYN MCLAREN, Resumed

11 DON PALMER, Resumed

12 OTTMAR KRAMER, Resumed

13

14 CONTINUED CROSS-EXAMINATION BY MS. CANDACE EVERARD:

15 MS. CANDACE EVERARD: What I'm going to
16 do first-off is just follow up on a couple of points from
17 last week.

18 The first one deals with the evidence that
19 was given with respect to the Corporation's original
20 estimate of the cost retroactively of the benefit
21 enhancements, the -- the one that moved from the 90
22 million to the seventy-four (74), and we went through
23 that. What I'd like to know though is with respect to
24 that change, and given the -- the decrease that
25 ultimately was there in terms of the estimate, is -- do

1 we know now that GAAP was followed with respect to that
2 reduction?

3 Does -- can the Corporation comment on
4 that, whether that there was compliance with GAAP? Of
5 course, I mean Generally Accepted Accounting Principles.

6 MR. DON PALMER: You're specifically
7 talking about the reduction from ninety (90) to seventy-
8 five (75)?

9 MS. CANDACE EVERARD: Yes.

10 MR. DON PALMER: Yes. The \$90 million is
11 an estimate, and to move to seventy-five (75) was a
12 revision to the estimate. There's no issues with GAAP
13 compliance there at all.

14 MS. CANDACE EVERARD: Thank you. Next,
15 we heard some evidence last week about claims incurred,
16 and experience over the last number of years. Would it
17 be possible for the Corporation to provide something,
18 even in point form, to the Board that reflects the -- not
19 so much from an accounting perspective, but the actual
20 drivers behind the changes in claims incurred over the
21 last five (5) years, in terms of -- and I don't mean
22 comparing actual to forecast when I say change. I just
23 mean, here are the numbers for the claims incurred over
24 the last five (5) years, it went up in this year because
25 of this and that, it went down the next year, or whatever

1 the case is; just with sort of the real life reasons
2 behind it.

3 The Board would find that helpful, if the
4 Corporation could prepare something like that. Just --
5 as I say, just in Point form.

6 MR. DON PALMER: We can put that
7 together. I'm sure that we'll be cobbling it from past
8 Information Requests because I -- I know that that has
9 been laid out, but it's probably not all in one (1)
10 place, so we can do that.

11 MS. CANDACE EVERARD: And I think just
12 pulling it together, and having it in one (1) place would
13 be very helpful.

14 So we have that as an undertaking?

15 MR. DON PALMER: Yes, that's an
16 undertaking.

17

18 --- UNDERTAKING NO. 10: MPI to provide the Board with
19 the drivers behind the
20 changes in claims incurred
21 over the last five (5) years

22

23 CONTINUED BY MS. CANDACE EVERARD:

24 MS. CANDACE EVERARD: Great. And then
25 just, in the same vein, or in a similar vein, in terms of

1 claims, would the Corporation be able to provide
2 information to the Board on the following:

3 The first item is an estimate, or an
4 average, of the number of days, even including weekends,
5 between the reporting of an accident, and the claimant
6 receiving their first weekly indemnity cheque, assuming
7 that they're getting that, as well as repair of the
8 vehicle, write-off if applicable, and the issuance of a
9 cheque for that. We're just trying to get the sense of a
10 timeline for the arc -- the beginning part of the arc of
11 a claim.

12 MR. DON PALMER: I'm not sure if I
13 completely under -- understand what you mean by the arc
14 of a claim, but essentially it's the time from maybe
15 accident, to reporting, to first payment?

16 MS. CANDACE EVERARD: Yes.

17 MR. DON PALMER: For both PIPP and
18 physical damage?

19 MS. CANDACE EVERARD: Yes, please.

20 MR. DON PALMER: And specifically IRI, or
21 any PIPP payment?

22 MS. CANDACE EVERARD: Would it be
23 difficult to break it down by PIPP component? So they --
24 then it would include IRI as well as the other
25 categories.

1 MR. DON PALMER: We -- we can break it
2 down into IRI and other. That's probably not too hard.

3 MS. CANDACE EVERARD: And then the other
4 question that's --

5 MR. DON PALMER: Just -- just in -- in
6 relation to that, I think PIPP and first other -- or IRI
7 and first other PIPP, for instance, payment of an
8 impairment benefit, for instance, could take months or
9 years, So they would be -- there would be a real variance
10 in that -- in that. But if you're looking for the time
11 of reporting to the time that we pay for a prescription,
12 for instance, that's completely different.

13 So there's a real wide range there.

14 THE CHAIRPERSON: Would there be a
15 distribution? Such and such a percentage in such a such
16 a period of time? Such and such a percentage over a
17 longer period of time?

18 MR. DON PALMER: Again, it would be -- if
19 we did a -- a distribution like that, it would be very
20 dependent on the specific coverage. As I say, I -- I
21 don't know if there would be any impairment benefits that
22 would be paid out within a matter of weeks, for instance.
23 Whereas IRI or other benefits would be paid in -- in a
24 much shorter timeframe.

25 So we -- we'll see what we can pull

1 together in -- in a reasonable time and -- and go from
2 there.

3

4 --- UNDERTAKING NO. 11: MPI to provide an estimate,
5 or an average, of the number
6 of days between the reporting
7 of an accident, and the
8 claimant receiving their
9 first weekly indemnity
10 cheque; as well as the repair
11 of the vehicle, write-off if
12 applicable, and the issuance
13 of a cheque

14

15 CONTINUED BY MS. CANDACE EVERARD:

16 MS. CANDACE EVERARD: The next question,
17 and this is somewhat related to that one, is would the
18 Corporation be able to provide some information in terms
19 of the trend and the numbers for the typical duration of
20 the weekly indemnity claims, so IRI, including how long
21 the average claimant is paid?

22 MR. DON PALMER: We do have a duration
23 analysis that we can provide.

24 THE CHAIRPERSON: Is there a distribution
25 on that too?

1 MR. DON PALMER: There would be a distrib
2 -- that -- the duration analysis essentially would be the
3 distribution.

4 THE CHAIRPERSON: In -- in a sense
5 there'd be some, presumably, that were very short-term
6 claims and some that would end up being to retirement and
7 past?

8 MR. DON PALMER: Absolutely.

9 THE CHAIRPERSON: If -- if there's some
10 distribution in the response that would be helpful too.

11 MR. DON PALMER: Okay.

12

13 --- UNDERTAKING NO. 12: MPI to provide duration and
14 distribution analysis of
15 indemnity claims

16

17 CONTINUED BY MS. CANDACE EVERARD:

18 MS. CANDACE EVERARD: Thank you. And I'd
19 just like to take you back, Mr. Palmer, briefly to TI.15.
20 We just have one (1) point to clarify. I know we had
21 some evidence on TI.15. It's at Tab 10 of the book of
22 documents. I'd ask you in particular to go to the
23 expenses section.

24

25 (BRIEF PAUSE)

1 MS. CANDACE EVERARD: And the second line
2 of the expenses section which deals with commissions.
3 And it -- the timeframe that we have here on TI.15 is
4 from 2006/07 through to the year of the application.

5 We see on the commission line some fairly
6 steady increases over the first three (3) years. It goes
7 from about 35 million to thirty-six point seven (36.7) to
8 about thirty-eight point nine (38.9). And then in last
9 year, the '09/'10 year, we see a jump to 44.6 million,
10 forecast for the current year of forty-five (45), and
11 then a reduction, again, to about 41 million.

12 My question relates to the reason for the
13 -- more substantial increase from '08/'09 through to
14 '09/'10, and then another increase in the current year.

15

16 (BRIEF PAUSE)

17

18 MR. DON PALMER: Yes, with -- with the
19 agreement, the change in -- in regulation on commissions,
20 commissions are now paid on both vehicle premium and
21 driver premium. And that -- that began -- began in that
22 '09/'10 year where -- where you see the increase; there's
23 also some flat fees that increased and -- and whatnot,
24 according to regulation, as well. So that would be that
25 -- that one (1) time increase.

1 We've -- the step-down of the commission
2 rate, it -- it says in the expense, approximately 5
3 percent of premium written. That of course is changing.
4 In fact, November 1st of this year, that commission rate
5 changed to 4 percent. So that's why we see, starting
6 with some decreasing and stepping down, and that's going
7 down over a number of years to the 2 1/2 percent.

8 MS. CANDACE EVERARD: Thank you. I'm
9 going to move then to some questions relating to
10 reinsurance, so I'd ask you to go to Tab 38 of the book
11 of documents, which is the question and answer posed by
12 the Board at Number 97 in the First Round, and, in
13 particular, 97(e) I'll ask you to go to. This was an IR
14 where the Board asked the Corporation to indicate to what
15 maximum losses it is protected under its reinsurance
16 arrangements for the current year.

17 Are you with me?

18 MR. DON PALMER: I'm there, yes.

19 MS. CANDACE EVERARD: And the
20 Corporation's reply was that its maximum losses protected
21 under the 2010 reinsurance arrangements are 250.8 million
22 for catastrophe and 45 million for casualty.

23 Is that right?

24 MR. DON PALMER: Yes, with a bit of an
25 explanation on the two hundred and fifty point eight

1 (250.8). We do have -- we -- we buy a three (3) year
2 program, which means, for our renewal for 2010, we buy --
3 we buy a third this year, a third for next year, and a
4 third for the following year.

5 What we have decided to do, rather than
6 having the full three (3) thirds each year, we actually
7 only have two-thirds (2/3) of coverage on that one
8 hundred (100) excess, two hundred (200) top layer. So
9 it's not quite up to \$250 million. It's two (2) -- that
10 top layer is two-thirds (2/3) of the top three (3) -- or
11 one hundred (100) 'X' two hundred (200).

12 So if we had a \$275 million catastrophe --
13 so this 75 million -- we'd pay two-thirds (2/3) of that
14 seventy-five (75) on that top layer. So -- so it isn't
15 just cut off at the two fifty (250); it actually goes to
16 the three hundred (300), but in vertical chunks rather
17 than horizontal.

18 MS. CANDACE EVERARD: Okay. Thank you.

19 THE CHAIRPERSON: This means, in a sense,
20 that -- I just want to understand. For the current year,
21 your arrangement in reinsurance actually increases the
22 risk of the Corporation?

23 MR. DON PALMER: No. We've been at that
24 two-thirds (2/3) -- I'm just thinking. We -- we bought
25 the first layer of up to the -- in that two-thirds (2/3)

1 of that top layer in 2008, after the 2007 Dauphin storm,
2 and it's been the two-thirds (2/3) every year since that.
3 So, no, there -- there has been no increase in risk this
4 year.

5 THE CHAIRPERSON: Just for the
6 understanding, that's all I'm trying to get at here, is
7 that there's some similarity with what you're talking
8 about in actually Centra Gas's old hedging program, where
9 they would go out a period of time in lumps. So you're
10 securing into the future, but you've what? In the end --
11 you've either reduced the period of time?

12 MR. DON PALMER: No, that top layer -- I
13 -- I talked about the three (3) year program. Well, it's
14 in fact a two (2) year program, so we -- we only cover
15 two-thirds (2/3) of that -- that top.

16 MS. MARILYN MCLAREN: Were you asking
17 about the three (3) year program itself, though?

18 THE CHAIRPERSON: Yes.

19 MS. MARILYN MCLAREN: Okay. That started
20 quite a long time ago now, probably -- I'd say easily
21 more than ten (10) years ago now, and it was, at least in
22 part, because it was challenging for us to -- those were
23 challenging times for reinsurance. The prices were quite
24 volatility (sic). It was about price more than anything
25 else. We've always been able to get the coverage on the

1 program that we wanted, but the price was quite volatile.

2 And the way the system works, the prices
3 always would come in right around Christmastime, and all
4 the programs would start on January 1, and so, you know,
5 we'd be trying to figure out our -- our forecast for the
6 coming year. We'd be sitting here at PUB and not know,
7 for the upcoming year, what reinsurance would cost.

8 So it was really Jack Zacharias and Barry
9 Galenzoski that developed this concept, sold it to our
10 reinsurance broker as viable, and they took it out to the
11 market and sold it as viable in large part because of who
12 we are. Because we are, you know, the primary insurer in
13 Manitoba. We're stable. They understand us. We have an
14 exposure for hail and not much else other than, I guess,
15 the big flood.

16 So it was really something that now we sit
17 here -- right now, we know two-thirds (2/3) of the cost
18 of our reinsurance program for the 2011 year, and a third
19 of it will be determined right around Christmastime
20 again, but it's only a third of it now.

21 So until Dauphin hit, we had \$200 million
22 of his -- coverage for hail for -- for years. And after
23 Dauphin we decided most of another three hundred (300)
24 would be a good idea.

25 THE CHAIRPERSON: Thank you for the

1 explanation. It's helpful.

2

3 CONTINUED BY MS. CANDACE EVERARD:

4 MS. CANDACE EVERARD: My next question is
5 in somewhat in the same vein of your evidence just given,
6 Ms. McLaren. It deals with 97 das -- (f), which was an
7 IR that asked the Corporation to describe the process
8 that it goes through to establish the reinsurance levels.
9 And the Corporation provided a reply of a paragraph that
10 discusses a little bit the factors that the Corporation
11 considers, and it describes those as several mutually
12 exclusive factors.

13 Perhaps someone from the panel can discuss
14 that answer.

15

16 (BRIEF PAUSE)

17

18 MR. DON PALMER: Sure. The reinsurance
19 marketplace is one of a transfer of risk, just like any
20 other insurance program. And there are sell -- the
21 sellers, the reinsurers that are subject to the same sort
22 of market forces that any insurance company would have,
23 including availability of capital, the perceived risk.

24 And in terms of our buying, it's -- it's
25 essentially what sort of risk we want to -- the risk

1 reward tradeoff. When we get -- have the lower layers,
2 it really doesn't make any sense to insure yourself from
3 a risk that is relatively likely because there's a cost
4 to transfer that risk.

5 So, much like an individual could probably
6 afford a hundred dollar deductible on the vehicle or a
7 two hundred dollar (\$200) deductible, we make our own
8 choices to what level of reinsurance we want to start at,
9 that -- that risk that we're able to assume, knowing that
10 anything we transfer there's a cost to.

11 We have seen a number of hailstorms over
12 the last few years, and the price for the lower layers is
13 -- is getting very expensive. So, at that point, it's do
14 we want to engage in essentially dollar trading with the
15 reinsurance market, and, again, pay their expenses on top
16 of that, or -- or do we feel comfortable with retaining
17 that risk our -- ourselves.

18 So that's kind of the -- the tradeoff and
19 -- and those questions that we go through each and every
20 year, again depending on how hard or soft the market is,
21 the prices go up and down. When there are years after
22 global catastrophes, bad catastrophic years, the -- the
23 market hardens, capacity sometimes shrinks and you see a
24 fairly large increase in price just because of that
25 capacity. We saw that after 2001 and -- and the 9/11. We

1 saw it again after 2005 with the KRW hurricanes Katrina,
2 Rita, and Wilma.

3 So -- so depending on all of those factors
4 is -- it comes down to a decision of -- of risk and --
5 and reward: what do we want to hol -- hold net to the
6 Corporation for what price.

7 MS. CANDACE EVERARD: And it would be
8 fair to say that those considerations are the same on the
9 casualty side and the catastrophe side?

10 MR. DON PALMER: By and large, yes. The
11 -- the market is quite different on the casualty side.
12 Maybe not so much the -- the global foreca -- forces at
13 play. The KRW is -- is purely catastrophe, not casualty.

14 Again, there are different trends in the
15 marketplace. As court precedents are set, that sometimes
16 changes the marketplace. So it's the same type of
17 considerations, just not exactly the same ones.

18 MS. CANDACE EVERARD: Now, we have at
19 97(c), a chart here on page 2. This was in response to a
20 question that the Corporation provide the extent to which
21 it claimed against its re-insurance over the last ten
22 (10) years. And so the Corporation's provided us with a
23 chart for the last ten (10) years with casualty and
24 catastrophe details.

25 If I'm reading this right, if we look at

1 the catastrophe side first, there was a \$14 million claim
2 in 2001, a \$36 million in 2007, and an \$8 million in
3 2009.

4 Is that right?

5

6 (BRIEF PAUSE)

7

8 MR. DON PALMER: That -- that's correct.
9 And again, these are what we've actually collected in
10 payments. The 2009 hailstorm would be somewhat bigger
11 than that. It was, if memory serves me, about a \$30
12 million storm, so we would probably expect to collect
13 about \$15 million of that.

14 We had a \$15 million retention, so with a
15 \$30 million claim, our -- our total to be collected would
16 be about \$15 million. It takes some time for all the
17 vehicles to be repaired, and -- and whatnot, so this is
18 the actual amount that we've collected that we've claimed
19 in cash.

20 MS. CANDACE EVERARD: That's to date.
21 And you're saying that in the future you would expect
22 that 8 million to increase probably to something like
23 fifteen (15) over time?

24 MR. DON PALMER: Yes.

25 MS. CANDACE EVERARD: And on the casualty

1 side, we have a claim for seventy-nine thousand (79,000)
2 back in 2001.

3 Is that right?

4 MR. DON PALMER: Yes. And that -- this
5 was -- at the time this was submitted, there was a large
6 claim in 2001 that has now been settled, but not on the
7 Basic program; it was a casualty claim. So this -- this
8 in fact, this was the total amount of de -- of recovery,
9 and this, in fact, is an SRE claim.

10 MS. CANDACE EVERARD: And just for the
11 purposes of the record, what does the casualty side
12 cover?

13 MR. DON PALMER: It's large injury
14 claims, so large -- large PIPP claims. On the Basic
15 side, our retention -- well, our retention corporate wide
16 is -- is \$5 million. For PIPP coverage, a single claim,
17 it would take a very -- very, very unusual claim to go
18 beyond the \$5 million, so it's more if you have multiple
19 injuries in -- in one (1) particular accident that you
20 would claim against the casualty program.

21 MS. CANDACE EVERARD: Thank you. I'll
22 ask you to go to 2-42 asked by the Board. It's not in
23 the book.

24

25

(BRIEF PAUSE)

1 MS. CANDACE EVERARD: We see at 2-42 the
2 -- the same information that we just looked at in 1-97,
3 but we also see an additional table.

4 Do you have it?

5

6 (BRIEF PAUSE)

7

8 MR. DON PALMER: Yes, and -- just come to
9 my attention that these recoveries and premium written
10 are corporate, not just Basic.

11 MS. CANDACE EVERARD: That's at 2-42?

12 MR. DON PALMER: Yes.

13 MS. CANDACE EVERARD: Does the
14 Corporation have a schedule like this that just pertains
15 to Basic?

16 MR. DON PALMER: Not handy. We can take
17 that as an undertaking. It'll take a -- a day or two
18 (2).

19 MS. CANDACE EVERARD: Thank you.

20

21 --- UNDERTAKING NO. 13: MPI to provide a schedule for
22 recoveries and premiums for
23 Basic

24

25 CONTINUED BY MS. CANDACE EVERARD:

1 MS. CANDACE EVERARD: We see -- and I
2 appreciate that this is corporate-wide at the moment, but
3 the right-hand table, entitled "Premium Written," I take
4 it reflects a summary of the reinsurance premiums paid by
5 the Corporation.

6 Is that right?

7 MR. DON PALMER: That's correct.

8 MS. CANDACE EVERARD: And so we see, if
9 we look at the total column, the far right-hand column,
10 numbers ranging between roughly 8 million and roughly 13
11 million over the last ten (10) year period.

12 Is that fair to say?

13 MR. DON PALMER: That's correct.

14 MS. CANDACE EVERARD: And I take it, by
15 virtue of the fact that the Corporation has paid the
16 premiums in exchange for the reinsurance coverage, that
17 it feels that the -- those payments are reasonable in
18 exchange for the coverage that it's getting.

19 Is that fair to say?

20 MR. DON PALMER: Yes, certainly. It's,
21 depending on the level of protection and -- and I'll talk
22 mainly about the catastrophe program, because that's
23 mostly Basic. The first two (2) layers, up to \$25
24 million and -- and then up to \$50 million, in fact where
25 the reinsurers are in a deficit position, they -- they

1 remind us of that quite a bit, that we have collected
2 more than we've paid for those two (2) layers, that --
3 and that hence the cost pressure that I talked about.

4 Beyond the \$50 million, it's very -- very
5 much an unusual event. It's -- sleep-at-night cover,
6 I've heard it referred to as, that there could be a large
7 hail storm out there that really would affect the
8 Corporation. And, again, those lower layers are less
9 expensive, but we're happy to have that coverage.

10 With -- with a Dauphin-type hail storm if
11 it hit in Winnipeg, we'd be looking at something, \$300
12 million in claims. So from that standpoint, we're
13 satisfied with the price and the coverage that we're
14 getting. We go through a -- a lot of effort with our
15 reinsurance brokers to ensure that we get the best --
16 best price available.

17 MS. CANDACE EVERARD: Thank you. If we
18 go to 1-97, or go back to 1-97, which was at Tab 38 of
19 the book of documents, we see, in the reply to (a) of the
20 question, an attachment. This is on the page numbered 1
21 of that particular IR reply. And -- I'll just wait for
22 you to get there.

23

24

(BRIEF PAUSE)

25

1 MR. DON PALMER: I have it.

2 MS. CANDACE EVERARD: So I'm looking at
3 the page numbered 1, which is the attachment to (a).
4 It's just actually a couple of pages into the IR. Yeah,
5 that looks like it.

6 And this reflects -- under the column
7 entitled "Layer of Coverage," we see, under Catastrophe,
8 there's a line item "Other" with an asterisk, and the
9 footnote is:

10 "Reinstatement fees and premium
11 adjustments."

12 And for last year, '09/'10, there was a
13 \$2.4 million adjustment on that line. Can you tell us
14 about that.

15 MR. DON PALMER: When you buy reinsurance
16 coverage, essentially it covers you for one (1) claim.
17 It's not like regular individual personal lines coverage
18 that you're covered for a year -- a year. With the -- a
19 catastrophe program, when you use the coverage you use
20 the coverage, and then you have to buy it again.

21 And that's known as a reinstatement
22 premium, because we had a claim in 2009, a hailstorm that
23 went right across the province from -- from Brandon
24 through to Winnipeg. We had that claim. I mentioned it
25 to be about a \$30 million claim. So we used the

1 coverage, so we had to buy it again, and that's the
2 reinstatement premium of \$2.4 million.

3 MS. CANDACE EVERARD: Turning the page,
4 we look at the attachment at 1-97(b). We see a
5 comparison between the layers of coverage and the costs
6 from last year's GRA to the current GRA, and then the
7 bottom table reflects the difference between those two
8 (2).

9 Is that right?

10 MR. DON PALMER: That's correct.

11 MS. CANDACE EVERARD: And if we look at
12 that last table entitled, "The Difference," under the
13 line item of, "Reinsurance Premiums Written," we see that
14 in actuality, the Corporation paid out about \$2.9 million
15 more than it was expecting last year, and that in large
16 part was related to the reinstatement premium that you
17 just spoke about?

18 MR. DON PALMER: Most of it was the
19 reinstatement premium, yes. With our -- for 200/10, that
20 -- that's correct. It would be almost exclusively
21 reinstatement premium, with the one (1) additional little
22 extra on the 25 'X' 25, and that would relate to the re -
23 - our renewals are January 1st. Because we had a claim,
24 the premium goes up. So we would have been -- for the
25 two (2) months coverage, January and February, we prorate

1 it across the year. So that would be the increase in
2 '09/'10 for the 25 'X' 25 layer.

3 MS. CANDACE EVERARD: And then we see in
4 the current year, the year of the Application and through
5 the outlook period, increases definitely less than the
6 two point nine (2.9), but they range from seven hundred
7 and thirty-two thousand (732,000) up to about one point
8 one (1.1), and the reasons for those increases would be
9 the increase premiums resulting from the claim?

10 MR. DON PALMER: That's correct.

11 MS. CANDACE EVERARD: To your knowledge,
12 Mr. Palmer, has the Corporation had claims that have
13 exceeded the current thresholds? Has that ever happened?

14 MR. DON PALMER: No.

15 MS. CANDACE EVERARD: Okay. We're going
16 to shift gears then and go to some questions about the
17 business process review.

18

19 (BRIEF PAUSE)

20

21 MS. CANDACE EVERARD: Now in last year's
22 order, 161/09 -- and this is at SM.5.3, if you -- if you
23 care to go there. I don't know that you necessarily need
24 to. But it's reflected in SM.5.3 that in -- it's last
25 year's order --the Board ordered that:

1 "The Corporation provide an update to
2 this Board on or before June 30th of
3 2010 on continuing BPR, or Business
4 Process Review projects, rela --
5 including the PIPP Infrastructure
6 Project, including an acc -- a full
7 accounting of costs incurred on behalf
8 of and/or to be recovered from the
9 province."

10 And the Corporation stated in reply to
11 that that there was some information on the business
12 process review filed at AI.11 of the Application.

13 Is that right?

14 MR. DON PALMER: That's correct.

15 MS. CANDACE EVERARD: And if we go to
16 AI.11, which is at Tab 12 of the Board's book of
17 documents, we see in the very first paragraph -- do you
18 have AI.11?

19 MR. DON PALMER: Yes, I do.

20 MS. CANDACE EVERARD: So we see in the
21 first paragraph the Corporation has stated that:

22 "The BPR portfolio of initiatives
23 includes PIPP infrastructure, service
24 centres, driver safety rating, or DSR,
25 streamline renewals, or SRP, and one

1 (1) part licences."

2 Is that right?

3 MR. DON PALMER: That's correct.

4 MS. CANDACE EVERARD: And the Corporation
5 continues, in the next paragraph, to state that regarding
6 service centres, it is proceeding with that initiative as
7 intended, and that:

8 "Through 2008 and 2009, facilities,
9 construction, and site preparation was
10 completed, along with the planned
11 consolidation of services, and that the
12 implementation of new technologies to
13 improve efficiencies is planned for the
14 fall of 2010."

15 That's right?

16 MR. DON PALMER: Yes.

17 MS. CANDACE EVERARD: And then in that
18 third paragraph, the Corporation has advised that:

19 "DSR, SRE, and one (1) part licences
20 were implemented in January 2010."

21 MR. DON PALMER: That's correct.

22 MS. CANDACE EVERARD: Moving then to the
23 portion entitled, "Prip -- PIPP Infrastructure Update,"
24 we see that Phase 1, which was blueprint and road map,
25 and Phase 2, which was solution and selection, are

1 completed.

2 That's right?

3 MR. DON PALMER: Yes, that's correct.

4 MS. CANDACE EVERARD: Phase 3 was
5 initiated in May 2008. And Phase 3:

6 "Comprises the effort required to build
7 the integrated people process,
8 technology, and information solution to
9 enable the vision and objections of
10 PIPP claims management."

11 Yes?

12 MR. DON PALMER: Yes.

13 MS. CANDACE EVERARD: And if we continue
14 through the document, it's reflected that Phase 3, the
15 one initiated in May 2008, consists of several
16 iterations. There was the -- the first one (1) being the
17 inception stage.

18 Is that right?

19 MR. DON PALMER: Yes.

20 MS. CANDACE EVERARD: And there's some
21 information with respect to the inception sage -- stage
22 on page 2 of AI.11. This phase was completed in August
23 of 2008, and perhaps you could read in, or just summarize
24 what that phase consisted of.

25 MR. DON PALMER: The inception phase,

1 I'll just read it in from page 2:

2 "The first phase of the iterative
3 approach was the inception phase, which
4 was completed in August 2008. The
5 inception phase identified and
6 confirmed the specified design
7 principles, scope, deliverables,
8 success criteria, and schedule of the
9 project.

10 The schedule confirmed when specific
11 business process, and technology
12 functionality will be addressed.
13 Inception also included the
14 establishment of the project management
15 office, the confirmation of the
16 baseline for performance management and
17 benchmarking, orientation and training
18 for project staff, the initiation of
19 the change in communication strategy,
20 and the installation of the base
21 product version of FINEOS Claims
22 software components."

23 MS. CANDACE EVERARD: Thank you. And the
24 second phase was the elaboration phase, and we have a
25 short paragraph on that at page 3. Could you read that

1 in.

2 MR. DON PALMER:

3 "Following the completion of the
4 inception phase, the project team went
5 onto complete the elaboration phase of
6 the project. This phase was completed
7 in October, 2008. The elaboration
8 phase included the detailed design of
9 the requirements for the software
10 configuration, integration, conversion
11 testing, and look and feel of the
12 software. Use cases are the mechanism
13 for these specified identifications --
14 [or] identified specifications, and are
15 being used throughout the project cycle
16 to provide all the necessary
17 instructions for the configuration of
18 the people, process, data, and
19 technology solution that is being
20 undertaken during configuration."

21 MS. CANDACE EVERARD: And the elaboration
22 phase is complete?

23 MR. DON PALMER: Yes.

24 MS. CANDACE EVERARD: With respect to the
25 configuration stage, which is the third stage, we see a

1 target completion date of spring of 2010.

2 MR. DON PALMER: Yes.

3 MS. CANDACE EVERARD: And this was
4 obviously filed in June. Has that now been done?

5 MR. DON PALMER: Yes.

6 MS. CANDACE EVERARD: And there's a
7 couple paragraphs here. Can you just paraphrase what is
8 concluded at the configuration stage?

9

10 (BRIEF PAUSE)

11

12 MS. MARILYN MCLAREN: Configuration, in
13 the broadest sense, excuse me, means that we actually
14 take the software that we purchased, and what we might
15 have normally thought of years ago as customizing it to
16 our particular needs and workflow requirements, we have
17 made a very conscious effort not to customize, which
18 means changing the code.

19 But the software itself, the developers
20 and the providers of the software, allow it to be
21 customized. It's almost like choosing a number of vari -
22 - choosing from a selection of options to best meet the
23 div -- individual users, company users' needs. So that's
24 what we did really for the -- since the fall of '08,
25 really working on configuring the software to meet our

1 needs.

2 It also means all -- developing all the
3 integration pieces so that it really is in fact ready to
4 transition into production.

5 MS. CANDACE EVERARD: Thank you. Which
6 brings us to the final phase, which is the transition
7 phase, which I think you, in -- at least in part,
8 described just now, Ms. McLaren. As reflected here, this
9 is really the -- the end-phase that will, as written
10 here:

11 "Confirm the quality of the integrated
12 solution by a comprehensive end-to-end
13 system integration and user experience
14 testing."

15 That's right?

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

17 MS. CANDACE EVERARD: And the target date
18 for that phrase reflected here is fall, 2010, which
19 we're, I expect, in the middle of today, being October
20 12th.

21 So can you give us an update of where that
22 stands.

23 MS. MARILYN MCLAREN: Yeah. Well, not
24 only did we finish the end-to-end system integration and
25 user experience testing, we have implemented; it's live.

1 It's been live since the September long weekend.

2 MS. CANDACE EVERARD: And so how's it
3 going? How's it working over the last six (6) weeks?

4 MS. MARILYN MCLAREN: Good. You know,
5 this was a massive, massive change for our staff. They
6 have been working really hard, effectively, with the
7 development team, with the training team. It has
8 completely changed the way they do the -- the -- they did
9 their work, and it wasn't something that they could just
10 immediately sit down and easily start making sure, you
11 know, they were making the payments properly or -- or
12 promptly and things like that.

13 But the system also allows us a
14 significant level of monitoring in terms of: is there a
15 backlog of payments pending, is there work that needs to
16 be approved so that it can get out the door to our
17 claimants. We have revised the training. We have had an
18 increase in the number of people, sort of resident
19 experts onsite, on the floor, available for case
20 managers.

21 So it -- it's working. All of it, the
22 entire change process and the implementation I think is
23 working as well or better than we could have hoped for.
24 It doesn't mean it's all perfect, but in terms of the
25 system issues or problems, they're -- they're almost

1 nonexistent.

2 What we're really left with is -- is
3 making sure all of our staff using the system are really
4 comfortable and proficient with it. And we've come a
5 long way in the last six (6) weeks as -- in terms of that
6 as well.

7 MS. CANDACE EVERARD: Thank you. It's my
8 understanding that a hundred percent of the PIPP
9 infrastructure costs are allocated to Basic.

10 That's right?

11 MR. DON PALMER: That's correct.

12 MS. CANDACE EVERARD: And those costs are
13 reflected at AI.11. If we go to the last page of that
14 tab, which reflects costs for the business process
15 review. If we're reading this correctly, we see in the
16 bottom part of the table on the page, the line item,
17 "PIPP infrastructure reflects total cost of some 22.3
18 million," which includes for the current year as well as
19 previous years.

20 Is that right?

21 MS. MARILYN MCLAREN: That's right.

22 MR. DON PALMER: Plus there would also be
23 a share of the program management costs.

24 MS. CANDACE EVERARD: Thank you. But the
25 figure does include deferred development and capital

1 costs?

2 MR. DON PALMER: Yes.

3 MS. CANDACE EVERARD: Now, the Board had
4 posed a question in fifty-seven (57) in the First Round,
5 which I'd ask you to go to, but maybe keep AI.11 handy as
6 well.

7

8 (BRIEF PAUSE)

9

10 MS. CANDACE EVERARD: In particular, I'm
11 going to ask you to turn to 1-57(a), where the
12 Corporation was asked to provide a schedule detailing
13 annual expenses of BPR from '05/'06 through to 2013/'14.
14 And if we look at 1-57(a) we see different dollar amounts
15 than what we were looking at for PIPP infrastructure in
16 AI.11.

17 Is there a readily apparent explanation
18 for that, or is this something that the Corporation could
19 better answer by way of undertaking?

20 MR. OTTMAR KRAMER: I -- I can answer
21 that. The question related to expenses, I believe, the
22 annual expense, and what's shown in -- in PUB-1-57(a)
23 ties into what was filed at AI.11, the expenses portion.
24 If you look specifically for PIPP in '07/'08, it shows
25 seventy thousand one ninety-nine (70,199), and it's shown

1 on AI.11 as seventy (70) because it's rounded -- it's
2 rounded to a thousand dollars.

3 MS. CANDACE EVERARD: Thank you. And at
4 1-57(b), which is the next schedule, we see the total
5 costs, which I believe is the same as what's provided at
6 AI.11.

7 Is that right? It's just broken down into
8 internal and external?

9 MR. OTTMAR KRAMER: Yes, I believe so.

10 MS. CANDACE EVERARD: Okay. With respect
11 to the driver safety rating, again looking at AI.11, we
12 see that the total costs reflected over a period of years
13 are some 7.4 million.

14 Is that right?

15 MR. DON PALMER: Yes, again, plus a share
16 of the program management costs.

17 MS. CANDACE EVERARD: And the DSR costs
18 are borne a hundred percent by Basic?

19 MR. DON PALMER: Yes.

20 MS. CANDACE EVERARD: We also see at
21 AI.11 the line item for streamline renewal, where we have
22 entries from '08/'09 through to the current year, and the
23 total cost reflected there is about 4.1 million.

24 Is that right?

25 MR. DON PALMER: Yes.

1 MS. CANDACE EVERARD: And it's our
2 understanding that that number is allocated 80 percent to
3 Basic and 20 percent to Extension.

4 Is that right?

5 MR. DON PALMER: Approximately, yes.

6 MS. CANDACE EVERARD: On the basis that
7 the figures include costs for the one (1) part drivers'
8 licences.

9 Is that right?

10 MR. DON PALMER: No.

11 MS. CANDACE EVERARD: Okay. Let's look
12 at 2-29 and just clarify that. 2-29 doesn't actually
13 reflect their reason, but it does reflect the 80 percent
14 allocation.

15 What's the portion then that's allocated
16 to Extension and what's that for?

17 MR. DON PALMER: The streamline renewal
18 allocation is based on revenues, so about 80 percent
19 being Basic.

20 MS. CANDACE EVERARD: Okay. Thank you.
21 Now, we see, going back to AI.11, the last line item in
22 that bottom section is entitled "Enterprise Data
23 Warehouse." Can you explain, for the record, the nature
24 of that project.

25 MR. DON PALMER: It's a real update to

1 our data warehousing capabilities to ensure complete
2 integration of all our systems from a data perspective --

3 MS. CANDACE EVERARD: And --

4 MR. DON PALMER: -- with -- with the two
5 (2) new BPR projects that really have -- are fairly data
6 intensive, PIPP -- PIPP infrastructure and DSR. Those
7 are the two (2) starting building blocks of the
8 Enterprise Data Warehouse.

9 MS. CANDACE EVERARD: So is this then an
10 ongoing project?

11 MR. DON PALMER: Yes. We have had a -- a
12 legacy data warehouse for probably ten (10) years plus,
13 so this is kind of the next generation to -- and -- and
14 it's the right time to do it, with more data coming from
15 our PIPP infrastructure and the data requirements of DSR.

16 MS. CANDACE EVERARD: And the cost for
17 the Enterprise Data Warehouse are allocated among Basic,
18 Extension and SRE, with Basic getting 79 percent of the
19 allocation.

20 Is that right?

21 MR. DON PALMER: There's an allocation to
22 DVL too, but 79 percent is right.

23 MS. CANDACE EVERARD: I was just taking
24 that on the face of 2-29, but that's fine. Thank you.

25 Now, Mr. Palmer, you've mentioned program

1 management costs periodically. Can you explain, for the
2 record, what those are.

3 MR. DON PALMER: That would be the
4 umbrella office of all the -- all the various BPR
5 projects and all the project management that is a
6 requirement -- required. It's not only for the specific
7 projects, but requires a great deal of integration
8 between projects as well.

9 MS. CANDACE EVERARD: And as reflected in
10 AI.11, the total of program management costs incurred
11 from '07/08 through to the year of the application is
12 about 12 million?

13 MR. DON PALMER: Yes.

14 MS. CANDACE EVERARD: And I gather that
15 these costs are allocated to projects based on the
16 proportion of work spent on each project.

17 Is that fair to say?

18 MR. DON PALMER: Yes.

19 MS. CANDACE EVERARD: And then those
20 costs are allocated to Basic the same way that the
21 projects are allocated to Basic?

22 MR. DON PALMER: That's correct.

23 MS. CANDACE EVERARD: I'll ask you then
24 to turn to 1 -- or back to 1-57, which we looked at a
25 moment ago. If we look at the attachment to (b), this

1 was the chart that showed a breakdown between internal
2 and external costs. We see at the line item for,
3 "Project Management," that the internal costs increased
4 from about a hundred and seventeen thousand (117,000) in
5 '07/'08 to about seven hundred and seventy-five thousand
6 (775,000) in '09/'10.

7 Are you with me there?

8 MR. DON PALMER: Yes, I'm there.

9 MS. CANDACE EVERARD: And do -- can the
10 Corporation advise of how many staff are being allocated
11 to program management.

12

13 (BRIEF PAUSE)

14

15 MR. DON PALMER: We have it somewhere,
16 but I -- I'll have to get that to you later.

17 MS. CANDACE EVERARD: Thank you.

18

19 --- UNDERTAKING NO. 14: MPI to advise how many staff
20 are being allocated to
21 program management

22

23 CONTINUED BY MS. CANDACE EVERARD:

24 MS. CANDACE EVERARD: Now we know --

25 MS. MARILYN MCLAREN: If I can just

1 clarify --

2 MS. CANDACE EVERARD: Okay.

3 MS. MARILYN MCLAREN: -- in -- in the
4 category of program management, it is not just what you
5 might generally think of as the coordination and
6 integration between the various projects from a technical
7 perspective. That's where all the resources for change
8 management within the Corporation are charged.

9 That's where training -- so you can see,
10 as we were gearing up to the huge implementation we had
11 in January, 2010, as well as September, 2010, that's why
12 the costs were so high in the 09/10 year. Because it was
13 not only the technical oversight of the projects, but it
14 was all the training, the change management,
15 communications, all of those things were led from and
16 over -- overseen by the program management office.

17 MS. CANDACE EVERARD: And what's the
18 expectation for the current year with respect to the
19 internal cost? Is it expected to stay about the same or
20 to go up or down?

21 We -- we know from 1-57(a), the previous
22 page, that the overall costs of Basic for prog -- program
23 management for the current year are about one point four
24 (1.4), which would obviously include internal and
25 external.

1 Do you have a sense of what the breakdown
2 might be for that?

3 MS. MARILYN MCLAREN: We can look into
4 that, but it will certainly be lower, with the caveat
5 though that -- that the intensive change management and
6 training initiative carried on all through the first six
7 (6) months of this year until September, because of the
8 PIPP project.

9 So they would -- I expect they would be
10 lower, but they're certainly not down to '08 or '09
11 levels. But that's internal and ex...

12 MR. DON PALMER: Did you need just the --
13 the split of internal/external? The total costs are
14 included in AI.11 --

15 MS. CANDACE EVERARD: Yes.

16 MR. DON PALMER: -- but not the split.

17 MS. CANDACE EVERARD: Yeah, the -- the
18 question was directed at the -- the internal component,
19 which would be the split.

20 Is the program management piece something
21 that the Corporation expects will be ongoing, sort of on
22 an indefinite basis, or is it something that -- that at
23 some point will cease to be a -- a factor?

24 MS. MARILYN MCLAREN: No, I think it's
25 part of our change protocol, most definitely. If we were

1 ever in a situation where there was no change in a given
2 year, I don't know -- can't imagine that happening, but
3 the -- they would be redeployed to do other work.

4 But they're particularly necessary when
5 you're doing multiple projects, and that really is the
6 situation we either find ourselves in, or choose for
7 ourselves, more often than not, is that there are so many
8 opportunities to improve things, in terms of the way we
9 administer the legislation, the programs, that there are
10 multiple things going on, and as soon as you do that, in
11 -- it's a complex administrative structure, and when you
12 have multiple things going on, they touch each other,
13 they have to be integrated.

14 And the program management office has
15 allowed us to be successful. I don't think there's many
16 organizations who could undertake the kind of variety,
17 scope, magnitude of change that we have over the last few
18 years, and have everyone of them successful, virtually on
19 time, on budget, and -- and amazingly successful in terms
20 of achieving the objectives that were established with --
21 without something like the program management office.

22 So it's certainly expected to continue to
23 be part of our protocol. It's how we do things.

24 MS. CANDACE EVERARD: Would it be fair to
25 say though that the extent of the work would be something

1 that probably will decrease over time, I mean, given that
2 there were -- there were large implementation projects
3 this year?

4 MS. MARILYN MCLAREN: Well, I think in --
5 in one (1) way, yes. In one (1) way, I'm not quite so
6 sure, and I'll explain that.

7 You know, we -- since '04, we've been
8 working extremely hard on really maximizing opportunities
9 created by the merger, and on the PIPP project. I mean,
10 the PIPP project was something that needed to be done.
11 It needed to be done extensively.

12 And the reality was, we were working on
13 both of those at the same time. A huge impact to the
14 Corporation, both of those large, large initiative, so I
15 don't -- I can't foresee something similar happening
16 within a normal planning horizon, for sure.

17 But one (1) thing that we've learned as
18 we've moved away from these large, large initiatives if
19 they're successfully implemented, if you do, you know,
20 maybe in terms that you did -- we had, you know, three
21 (3) large initiatives rolled out together in January, and
22 then PIPP in September. And maybe instead of, you know,
23 three (3) or four (4) really large ones in a year, you'll
24 find yourselves doing ten (10) or twelve (12) small ones.
25 But just because they're small almost increases the

1 extent to which they affect each other, where -- where
2 more integration is required.

3 So certainly nothing of the substantive
4 scope that we did in the 2010 calendar year is likely to
5 be repeated in the short -- in -- in my planning horizon.
6 I can't imagine it. But that doesn't mean everything
7 will just be much more status quo. Not necessarily.

8 MS. CANDACE EVERARD: The numbers that we
9 have at AI.11 for the BPR costs obviously were prepared
10 in June.

11 Is there any significant update to these
12 numbers to-date?

13 MR. DON PALMER: No.

14 MS. CANDACE EVERARD: And --

15 MS. MARILYN MCLAREN: There -- there
16 hasn't really been any significant change for a very long
17 time. You know, the numbers have been really solid.

18 MS. CANDACE EVERARD: And I take it that
19 the Corporation was able to prepare the budget numbers
20 for the year of the Application, which really just relate
21 to program management on the basis that, as the evidence
22 reflects, these major projects have been implemented, and
23 it's the ongoing management that -- that will be seen in
24 the year of the Application, and that's -- that's the
25 meat of it?

1 MR. DON PALMER: That's correct.

2 MS. MARILYN MCLAREN: I mean, that --
3 that doesn't mean that we may not be doing other things
4 to continue to move the business ahead over the next
5 year, but certainly within sort of the -- the expense
6 forecast, and -- and the funding envelope, so to speak,
7 that's -- it's solid.

8 MS. CANDACE EVERARD: Now, we know that
9 there are some BPR projects that do not -- that are not
10 being funded by Basic at all. We've talked about a
11 couple that are funded wholly by Basic, there are a
12 couple that are split between the lines, and I -- I
13 understand that there are a couple that are also funded
14 solely by non-Basic lines.

15 Is that right?

16 MS. MARILYN MCLAREN: Yes, that would be
17 true.

18 MS. CANDACE EVERARD: And the ones that
19 I'm aware of are the enhanced driver's licensing -- or
20 licences, as well as the mainframe decommissioning.

21 Is that right?

22 MS. MARILYN MCLAREN: Those are not
23 funded at all by Basic, right.

24 MS. CANDACE EVERARD: And are there any
25 others, or are those the two (2)?

1 MS. MARILYN MCLAREN: Well, the one (1)
2 part driver licence, the service centre project, and the
3 new driver licence system that we implemented back in
4 '06, none of those have been charged to Basic.

5 MS. CANDACE EVERARD: Coming back to the
6 BPR projects that do have a breakdown in terms of
7 allocation, which -- the ones we've talked about would be
8 the streamline renewals and the enterprise data ware --
9 enterprise data warehouse. And I appreciate that each of
10 those comes with the program management component as
11 well.

12 I don't believe that the Board has been
13 provided with the overall details of the costs. We've
14 been given the breakdown of Basic getting 79 or 80
15 percent, as the case may be.

16 Is -- is that correct? Do we have that
17 correct?

18

19 (BRIEF PAUSE)

20

21 MR. DON PALMER: In -- in term...

22

23 (BRIEF PAUSE)

24

25 MS. MARILYN MCLAREN: Are you asking if

1 we've provided the total with the individual projects'
2 share of program management, so you can see the total
3 cost on a project basis?

4 MS. CANDACE EVERARD: Yes.

5

6 (BRIEF PAUSE)

7

8 MS. MARILYN MCLAREN: We haven't provided
9 that, no.

10 MS. CANDACE EVERARD: Is that something
11 that the Corporation can provide as an undertaking?

12 MS. MARILYN MCLAREN: We can, yes.

13

14 --- UNDERTAKING NO. 15: MPI to provide a breakdown of
15 individual projects' share of
16 program management

17

18 CONTINUED BY MS. CANDACE EVERARD:

19 MS. CANDACE EVERARD: Okay. Now, per
20 AI.11, which we've been looking at, component by
21 component, we see that the total BPR costs that are being
22 attributed to Basic are about 46 1/2 million.

23 Is that right?

24 MR. DON PALMER: Yes.

25 MS. CANDACE EVERARD: And 35.6 million or

1 so of that is being capitalized and amortized.

2 Is that right?

3 MR. DON PALMER: Yes.

4 MS. CANDACE EVERARD: And that's over a
5 period of five (5) years?

6 MR. DON PALMER: That's correct.

7 MS. CANDACE EVERARD: It appears that
8 there are no program management, or a very small amount
9 of program management costs that have been capitalized.

10 Does the Corporation have any comment on
11 why it's such a small component?

12 MR. OTTMAR KRAMER: There's -- program
13 management, there's 8.5 million that's capitalized under
14 deferred development.

15 MS. CANDACE EVERARD: Is -- is there a
16 particular rationale for expensing the other, the balance
17 of the program management, rather than deferring the full
18 amount?

19 MR. OTTMAR KRAMER: The deferred
20 development primarily is related to external consultants
21 working on the project. What is expensed is all the
22 internal costs and other costs such as travel, printed
23 forms, stationery, that sort of stuff, and that all gets
24 expensed, and what's -- what's capitalized is the
25 external consulting piece of program management.

1 MS. CANDACE EVERARD: Thank you. I'm
2 going to ask you to turn to AI.7, the corporate annual
3 report.

4

5 (BRIEF PAUSE)

6

7 MR. DON PALMER: I have it.

8 MS. CANDACE EVERARD: Thank you. In
9 particular, page 33. Page 33 has a section entitled,
10 "Retained Earnings."

11 And this appreciate -- or relates, of
12 course, to the Extension line of business. Is that
13 right?

14 MR. DON PALMER: That's correct. This is
15 all contained in the major heading under "Extension",
16 yes.

17 MS. CANDACE EVERARD: And it's reflected
18 under the section called, "Retained Earnings," that
19 Extension's retained earnings are made up of retained
20 earnings from the sale of Extension products, as well as
21 the Extension Development Fund, or EDF.

22 That's right?

23 MR. DON PALMER: That's correct.

24 MS. CANDACE EVERARD: It's reflected that
25 as of the year ending '09/'10, Extension retained

1 earnings totalled 49.1 million and the EDF totalled 48.3
2 million.

3 That's right?

4 MR. DON PALMER: Yes.

5 MS. CANDACE EVERARD: And then the
6 narrative continues to read that:

7 "Since its inception in 2007, 91.7
8 million has been appropriated from
9 Extension retained earnings and special
10 risk Extension retained earnings to
11 fund EDF projects undertaken to
12 maximize opportunities arising from the
13 merger."

14 Is that right?

15 MR. DON PALMER: Yes.

16 MS. CANDACE EVERARD: And the last
17 sentence there reads that:

18 "Activity to February 28th of 2010 has
19 reduced the EDF to \$48.3 million."

20 Or, sorry, I guess that's the second last
21 sentence.

22 MR. DON PALMER: Yes, that's correct.

23 MS. CANDACE EVERARD: Now, we see on page
24 59 of the annual report under heading 4, "Changes in
25 Accounting Policies," that as a result of adoption of

1 CICA Handbook sens -- Section 30-64 regarding intangible
2 assets, the balance of the EDF was reduced by about 17.8
3 million. And I'm getting that by adding together the six
4 point two (6.2) and the eleven point six (11.6) shown in
5 that third paragraph.

6 MR. DON PALMER: That's correct.

7 MS. CANDACE EVERARD: And it's also
8 reflected, this is in the last sentence, that:

9 "Dever -- deferred development costs on
10 BPR projects were reduced by the same
11 amount, from four (4) -- thir -- thir -
12 - [pardon me] from 33.6 million to 15.7
13 million."

14 MR. DON PALMER: Yes.

15 MS. CANDACE EVERARD: Now, is it fair to
16 say that on an overall basis the Corporation had or has
17 plans, so both in the past and -- and to present, to
18 spend about \$138 million on BPR projects? And where I'm
19 getting that from is this, the 91.7 million that we spoke
20 of from page 33 appropriated for the EDF, plus the forty-
21 six and a half (46 1/2) in AI.11 allocated to Basic.

22 Does that sound about right?

23 MR. DON PALMER: That's about right, yes.

24 MS. CANDACE EVERARD: Okay. Ms. McLaren,
25 we had a brief discussion a few moments ago about the

1 fact that there are a couple of large projects that have
2 been done and, you know, probably in the immediate future
3 there's -- you know, there isn't a huge one, another big
4 one of that magnitude that you can envision. Can you
5 give the Board any information on how the Corporation
6 might see its operations evolving over the next five (5)
7 years or so, now that the -- the bulk of these BPR
8 projects has been done.

9 MS. MARILYN MCLAREN: Sure. I think
10 there's -- there's a few things that we need to do, I
11 guess, that would fall under the broad category of
12 bringing our own internal operations a little bit up to a
13 more current level.

14 I don't know that I've ever put this on
15 the public record before, but we still use paper time
16 cards at Manitoba Public Insurance. We don't have a
17 system that -- that our management can use or that our
18 staff can use to find out how many sick days someone used
19 in the last year, how many vacation days they have left,
20 things like that, so I think that's something that --
21 that we need to do.

22 There's also reference in the annual
23 report, and I think there was one (1) or two (2)
24 questions through these proceedings, about the fact that
25 we are beginning to work on establishing a new vision for

1 road safety at Manitoba Public Insurance.

2 We have always been primarily focussed on
3 education and awareness, but we do have significant
4 regulatory responsibilities under the Driver's and
5 Vehicles Act. We need to figure out corporately what our
6 role ought to be and work with a number of stakeholders
7 to really establish that for the future, is -- reference
8 as well to -- to really establishing a vision for the
9 delivery of service, are there opportunities in this day
10 and age to better serve people who live in the more
11 remote parts of the province.

12 I know ICBC offers service in more than
13 the two (2) official languages of the nation. Maybe
14 that's something that we need to look at in a more formal
15 way.

16 So really defining the level of service,
17 we have not seriously looked at our physical damage
18 claims process for quite some time. For a long, long
19 time, it has been recognized as one of the best, most
20 efficient claims administration process that -- that we
21 would know existed anywhere, but we've not looked at it.

22 You know, we know even next door in
23 Saskatchewan people have been able to file their first
24 notice of loss for their vehicle damage claim online for
25 the last few years. We don't have that opportunity.

1 think it is going to be critically important for the
2 Corporation to develop new techniques of really assuring
3 ourselves that the repairs we're paying for are really
4 done to an extremely high standard of safety, and
5 quality.

6 Vehicles are getting more and more
7 complicated. You know, there was at the time many years
8 ago when our estimators would estimate damage on a
9 vehicle, and that was pretty much it, at the end of the
10 day. Most of the time now, our estimators will estimate
11 the damage that they can see, but then later when the
12 shop starts taking it apart, there's other damage that we
13 are -- are required to do a supplemental estimate.

14 We can't have one of our staff sitting
15 beside every body repair person as they repair the
16 vehicle, but it's incredibly important -- I know enough -
17 - I don't know very much about repairing vehicles at a
18 technical level, but I know if you don't weld high
19 strength steel properly, it's not high strength anymore.

20 So how do you really know? We have a huge
21 responsibility at this Corporation. The repairs that
22 we're paying for have to be done at a very high level of
23 safety, and equality.

24 And the whole construction, the -- the
25 materials in vehicles, the construction of vehicles, is

1 changing significantly. And I think that that's
2 something that will really have to be on our radar
3 probably well beyond the ten (10) year window.

4 MS. CANDACE EVERARD: Thank you. We've
5 spoken about the -- the cost of some of the BPR projects,
6 including the streamline renewal process, and I just have
7 a few questions about the actual streamline renewal
8 process itself, rather than the costs.

9 So I'd ask you to go to PUB/MPI-1-107,
10 which was obviously asked in the First Round. It's not
11 in the book of documents. This was a question were we
12 asked at (a), so 1-107(a), for a summary of the
13 streamline renewal process:

14 "Including all aspects of terms of
15 coverage, renewal payment requirements,
16 and internal processing procedures."

17 And the Corporation has given us, at
18 Attachment 1, a chart. So perhaps someone from the panel
19 could just take us through this, and just explain what
20 the - - the SRP entails.

21 MS. MARILYN MCLAREN: What this chart is
22 -- is attempting to depict is that people are required to
23 go to their AutoPac agent when they need a new driver
24 licence photo, when it's time to actually renew, when
25 they need a new driver licence photo, and they need a new

1 sticker for their plate. So that is once everyone has
2 transitioned to the five (5) year cycle, that will be
3 once every five (5) years.

4 In the interim years, the -- the boxes on
5 -- on the chart that show reassessment, people will get
6 what used to be a renewal notice in the mail. It'll now
7 be called a "reassessment notice." The majority of
8 people -- first of all, most policies on -- on off-road
9 vehicles and trailers are just paid in full, but most
10 other regular private passenger vehicles, most people do
11 use the monthly payment plan. And so they would just get
12 a reassessment notice once a year for four (4) years that
13 say, you know, your forty-two dollar (\$42) a month
14 payment is now forty-one fifty (41.50), and they don't
15 have to do anything, it's just notice, and the monthly
16 payments continue.

17 If they are on the quarterly payment plan
18 the same idea would happen. The reassessment would come,
19 and they would still have to take action to take those
20 quar -- to make those quarterly payments. And if they
21 pay in full, the entire shot, right up when they get the
22 reassessment notice, they can go online and do it with,
23 you know, online banking, telephone banking, go to a bank
24 machine. All of those are -- are set up to accept
25 AutoPac payments.

1 They can go to a broker if they want, but
2 there's no real need to. And if they do go to a broker,
3 it's just a payment like a time payment used to be, not a
4 renewal transaction.

5 If someone buys a new vehicle in the
6 middle of their five (5) year cycle, that is the -- the
7 purple line that's called "New Policy," they show up
8 whenever they want to get that new vehicle registered and
9 insured, and it then immediately falls into the
10 reassessment cycle, and that would be handled again at
11 the next, right near the edge of it, the -- the "next
12 visit agent" box when they need all new documentation,
13 new stickers, a new photo for their licence.

14 MS. CANDACE EVERARD: Now, what happens
15 if somebody, let's say, at year 1, when they renew, they
16 have certain pieces of Extension coverage, like they
17 brought down their deductible to two hundred (200), and
18 then in year 3 they decide, no, I don't think I want to
19 pay for this anymore, I'll go for the five hundred dollar
20 (\$500) deductible? How do they do that? Do they have to
21 go to the broker to make that happen, or do they have
22 other options?

23 MS. MARILYN MCLAREN: They need to go to
24 a broker or they need to go to one of our officers. That
25 -- that's an insurance transaction and it has to be done

1 in person.

2 MS. CANDACE EVERARD: And I believe this
3 is implied from your evidence, but in the case where --
4 because you mentioned where someone buys a new vehicle.
5 Let's say a person's just decided they're not going to
6 have a car anymore, and so they sell their vehicle and
7 need to terminate the policy, they'd obviously have to
8 come in person to make that happen as well.

9 MS. MARILYN MCLAREN: Yes.

10 MS. CANDACE EVERARD: Now, we have
11 following at this IR reply some sample documents that the
12 Corporation will be sending out to ratepayers. And we
13 see on the last sheet of the IR, the second last page, a
14 copy of a pamphlet, I guess, or a brochure. Is this
15 something that would -- is going to be sent out to
16 people, or is this something that's available for pickup
17 at brokers and MPI offices?

18 I'm looking at the one that -- in the --
19 the top left it says, "August 4th, 2010, starting in
20 2010..." and it's a five (5) panel sheet.

21 MS. MARILYN MCLAREN: The August 4th,
22 2010 is added to this brochure just to reflect that it is
23 a response to an IR, but these were sent out with all
24 renewals beginning last January.

25 MS. CANDACE EVERARD: And so, if -- if I

1 understand your evidence correctly, what you're saying is
2 when a person gets for the first time that they're going
3 on the new five (5) year system, this is the explanatory
4 piece that they get to tell them what's going on.

5 Is that fair to say?

6 MS. MARILYN MCLAREN: Yes.

7 MS. CANDACE EVERARD: Now, we see in the
8 second panel the heading "Renewals last five (5) years."

9 Are you with me?

10 MS. MARILYN MCLAREN: I was. In the
11 second panel, yes.

12 MR. DON PALMER: I -- I think that's
13 "renewals last for five (5) years," not the past five (5)
14 years.

15 MS. CANDACE EVERARD: My -- my copy just
16 says, "renewals last five (5) years." Did -- if I
17 misread it, then I apologize, but that's -- that's what
18 it says?

19 MR. DON PALMER: It was just the
20 inflection.

21 MS. CANDACE EVERARD: Oh, okay.

22 "Renewals last five (5) years."

23 The Corporation has stated:

24 "We're making it easier to renew your
25 driver's licence and AutoPac. Instead

1 of staying valid for one (1) year, your
2 licence and AutoPac will be valid for
3 up to five (5) years. It's more
4 convenient because you'll need to make
5 fewer trips to an AutoPac agent.
6 You'll still pay for your driver
7 licence and vehicle insurance each
8 year. We'll send you a statement of
9 account each year between renewals to
10 tell you how much you owe. To end your
11 licence and AutoPac early, before five
12 (5) years is up, you must go to an
13 AutoPac agency and cancel them,
14 otherwise, they'll stay valid and
15 you'll be charged for them."

16 Is that right?

17 MS. MARILYN MCLAREN: Yes.

18 MS. CANDACE EVERARD: And then it
19 reflects payment options and when you need to get your
20 photo taken. It's like a -- a section of frequently
21 asked questions, I take it, would be the goal of that?

22 MS. MARILYN MCLAREN: Yes.

23 MS. CANDACE EVERARD: Now, as you stated,
24 Ms. McLaren, policyholders will have the option now to
25 pay online if they wish for their renewal payments, but

1 they -- they can still visit the broker, even if they're
2 just making a payment, if they wish.

3 MS. MARILYN MCLAREN: Yes.

4 MS. CANDACE EVERARD: So I -- I gather
5 that the idea is -- and I -- I take this from the
6 statement that this is something that's intended to make
7 it easier for policyholders, that's probably a lot of
8 people are going to take the option of the online or the
9 telephone banking payment and they're not going to go
10 into the broker in the -- in the years -- in the middle,
11 if you will, years two (2), three (3) and four (4).

12 MS. MARILYN MCLAREN: Right. Especially
13 remembering that most people are on the monthly payments
14 already, so they have nothing to do. They don't even
15 have to go online to pay it. It -- when they sign up for
16 monthly payments, it's over a five (5) year term.

17 So we expect that -- that many of the
18 other people who do pay in full, or are on the quarterly
19 -- it's a minority of people who are still on the
20 quarterly payment plan -- will take the same opportunity
21 to -- to pay the way many Manitobans pay other bills,
22 yeah.

23 MS. CANDACE EVERARD: But now, whether
24 you pay in full or whether you pay quarterly or monthly,
25 you still have to go into your broker. Up until the

1 streamline renewal, you had to go in and your broker
2 would sit with you and go through the components of your
3 coverage and ask you, Do you still want this, and do you
4 still want that?

5 That -- that part only has to now be done
6 every five (5) years, that's right?

7 MS. MARILYN MCLAREN: That's right.

8 MS. CANDACE EVERARD: So does the
9 Corporation expect that the types of changes in coverage
10 that -- that I spoke about for the optional parts of the
11 coverage maybe now will be less?

12 And what I mean by that is, somebody makes
13 a decision in year 1, they're going to go with a certain
14 piece of optional coverage. They don't turn their mind
15 to it again for five (5) years, because they're not like
16 everyone in this room who knows a lot about the details,
17 and they don't make changes in the ensuing five (5)
18 years.

19 Is -- is that something that the
20 Corporation expects, that there's just going to be less
21 changes to those kinds of things?

22 MS. MARILYN MCLAREN: No. And I -- it's
23 important to point out that there are choices that people
24 can make with their optional auto-insurance, for sure,
25 but there's also choices that -- that amount more to

1 declarations that people make on -- on the compulsory and
2 on the registration side as well, right? You -- you have
3 to report if you move. You also have to decide whether
4 you are all-purpose or pleasure insurance. Those are all
5 part of the compulsory program as well.

6 But what we -- you know, through years and
7 years and years of monitoring activity and -- and what,
8 if any, changes were happening at that renewal
9 transaction, they were very, very few and far between.
10 If people make changes, they make them mid-year. There's
11 nothing magic about -- if you decide you're going to
12 start driving your car to work and you have to switch
13 from pleasure to all-purpose, you're not going to wait
14 for your renewal date. You'll -- you'll do it. If you
15 decide that you're just no going to spend the money on a
16 two hundred dollar (\$200) deductible, you'll do it
17 whenever you make that decision. So there's nothing
18 magic about the actual renewal dates.

19 We found that over 90 percent of renewals
20 had -- didn't -- like, right from after 1988, when things
21 got back to normal, years and years and years of
22 virtually no changes happening at renewal. People make
23 the decisions about what coverage they need when they get
24 the vehicle, so that's why we felt comfortable doing
25 this.

1 We're also comfortable doing it because we
2 know brokers are -- work hard to be engaged with their
3 clients, and they play a role in this as well, especially
4 in smaller communities. They know if somebody retires.
5 They know if somebody's in a position to likely want or
6 need to make a change. That's -- that's the role that
7 brokers play.

8 MS. CANDACE EVERARD: So if I understand
9 your evidence correctly, you're saying that the
10 Corporation knows, from historical data, that probably
11 over 90 percent of the time, the terms of coverage don't
12 change on a renewal, and they don't expect that to -- to
13 -- that number to go up or down as a result of SRP?

14 MS. MARILYN MCLAREN: Exactly.

15

16 (BRIEF PAUSE)

17

18 MS. CANDACE EVERARD: What the
19 Corporation does say is that having this ability, now
20 that DVL is in the MPI fold is something that it
21 considers to be of great benefit to motorists?

22 MS. CANDACE EVERARD: Absolutely. It's -
23 - I -- I think it's fair to say that DSR would not have
24 been possible without the merger, and that is the single
25 greatest benefit, I think, to ratepayers. And SRP is

1 certainly a close second.

2 MS. CANDACE EVERARD: And the Corporation
3 doesn't see the potential for increased business on the
4 Extension side as a result of people not changing things
5 in the ensuing years, like keeping bits of Extension
6 coverage that they have in year 1.

7 And -- and what I'm -- what I'm getting at
8 is they're not going in and having conversations with
9 their brokers. And I appreciate what you said about a --
10 in a small town someone who retires and their broker is
11 probably going to bring it to their attention. But it --
12 it seems that for the average motorist who's now not
13 going in once a year and having that little sit down chat
14 with their broker -- I -- I just want to confirm that the
15 Corporation doesn't see the potential for someone to just
16 keep renewing something on the same basis without really
17 turning their mind to what they have and whether they
18 really need it. Whereas if they have the conversation
19 with the broker, that dialogue may ensue, and they may
20 turn their mind to it.

21 MS. MARILYN MCLAREN: Well, as I said,
22 for -- for many years change didn't happen. The changes
23 didn't happen. And I think not only in the small
24 communities where brokers know their clients as
25 neighbours, people in all walks of life do -- do work in

1 a different way. They do their work in a different way.
2 Brokers can be sending emails or -- or other kinds of
3 conversations with customers. Just because they don't
4 show up doesn't mean that things don't get changed.

5 I mean, think about your homeowner's
6 insurance. All right. This is exactly the same model.
7 You don't have to go to the broker every year. They'll
8 send you something, they'll highlight a few things,
9 they'll give you a phone call. Brokers are fully able to
10 do that. They know when those assessment notices come
11 out for their clients. They know that they did the
12 renewal, and that your assessment notice was coming for
13 your renewal next week and they can contact you exactly
14 the same way.

15 Brokers are connected with this business,
16 they're connected with their clients, and that's a role
17 that they are very comfortable playing. It's -- it's the
18 way the rest of their business works.

19 MS. CANDACE EVERARD: Now in conjunction
20 with SRP, the Corporation entered into an arrangement
21 with brokers to reduce the commissions paid for Basic
22 transactions.

23 That's right?

24 MS. MARILYN MCLAREN: We did work with
25 the brokers, and -- and what ended up happening is -- is

1 the government passed a regulation of the new commission
2 schedule, but it certainly was a collaborative process
3 between the -- the Company and the Broker's Association.

4 MS. CANDACE EVERARD: And we see at 2-46,
5 which isn't in the book of documents, and you may or may
6 not wish to go there, that the Corporation is expecting a
7 savings of about 21 million, resulting from the new Basic
8 commission rate, which will take effect November of 2012.

9

10 That's right?

11 MR. DON PALMER: That's correct.

12 MS. CANDACE EVERARD: And it's at that
13 date that the 5 percent commission for Basic transactions
14 will be reduced to 2 1/2 percent?

15 MR. DON PALMER: Yes.

16 MS. MARILYN MCLAREN: That's the last
17 step. November 12 -- 2012 is the last step to take it to
18 two and a half (2 1/2).

19 MS. CANDACE EVERARD: Right. And in the
20 in -- ensuing years there was a step down; it wasn't a --
21 a 50 percent cut right off the hop?

22 MS. MARILYN MCLAREN: Right.

23 MS. CANDACE EVERARD: Now is there a
24 provision in the agreement with brokers for their
25 commissions to increase after November 1st of 2012, just

1 for inflationary reasons, or is it -- is it a two point
2 five (2.5) flat?

3 MS. MARILYN MCLAREN: At this time we
4 don't have any plans to start different negotiations or -
5 - or to ask the government to consider a different
6 regulation. That's the plan for going forward.
7 Remembering that there are -- these are percentage based
8 commissions, so all the conversation we've had over the
9 last few days last week about the fact that revenue for
10 the Basic program increases significantly every year
11 through -- increases to the size of the fleet, and
12 increases to upgrade, brokers make more money if someone
13 gets a new vehicle and it's a higher rated vehicle, for
14 doing exactly the same work.

15 So there are inherent inflation based
16 increases built right into the commission based system,
17 because it's a percentage.

18 MR. DON PALMER: In addition, there are
19 also some flat fees for various broker transactions.
20 Those are indexed by regul -- regulation.

21 MS. CANDACE EVERARD: Now, I understand
22 that the commissions paid to brokers for non-Basic
23 transactions have had some increases over the same time
24 period.

25 Is that right?

1 MS. MARILYN MCLAREN: Now, that's all
2 there in the regulation as well.

3 MS. CANDACE EVERARD: And so would you
4 agree then that there would be a greater incentive to
5 brokers to sell Extension products because of the fact
6 that their commissions have increased, or and/or will be
7 increasing?

8 MS. MARILYN MCLAREN: I mean, I can just
9 speak in sort of the broadest sense, that insurers use
10 commissions as -- as a -- you know, as a tool to work
11 with brokers.

12 However, you know, I can't -- I can't tell
13 you today how our non-Basic commissions compare to
14 others. But certainly, you know, I mean if you're
15 running a line of business that you're expected to meet
16 the needs of Manitobans, and -- and expected to make a
17 profit under the MPIC Act. All of those coverages in
18 Extension are -- are established in regulation every bit
19 as much as Basic is.

20 You need to work with brokers in a way
21 that -- that things will be appropriate for that
22 business. So, I mean, is it an incentive to sell peop --
23 I mean, there's almost an implied question there behind
24 your question.

25 Do you think it's an incentive to sell

1 people things they don't need, and I'm not suggesting
2 that you'd ask that because I know you didn't ask that.

3 So you know, it's important for us in our
4 non-Basic part of the business to -- to administer the
5 program according -- according to the regulations, those
6 commissions are in regulations as well. I think it will
7 serve -- serve the means of Manitobans who buy those
8 products.

9 MS. CANDACE EVERARD: Yeah, I -- I wasn't
10 trying to suggest that brokers would be trying to sell
11 people things that they don't need, but what I was
12 suggesting is that anyone who's in a business that's
13 commission based understands that their revenue is tied
14 to their volume, and that increased volume is good for
15 their bottom line.

16 MS. MARILYN MCLAREN: That's absolutely
17 true.

18 MS. CANDACE EVERARD: Now, I'd like to
19 talk a little bit about the commission payments under the
20 SRP regime. And I'll -- I'll go through a few specific
21 questions, but I want to ensure that we understand those
22 details.

23 If a motorist renews their policy in year
24 1 now of five (5), they will have obviously attended at a
25 broker to do that. The broker will get the commissions

1 on that transaction, whether its Basic alone, or Basic
2 and Extension in the normal course, right?

3 MS. MARILYN MCLAREN: Yes.

4 MS. CANDACE EVERARD: Now, in year 2,
5 let's say that that motorist doesn't have any changes to
6 their policy, and they renew online.

7 Does anybody get a commission for that?

8 MS. MARILYN MCLAREN: The broker who did
9 the original transaction gets 2 1/2 percent for that as
10 well, as of November 2012. So the 2 1/2 percent is not
11 payable once in five (5) years; it's payable every year
12 for five (5) years to the broker who did the first
13 transaction.

14 MS. CANDACE EVERARD: And is the broker
15 who did the first transaction known as the broker of
16 record for that particular motorist?

17 MS. MARILYN MCLAREN: Yes. Yeah.

18

19 (BRIEF PAUSE)

20

21 MS. CANDACE EVERARD: What happens -- in
22 the example that I gave you, that was a renewal that was
23 done online. I take it the answer would be the same if
24 the person made their payment in year 2 or 3 or 4 through
25 telephone banking.

1 MS. MARILYN MCLAREN: Yes, definitely.

2 MS. CANDACE EVERARD: Now, what happens
3 if they decide to go in year 2 or 3, and make their
4 payment at a broker, but not the same broker that their -
5 - that is their broker of record, just because they're
6 right there, and it's convenient for them to do it that
7 day, for example.

8 MS. MARILYN MCLAREN: The broker of
9 record still gets the commission; the one (1) where they
10 went for the payment does not get paid for taking the
11 payment.

12 MS. CANDACE EVERARD: So they take the
13 payment, and whatever resources they're expending to do
14 that are -- they just don't get anything for it?

15 MS. MARILYN MCLAREN: That's right.

16 MS. CANDACE EVERARD: What happens if the
17 motorist renews -- or sorry, I shouldn't say renew.

18 What happens if the motorist makes that
19 year 2 or year 3 payment on a credit card? Who pays the
20 merchant fees?

21

22 (BRIEF PAUSE)

23

24 MS. MARILYN MCLAREN: Yeah, the
25 Corporation pays the merchant fees.

1 MS. CANDACE EVERARD: Does the
2 Corporation always pay the merchant fees, or just in that
3 scenario?

4 MS. MARILYN MCLAREN: No, we pay the
5 merchant fees on our premiums.

6 MS. CANDACE EVERARD: And I gather that
7 brokers, in general, are okay with this setup? Because
8 it -- it -- I mean, is it -- is it one (1) of these
9 things where it's sort of, well, it'll all even out in
10 the end, or -- or how -- how do brokers feel about this,
11 to the Corporation's knowledge?

12 MS. MARILYN MCLAREN: That's -- that, I
13 guess, exactly the best way to encapsulate it, that it'll
14 all work out in the end.

15

16 (BRIEF PAUSE)

17

18 MS. CANDACE EVERARD: To do a renewal --
19 so a year 1 transaction -- does -- does a motorist have
20 to go to a broker, or could they -- can they come to the
21 Corporation's offices and process their renewal that way?

22 MS. MARILYN MCLAREN: Yeah, certainly.
23 They can come to any of our service centres. Well over
24 90 percent go to brokers.

25 MS. CANDACE EVERARD: And for those few

1 who may come to the Corporation's offices, is there any
2 commission paid, or no?

3 MS. MARILYN MCLAREN: No, there's no
4 commission paid. There's no reduction given to the
5 customer for dealing direct.

6 MS. CANDACE EVERARD: So it's just a
7 little bit extra for the Corporation, because it's not
8 paying a commission on that transaction?

9 MS. MARILYN MCLAREN: It's -- it's an
10 avoided commission, in that -- yeah.

11 THE CHAIRPERSON: Does that mean that the
12 -- the policyholder is no -- no longer has an agent of
13 record?

14 MS. MARILYN MCLAREN: No. It would be
15 the actual location of -- the Corporation's location
16 would be known as the broker of record, even though we're
17 not brokers ourselves. But every -- every customer,
18 every transaction is associated with the specific
19 location where it was transacted, so that would form part
20 of the record.

21 MS. CANDACE EVERARD: So if year 1, the
22 person went to the local broker, registered a car, et
23 cetera, et cetera, and then, in year 2, went to the MPI
24 service centre, the original broker wouldn't continue to
25 receive commissions unless the person returned back to

1 the broker the next year?

2 MS. MARILYN MCLAREN: No. The -- if the
3 person did their renewal transaction at a broker, and
4 then went to an MPI service centre, every year for the
5 next four (4) years the broker would still get the
6 follow-on commission. As we talked a moment ago, it'll
7 just all work out in the end.

8

9 CONTINUED BY MS. CANDACE EVERARD:

10 MS. CANDACE EVERARD: So it's -- from a
11 broker's point of view, it's that year 1 renewal, that
12 once they're established as broker of record then they
13 know they're going to get commissions, and -- for the
14 balance of that five (5) year policy, even if they never
15 see that person again?

16 MS. MARILYN MCLAREN: That's true, and,
17 you know, when I say that it'll all work out in the end,
18 it's -- there's -- we're still working towards having
19 everyone on a full five (5) year cycle, but when we do,
20 20 percent of the population will ren -- renew in every -
21 - so it's -- it's a moving target, right? It's not like
22 everybody has to come one (1) year, and then, oh, my
23 goodness, what happens next? So there -- it's a
24 continual rolling, moving, fluid process.

25 DR. LEN EVANS: Excuse me. I wonder if I

1 could ask you, approximately how many brokers do we have
2 today, and -- compared to,, say, five (5) years ago?

3 MS. MARILYN MCLAREN: Well, I can tell
4 you maybe more like fifteen (15) to twenty (20) years
5 ago, we probably had close to four hundred and fifty
6 (450), and there's three hundred (300) today, or maybe a
7 little less.

8 And, you know, it's -- it's very similar
9 to what's happening in other fields. What we -- what we
10 had is four hundred and fifty (450) brokers years ago,
11 with most of those single ownership units. And now we
12 have about three hundred (300), maybe even a few less
13 than three hundred (300) now, and more and more of them
14 are owned by fewer people, right? So there are brokers
15 who own ten (10) locations, there are brokers who own six
16 (6) locations. That's becoming much more common.

17 So there are -- where we have lost
18 outlets, for the most part, is in the larger centres.
19 There -- there are fewer in -- in Winnipeg and in
20 Brandon.

21 But some very small towns have -- have
22 lost their broker as well, but it was usually after, you
23 know, they lost the bank, they lost the high school. The
24 broker tended to be one of the last things to move. But
25 there's been some of that, but not -- but not a lot.

1 But mostly you're having a fewer number of
2 larger, independent insurance broker businesses with --
3 who own multiple outlets.

4 DR. LEN EVANS: I suppose if we go into
5 the infinite future, we could end up with maybe one (1)
6 broker. I'm not suggesting that'll happen, but, yeah.

7 MS. MARILYN MCLAREN: Well, it's -- it's
8 a tough business these days. You know, multiline
9 insurers are getting much, much more stringent about how
10 many brokers they have. Lots of brokers have lost some
11 of their markets.

12 You know, the -- the online insurance
13 world is -- is growing somewhat in popularity in this
14 country. Many multiline insurers who used to have a
15 commitment to solely distribute through brokers now have
16 an online division of their companies.

17 So it -- it's -- you know, one (1) -- the
18 -- the key reason really that brokers were very willing
19 to work with us and -- and agree to such a significant
20 reduction in their commission is that they know that we
21 have a commitment to work with them over the long-term.

22 You know, quite frankly, on a simple
23 mathematics basis we could probably handle most of the
24 business directly in this -- in this coun -- in this
25 province with our own service centres. We have

1 absolutely no intention of doing that. We have a
2 commitment not to do that.

3 So even though it is a less profitable
4 business than it used to be, being a Basic AutoPac
5 broker, you know you have it for the -- for the very
6 long-term. It's a stable working relationship.

7 DR. LEN EVANS: I don't want to be
8 facetious, but it's almost like a licence to print money
9 or -- I mean, it's very secure. I mean, it's --

10 MS. MARILYN MCLAREN: Well, as is the
11 body shop business in this province.

12 DR. LEN EVANS: Yeah. Yeah.

13 THE CHAIRPERSON: Thank you. I think --

14 DR. LEN EVANS: I'm just going to
15 comment. Yes, this is what I reco -- recollect from
16 history, that once the -- once the cert -- initial
17 changes were being proposed in the legislation, the body
18 shop worker -- body shop people were very happy to -- to
19 see MPI come into creation. Thanks.

20 THE CHAIRPERSON: Okay. We'll have our
21 break now. Thank you.

22

23 --- Upon recessing at 10:43 a.m.

24 --- Upon resuming at 11:00 a.m.

25

1 THE CHAIRPERSON: Okay. Welcome back.

2 Ms. Everard...?

3

4 CONTINUED BY MS. CANDACE EVERARD:

5 MS. CANDACE EVERARD: Thank you. I just
6 have a couple more questions on the commission structure
7 with brokers and the -- the SRP, streamline renewal
8 process. We've spoken about the change in the Basic
9 commission over time, and there was evidence given as
10 well that the commissions on the Extension side are
11 prescribed by regulation and are set to increase. I
12 understand that at the end of the day that commission
13 will be a 5 percent commission.

14 Is that right? Under that regulation.

15 MR. DON PALMER: End of the day on Basic
16 it'll be 2 1/2 percent.

17 MS. CANDACE EVERARD: No, on the
18 Extension side.

19 MS. MARILYN MCLAREN: No, the -- the
20 regulation, I think, shows that it did increase, and I
21 don't think it's 5 percent. I think it's more than that.
22 And unlike the -- like it's like Basic in that there's no
23 built in increases other than any premium driven
24 increases. But, no, it's more than 5 percent.

25 MS. CANDACE EVERARD: Do you know what it

1 is, offhand?

2 MS. MARILYN MCLAREN: Ms. Kalinowsky has
3 the regulation on her screen. I can look at it. It's 18
4 1/2 percent.

5 MS. CANDACE EVERARD: And the change in
6 the broker commissions, both on the Basic side and the
7 other lines, were -- is the new arrangement something
8 that was negotiated through IBAM, the Insurance Brokers
9 Association of Manitoba, on behalf of brokers?

10 MS. MARILYN MCLAREN: That -- that's the
11 -- the association that speaks for brokers. That's who
12 we work with, yeah.

13 MS. CANDACE EVERARD: Okay. I'm going to
14 ask you then to go to PUB/MPI-1-112. It's not in the
15 book of documents. This is an IR relating to service and
16 transaction fees. It's got a chart. I'll just wait for
17 you to get there.

18

19 (BRIEF PAUSE)

20

21 MR. DON PALMER: Yes, I have it.

22 MS. CANDACE EVERARD: So this is a chart
23 that reflects the various service and transaction fees
24 that the Corporation deals with, what they are in terms
25 of dollar amounts, and then it also provides the date

1 that they were either introduced or last changed.

2 Is that right?

3 MR. DON PALMER: Yes.

4 MS. CANDACE EVERARD: And are all of
5 these transa -- service and transaction fees paid to the
6 Corporation by motorists, or are there any parts of this
7 that go to brokers?

8 MR. DON PALMER: There...

9

10 (BRIEF PAUSE)

11

12 MR. DON PALMER: These are the fees that
13 we charge to customers. There are transaction fees that
14 are paid to brokers that are included in these.

15 MS. CANDACE EVERARD: Okay. And so is it
16 -- is it on this -- a commission scale as well, like,
17 when you say that the fees that the brokers get are
18 included?

19 MS. MARILYN MCLAREN: There's -- there's
20 not a direct relationship between this and the
21 commissions. They're separate issues, right? There's
22 things that we require the public to do that we don't
23 charge them to do that we do pay brokers for, like, you
24 know, address changes, name changes, things like that.
25 So these are the fees that customers pay, and this is all

1 Corporate revenue.

2 MS. CANDACE EVERARD: Now, Mr. Palmer,
3 you had mentioned earlier that there were certain flat
4 fees that brokers got for things that were indexed.
5 Would that be what we see here, or are those different
6 flat fees that you were referring to?

7 MR. DON PALMER: That would be different
8 flat fees.

9 MS. CANDACE EVERARD: We note that most
10 of the items on this list were put into place in the
11 '90s, early to mid '90s. There are a few that are more
12 recent.

13 Has the Corporation considered updating
14 the dollar amounts here?

15

16 (BRIEF PAUSE)

17

18 MR. DON PALMER: They are subject to
19 review from time to time. For -- for example, look at
20 for payment -- financing some of the -- the late payment
21 fees that are probably on this list somewhere, and we're
22 talking about changing those in 2012. So there are --
23 from time to time, we would consider it, but there's no
24 real substantive reason to change that...

25 MS. CANDACE EVERARD: We were speaking --

1 and I'm just going back a little bit to some of the
2 earlier evidence that was given, with respect to the
3 payment of commissions to brokers. And we talked about
4 the broker of record and that the -- once a broker's
5 established as a particular motorist's broker of record,
6 that broker will get the commissions on their payments
7 over the years 2 through 4, I guess.

8 Is that system the same for the Basic side
9 as well as the Extension side, or is there a different
10 arrangement there?

11 MS. MARILYN MCLAREN: No, there's no
12 different arrangement, no.

13 MS. CANDACE EVERARD: Okay. So -- so
14 just -- just so that I understand you clearly, so in year
15 1, the motorist goes to the broker, they renew, they pay
16 whatever their Basic policy is. Let's say they have some
17 kind of Extension coverage, whatever.

18 And then in year 2, whether they go back
19 to that broker or go anywhere else, as we talked about
20 before, the same commissions will be paid to the broker
21 of record on both -- or on basically the whole of their
22 coverage, whether it's Basic or Extension?

23 MS. MARILYN MCLAREN: That's correct.

24 MS. CANDACE EVERARD: Okay. I'll ask you
25 turn back. We were just at 1-112, asked by the Board in

1 the First Round. If we go back to 1-110, the Board had
2 asked the Corporation to provide a table similar to what
3 had prov -- been provided at the '09 GRA, that reflected
4 the dollar and percentage of non-Basic auto-insurance
5 sold in the province over the last ten (10) years. The
6 Corporation replied that the question was not germane.

7 That's the answer that was given?

8 MR. DON PALMER: That's correct.

9 MS. CANDACE EVERARD: And then at
10 Question 47 in the Second Round, 2-47, the Board asked
11 the Corporation to explain why the document was not seen
12 as germane, and to please file the document. The
13 Corporation replied that it had facilitated access to the
14 document in an earlier hearing and that it was a public
15 document, and provided a link to us to get to the
16 document.

17 So I have a -- a document here which we
18 obtained, that I'd like to have the panel review.

19

20 (BRIEF PAUSE)

21

22 MR. DON PALMER: Okay.

23 MS. CANDACE EVERARD: Thank you. So, Mr.
24 Palmer, you've had a chance to look at the document
25 provided. The link that was given by the Corporation at

1 2-47 was a link to a Government of Manitoba website which
2 provided for a portion of the Superintendent of Insurance
3 Annual Report for 2008, and this is the document that we
4 obtained from that link.

5 Are we agreed on that?

6 MR. DON PALMER: Yes, and -- and I will
7 also tell you that since this was sen -- sent in, there
8 is now a 2009 report, but the results wouldn't be
9 substantively different.

10 MS. CANDACE EVERARD: So for the purposes
11 of this examination then, we'll -- we'll go with this one
12 on the basis that you've looked at the '09 and -- and the
13 results are similar.

14 MR. DON PALMER: Yes.

15 MS. CANDACE EVERARD: Okay. My first
16 question is we see here there are some numbers relating
17 to 2007, and some numbers relating to 2008, and the -- ea
18 -- for each year there's a column entitled, "Premiums",
19 and a column entitled, "Losses".

20 If we focus on the premium's column for a
21 moment, is -- is the Corporation's understanding that
22 what's reflected here are premiums written or premiums
23 earned?

24 MR. DON PALMER: It's likely premiums
25 earned. I don't know that for a fact. I'm speculating.

1 MS. CANDACE EVERARD: What I'd like to
2 do, and -- and since -- since we're not hundred percent
3 sure, and we weren't sure either, we'll maybe just go
4 through a couple of sets of numbers and calculations for
5 the purposes of the record. What I'd like to do is
6 compare the numbers that we see in this document for the
7 -- the Corporation, for Manitoba Public Insurance,
8 compared with the Corporation's numbers as filed with the
9 Board previously.

10 So we -- if we leave -- leave aside 2007
11 for the moment and look at the 2008 numbers, we see,
12 according to this document -- and let's assume firstly
13 that it's premiums written that this reflects -- we see a
14 total of some 894 1/2 million attributed to the
15 Corporation as a whole.

16 Is that right?

17 MR. DON PALMER: That's what it says,
18 yes.

19 MS. CANDACE EVERARD: And we see by the
20 footnote that's provided, that that number attributed to
21 the Corporation includes universal compulsory automobile
22 insurance, so Basic, as well as Extension, and Special
23 Risk Extension coverage, or SRE, yes?

24 MR. DON PALMER: Yes.

25 MS. CANDACE EVERARD: Now, what I did --

1 and I see you're looking at the annual report, so there -
2 - that -- it's a different document than I looked at, but
3 if there's something there that you want to tell us
4 about, that's fine. I looked back at last year's filings
5 as part of the 2010 GRA which had some information on the
6 actual net premiums written incurred by the Corporation
7 in the '08/'09 fiscal year, which I believe would be, in
8 large part, an overlapping timeframe with the 2008 year
9 reflected here.

10 Wat -- you agree with that? You nodded
11 your head.

12 MR. DON PALMER: Yes.

13 MS. CANDACE EVERARD: Now, on the
14 information that I got from last year's GRA filing of
15 actual net premiums written for Basic for '08/'09 were
16 some 688.2 million.

17 Do -- does that sound about right to you,
18 or do you have that at -- at the annual report there?

19 MR. DON PALMER: The annual report
20 premiums earned for 2008/09 is eight sixty-five (865).

21 MS. CANDACE EVERARD: And that's for
22 corporate wide?

23 MR. DON PALMER: Yes.

24 MS. CANDACE EVERARD: So let's just back
25 up for a moment and continue talking about premiums

1 written. As I say, I -- when I looked back at last
2 year's filing the number for '08/'09 actual net premiums
3 written for Basic was 688 million point 2 million -- or
4 688.2 million.

5 Do you want to double check that, or does
6 that sound about right to you?

7

8 (BRIEF PAUSE)

9

10 MR. DON PALMER: What was your figure
11 again?

12 MS. CANDACE EVERARD: My figure was 688.2
13 million for net premiums written '08/'09 for Basic.

14 MR. DON PALMER: No. According to the
15 Basic annual report, premiums written for '08/'09 was
16 seven fourteen point two (714.2) or point three (.3), and
17 premiums earned was six ninety seven point two (697.2).

18 MS. CANDACE EVERARD: Sorry, six ninety-
19 seven (697) point what?

20 MR. DON PALMER: Two (2).

21 MS. CANDACE EVERARD: Okay. As I say, I
22 was looking in, I think, TI -- one of the TIs from last
23 year's book of documents, but not a huge difference, so
24 we'll -- we can work with your numbers.

25 If we -- and I -- I might just need a --

1 just giv --

2 THE CHAIRPERSON: While Ms. Everard's
3 pulling together the information, just why wouldn't -- if
4 you don't mind, just one (1) further question for
5 purposes of confirmation for the record.

6 On a renewal of coverage by a motorist, an
7 owner, who has both Basic and Extension coverage, the
8 agent of record, the broker, receives a commission of 2
9 1/2 percent for Basic and 18 1/2 percent on Extension.

10 Is that correct?

11 MR. DON PALMER: In 2012/13 that would be
12 correct, one -- once we get fully transitioned into the
13 new Basic commission schedule, which I think is two (2) -
14 - '12/'13 that the two and a half (2 1/2) kicks in.

15 THE CHAIRPERSON: So now it's 5 percent
16 for Basic and a different number for Extension?

17 MR. DON PALMER: Five percent for Basic
18 up until November 1st, I think, when it changes to four
19 (4).

20 THE CHAIRPERSON: Thank you. Ms.
21 Everard...?

22

23 CONTINUED BY MS. CANDACE EVERARD:

24 MS. CANDACE EVERARD: Okay. So, Mr.
25 Palmer, while we're talking about premiums written for

1 '08/'09 we'll -- we'll use the number that you gave me of
2 714.2 million. So if we compare that with the overall
3 premiums reflected on the new document, which I
4 appreciate we've yet to mark as an exhibit but we will,
5 there -- if we back out of the 894.5 million that's
6 attributable to the Corporation as a whole, that 714.2
7 million, the difference that we get for the non-Basic
8 lines would be about 180.3 million.

9 Does that sound right to you?

10 MR. DON PALMER: The -- the math works,
11 but I haven't verified the numbers in the
12 superintendent's report.

13 MS. CANDACE EVERARD: Understood. The --
14 what the superintendent is reflecting here is that of the
15 total of some \$904 million in premiums, 894.5 million was
16 the business of the Corporation. You'll agree with me
17 that that's what the document refle...

18 MR. DON PALMER: That -- that's what it
19 says, and -- and it's close to the '08/'09 total premium
20 written of eight eighty five point seven (885.7), as
21 portrayed in our annual report.

22 MS. CANDACE EVERARD: And the -- the
23 difference is probably accountable by the fact that it
24 looks like this document of the superintendent is done on
25 a calendar year, not on MPI fiscal year? Or do you think

1 the difference is attributable to some other reason?

2 MR. DON PALMER: That difference is \$10
3 million. It -- that seems like a lot of a difference,
4 but, again, I don't know where -- where this number comes
5 from, but -- we'll -- we'll -- they're close enough, and
6 let's say that that's the difference.

7 MS. CANDACE EVERARD: So if we continue
8 to work with what's reflected on the face of this
9 document, we see, again for the 2008 year,
10 superintendent's reflecting 894.5 million, attributable
11 to the Corporation. You've told me that 714.2 million
12 for the year was Basic, and so the math, as we've agreed,
13 would leave about 180.3 million in the non-Basic lines.

14 MR. DON PALMER: And the difference
15 between the '08/'09 two (2) annual reports, corporate-
16 wide and Basic, is about 170 million.

17 MS. CANDACE EVERARD: Okay. So the non-
18 Basic business, in terms of premiums written, for '08/'09
19 was somewhere between 170 and 180 million?

20 MR. DON PALMER: Yes.

21 MS. CANDACE EVERARD: Now, if we again go
22 back to the superintendent's document, it reflects that
23 the Corporation's piece of business was 894 1/2 million
24 of a total of 904 million.

25 So there was about 9 1/2 million,

1 according to this superintendent's document, that would
2 be attributable to the other insurers shown on this
3 chart?

4 MR. DON PALMER: Yes.

5 MS. CANDACE EVERARD: So if we compare
6 that then, that nine hundred and five (905) -- or, pardon
7 me, that 9.5 million of the total nine hundred and four
8 (904) attributable to other insurance companies, and we
9 compare that with the 170 to 180 million that the
10 Corporation did in non-Basic business in '08/'09, we see
11 that the Corporation has about 95 percent of that market.

12 Is that fair to say?

13 MR. DON PALMER: Round numbers, yes.

14 MS. CANDACE EVERARD: Now, when we
15 started looking at this document, we agreed that we
16 weren't sure whether the superintendent is referencing
17 here premiums written or premiums earned. So what we've
18 been talking about up to this point, we were using
19 premiums written number for the Corp -- premiums written
20 numbers for the Corporation. What I'd like to do is just
21 go back do the same analysis using premiums earned.

22 Now, you said that -- that the net
23 premiums earned in Basic for the Corporation for '08/'09
24 was some 697.2 million. I think that was the number that
25 you gave me.

1 MR. DON PALMER: Yes.

2 MS. CANDACE EVERARD: And so again, if we
3 back that number out of the eight hundred and ninety-four
4 and a half (894 1/2) -- and I'll just quickly do that
5 calculation here -- the difference is about 197 million.

6 Is that fair to say?

7

8 (BRIEF PAUSE)

9

10 MR. DON PALMER: The difference between
11 our two (2) annual reports, the corporate-wide and the --
12 the Basic statement, the difference in premium earned is
13 a hundred and sixty-seven point nine (167.9).

14 MS. CANDACE EVERARD: I -- I'm sorry.
15 Can you say that again.

16 MR. DON PALMER: A hundred and sixty-
17 seven point nine (167.9) is non-Basic premium earned
18 according to the difference between the two (2) annual
19 reports.

20 MS. CANDACE EVERARD: And that's for the
21 '08/'09 fiscal year?

22 MR. DON PALMER: Yes.

23 MS. CANDACE EVERARD: So that's the
24 number that --

25 MR. DON PALMER: That's the number --

1 MS. CANDACE EVERARD: -- we should be
2 using?

3 MR. DON PALMER: Yes, that's the number.

4 MS. CANDACE EVERARD: So if we do the
5 same calculation then for premiums earned, and we back
6 that out of -- or sorry, if we compare that to the
7 overall market share, I don't think it changes the
8 percentage a whole lot. It's still in and around a 95
9 percent market share for the Corporation.

10 Is that right?

11 MR. DON PALMER: That would be correct.

12 MS. CANDACE EVERARD: And the other
13 detail that we spoke about when we first started looking
14 at this document was your evidence that the numbers for
15 2009 were probably quite similar to what we saw here?

16 MR. DON PALMER: Likely, yes.

17 MS. CANDACE EVERARD: So would you agree
18 that for the 2009 superintendent document, which would
19 correlate with the Corporation's 2009/10 fiscal year,
20 that market share of the non-compulsory auto-insurance
21 market would still be about 95 percent?

22 MR. DON PALMER: Sounds about right.

23

24 (BRIEF PAUSE)

25

1 MS. CANDACE EVERARD: Now, Ms. McLaren,
2 you gave evidence before the break, when I asked you
3 whether the Corporation saw, with this streamline renewal
4 process, or envisioned a change in what might be
5 happening on renewals and whether motorists would be less
6 likely to change the details of their Extension coverage,
7 and you said that the Corporation wasn't expecting a
8 change.

9 Do I take it then that the Corporation's
10 position is that its 95 percent or so market share on the
11 Extension side is -- is expected to stay about the same,
12 or is the Corporation envisioning an increase on that
13 number?

14

15 (BRIEF PAUSE)

16

17 MS. MARILYN MCLAREN: I would not expect
18 an increase. The Corporation works hard to make sure
19 Manitobans continue to chose to deal with us, we -- even
20 when they don't have to. But I think that's probably
21 been fairly consistent over the last few years.

22 I believe a few years ago it was probably
23 more like 90 percent, so I think it's probably grown
24 somewhat.

25 I -- I don't see -- a lot of this is in

1 the hands of the other insurers. You know, it's how --
2 how aggressive do they want to be, how -- what kind of
3 game plan do they want to put together.

4 THE CHAIRPERSON: Ms. McLaren, isn't it
5 possible that some portion of the 5 percent that's being
6 written by other insurance companies would have to do
7 with companies with national fleets that have composite
8 insurance policies that may include some car insurance?

9 MS. MARILYN MCLAREN: I don't know this
10 report well enough to know. I -- I suspect the answer is
11 that that premium would probably be not rec -- probably
12 not be recorded in Manitoba at all. It would probably be
13 recorded at the national office, wherever that's located.

14 So I think they're -- in terms of the
15 actual premiums paid by vehicle owners in Manitoba, it's
16 probably somewhat higher than the total shown on this, I
17 would suspect, but I really don't know this process well
18 enough to say so definitively, for the reasons --

19 THE CHAIRPERSON: Thank you.

20 MS. MARILYN MCLAREN: -- that you
21 suggested, I mean.

22 THE CHAIRPERSON: Thank you.

23

24 CONTINUED BY MS. CANDACE EVERARD:

25 MS. CANDACE EVERARD: Ms. McLaren, in

1 answer to my last question you had stated that it was
2 really up to what the other insurers might do, in terms
3 of pushing their product forward, and -- and probably I
4 would assume as well, the -- the substance of what the
5 products are that they would have available.

6 Your -- your evidence was something to
7 that effect?

8 MS. MARILYN MCLAREN: Sure. But, you
9 know, I mean, we've seen competition wax and wane.
10 That's more the heart of what I was getting at. Of
11 course they need to decide what they're going to sell and
12 so on and so forth. But the extent to which they want to
13 penetrate this market is -- is a marketing strategy on
14 their part. That's what I was referring to.

15 MS. CANDACE EVERARD: And what about the
16 role of the broker in this area, or on this question? We
17 know that brokers will be getting com -- or a commission
18 on the Extension side of about 18 1/2 percent.

19 Does the Corporation, or is the
20 Corporation aware of an incentive that a broker would
21 have to sell a motorist a non-MPI product rather than
22 going with the MPI product, and -- and getting the -- the
23 commission that we spoke about?

24 MS. MARILYN MCLAREN: As I say, I have no
25 idea what others are doing in terms of the commissions

1 that they pay. My belief, these -- we have been paying
2 the current rates on Extension, I think, since the fall
3 of '08, so they're -- they're not -- no, they're --
4 they've -- they're there, and they've been there for a
5 while.

6 MS. CANDACE EVERARD: So I take it from
7 your answer, given that the Corporation doesn't have
8 knowledge of what other insurers are doing in terms of
9 arrangements with brokers, then the Corporation isn't
10 aware of an incentive that a broker would have to sell
11 another company's product over that of the Corporation.

12 MS. MARILYN MCLAREN: Or vice versa.

13 MS. CANDACE EVERARD: Except we do know
14 that on the Extension side the brokers get an 18 1/2
15 percent commission for MPI products.

16 MS. MARILYN MCLAREN: But if others are
17 paying twenty (20), that's the part we don't know.

18

19 (BRIEF PAUSE)

20

21 MS. CANDACE EVERARD: Mr. Chairman, I
22 didn't officially enter this document as an exhibit, and
23 it should be. I believe it's PUB/MPI Exhibit 13, Mr.
24 Gaudreau's nodding, with the Board's permission.

25 THE CHAIRPERSON: That's fine. I was

1 wondering about that.

2

3 --- EXHIBIT NO. PUB/MPI-13: Portion of the
4 Superintendent of
5 Insurance Annual Report
6 for 2008

7

8 CONTINUED BY MS. CANDACE EVERARD:

9 MS. CANDACE EVERARD: I'm going to be
10 moving into a different area. I just had a couple of
11 questions in follow up from some -- some of the things
12 that we spoke about this morning regarding the business
13 process review. Actually, just a fairly narrow question.

14 We looked at AI.11, which is in the book
15 of documents at Tab 12, with respect to the PIPP
16 infrastructure implementation, and we spoke about that in
17 some level of detail. On page 1 of AI.11, there's
18 reference to the Corporation's business partners. Listed
19 there are Meyers, Norris, Penny, EDS/HP, and software
20 provider FINEOS, but also referenced is
21 PricewaterhouseCoopers.

22 Can you tell us when PWC became a partner
23 of MPI in this detail?

24 MS. MARILYN MCLAREN: It was after
25 Bearing Point declared bankruptcy, and Price Waterhouse

1 bought that portion of the residual business.

2 MS. CANDACE EVERARD: Do you know roughly
3 when that was? Like, was it with -- a year ago, three
4 (3) years ago?

5 MS. MARILYN MCLAREN: Maybe a year, year
6 and a half ago.

7 MS. CANDACE EVERARD: And what are the
8 services that PWC is providing to the Corporation, with -
9 - with respect to PIPP infrastructure?

10 MS. MARILYN MCLAREN: Some of the
11 integration services, in terms of helping the Corporation
12 prepare to integrate the FINEOS product into our way of
13 doing business.

14 MS. CANDACE EVERARD: And is that out of
15 the Winnipeg office?

16 MS. MARILYN MCLAREN: I believe for the
17 most part, no. They were employees of Bearing Point, I
18 think, for the most part, until basically we transferred
19 the contracts as -- as they existed. There -- there may
20 have been some involvement from the Winnipeg office, I'm
21 not sure, but it was primarily outside of Winnipeg.

22 MS. CANDACE EVERARD: Okay. I'm going to
23 go then to a line of questioning relating to Basic
24 expenses.

25 I'm going to ask you to go to Tab 27 of

1 the book of the documents. This is PUB/MPI-1-53. And we
2 have, at this particular IR, an attachment that provides
3 a schedule with the compounded annual growth rate by
4 expense category from '04/'05 to '09/'10, and for '09/'10
5 to 2011/'12.

6 MR. OTTMAR KRAMER: I have that.

7 MS. CANDACE EVERARD: Mr. Kramer. So we
8 see, if we look firstly at the Compounded Annual Growth
9 Rate column for the '04/'05 to the '09/'10 period,
10 obviously there's one (1) fairly large number that --
11 that stands out there, which is under the "Safety Loss
12 Prevention Programs" line that relates to anti-theft
13 initiatives.

14 Is that fair to say?

15 MR. OTTMAR KRAMER: Yes, anti-theft. And
16 the largest piece of that is the immobilizer funding.

17 MS. CANDACE EVERARD: And then,
18 conversely we see a significant decrease in that growth
19 rate from the '09/'10 year to the year of the Application
20 of some 45.3 percent.

21 MR. OTTMAR KRAMER: Yes, that's correct.

22 MS. CANDACE EVERARD: And that's due to
23 the change in the implementation of the immobilizer
24 initiative going forward given the fact that the results
25 have been so positive.

1 MR. OTTMAR KRAMER: That's the -- the
2 MaR-1 and MaR-2 vehicles were immobilized up to the
3 '09/'10 period. And then '10/'11 onward, mo -- most of
4 the vehicles have already been immobilized, and whatever
5 is coming into the city or into the province needed the
6 immobilizer installed, and, therefore, there's -- it's
7 quite a decrease.

8 MS. CANDACE EVERARD: Thank you. Moving
9 up to the line immediately above the "Safety loss
10 prevention" line we have the "Amortization line." And
11 I'd just ask you to comment on the -- the 55.4 percent
12 growth rate from '09/'10 through to the year of the
13 Application.

14 MR. OTTMAR KRAMER: That -- that increase
15 is driven by the BPR projects that we had talked about
16 earlier this morning, the amortization of that deferred
17 development capital. And I don't have the numbers
18 exactly in front of me, but that's approximately \$7
19 million a year. In addition -- and that'll be going for
20 about five (5) years.

21 In addition, the new service/claim centres
22 that have opened up, there -- there's also that
23 amortization of those buildings.

24 MS. CANDACE EVERARD: And we see on the
25 second line of this table under "Data processing," a 14.9

1 percent growth rate from '09/'10 to the year of the
2 Application. What's driving that?

3 MR. OTTMAR KRAMER: I -- I believe we
4 answered and -- a question on that in our -- in the
5 interrog. process, and I just need to look that up.

6

7 (BRIEF PAUSE)

8

9 MR. OTTMAR KRAMER: It's -- it was under
10 PUB/MPI-1-52 part A. On the second page we've got a
11 note:

12 "The increase in data processing cost
13 for '09/'10 to '11 -- '10/'11 and
14 onward is due to expanded requirements
15 for software licensing fees pertaining
16 to service storage, Sybase, and SQL, as
17 well as increased costs related to
18 external labour for the maintenance of
19 the major systems."

20 MS. CANDACE EVERARD: And you're reading
21 from page 2, note 2.

22 MR. OTTMAR KRAMER: Yes, that's correct.

23 MS. CANDACE EVERARD: And while we're
24 looking at that IR, just to put the number -- the actual
25 numbers to it, if we go back to page 1 we see that under

1 the heading of, "Data processing, normal operations," the
2 actual of '08/'09 of some 8.6 million is forecasted to
3 increase to 12 million in the current year, and then
4 stick at that \$12 million level through the next couple
5 of years.

6 MR. OTTMAR KRAMER: That's correct.

7 MS. CANDACE EVERARD: We'll stay with
8 this chart for a moment. In the next section down
9 entitled, "Amortization," we see a line item for, "Normal
10 operations."

11 MR. OTTMAR KRAMER: I have that.

12 MS. CANDACE EVERARD: You know what, I'm
13 -- I'm actually just going to come back to that. I'm
14 going to ask you to turn the page to page 2, where you
15 read from note 2. We see there the second section is
16 entitled, "Special services," and, again, the first line
17 item is related to normal operations.

18 Can you, firstly, explain what that
19 constitutes, "normal operations within Special Services"?

20 MR. OTTMAR KRAMER: In -- in -- in all
21 cases on -- on these pages, normal operations is the
22 ongoing operations of the Corporation, excluding the BPR
23 initiatives that are -- that are listed, and -- and some
24 other more one (1) time operational initiatives.

25 MS. CANDACE EVERARD: Thank you. And we

1 see that the line items under normal operations for
2 special services fluctuates relatively fairly
3 significantly over the five (5) years shown from two
4 point five (2.5) to four point three (4.3), back down to
5 three point two (3.2) for two (2) years, and then to one
6 point eight (1.8.)

7 Can you explain the reasons behind that
8 line and those fluctuations?

9

10 (BRIEF PAUSE)

11

12 MR. OTTMAR KRAMER: The -- the special
13 services will fluctuate on a yearly basis. The -- the
14 amounts that I'm seeing in '10/11, '11/12, around \$3.2
15 million are -- are consistent with the -- the '08/09. I
16 -- in '09/10 we must have spent a few more dollars on
17 Special Services on some -- some projects that we haven't
18 -- haven't got listed here.

19 To be -- I -- I'm not sure with the -- the
20 -- the '12/'13 decrease to \$1.9 million. Off the top of
21 my head, I -- I'm not exactly sure why -- why it's
22 decreasing to that -- that number. However, that is, you
23 know, some -- some years out. And as we get to -- to
24 those years we'll have more of a detailed examination of
25 those numbers.

1 MS. CANDACE EVERARD: Would you take an
2 undertaking to provide just a brief explanation with
3 respect to the fluctuation on this line?

4 MR. OTTMAR KRAMER: Yes, we can do that.

5 MS. CANDACE EVERARD: Thank you.

6

7 (BRIEF PAUSE)

8

9 MS. CANDACE EVERARD: Sorry, Mr.
10 Chairman, just a moment.

11

12 (BRIEF PAUSE)

13

14 MR. DON PALMER: Ms. Everard, if I can be
15 of assistance and try to get one (1) less undertaking,
16 there is a -- a breakdown of Special Services in one (1)
17 of the Information Requests from the CAC/MSOS, and it's
18 2-62. And it outlines not the whole -- the whole
19 spectrum, but has '08/09 actual, '09/10 actual and '10/11
20 budget.

21

22 CONTINUED BY MS. CANDACE EVERARD:

23 MS. CANDACE EVERARD: Thank you. We'll
24 re-review that particular IR, and if we have any followup
25 we'll let you know, but I appreciate that. For the

1 moment, that undertaking is discharged.

2 MR. DON PALMER: Thank you.

3 MS. CANDACE EVERARD: Okay. So going
4 back to page 1 of 1-52, we spoke about data processing,
5 which appears here. The next section is the amortization
6 section. And we see a decrease under the normal
7 operations for amortization from the current year to the
8 year of the Application of about a million.

9 Is that related, as well, to the business
10 process review, or is there a different driver behind
11 that decrease?

12 MR. OTTMAR KRAMER: That amortization
13 will fluctuate based on the -- the capital spend in the --
14 -- in that year, in the earlier years, as well as capital
15 spend in, you know, five/ten (5/10) years ago, or even
16 twenty (20) years ago, depending on the -- what the life
17 of the asset that's being amortized. So, that will
18 fluctuate and -- and is -- is due to the amortization
19 periods of -- of those assets.

20 MS. CANDACE EVERARD: Thank you. Going
21 back to page 2, same document, we see under the heading
22 of "Other - Normal Operations," there's a decrease from
23 last year's actual of some 6.4 million to the current
24 year of about 5.7 million.

25 And note 3, which relates to this section

1 -- and I -- I appreciate it -- I appreciate it relates to
2 the section as a whole, not just that line item,
3 references an increase in other costs from '09/'10 to the
4 -- to the current year. But even at the total for
5 Basic's share, there doesn't appear to be an increase.

6 Can you indicate what the Corporation was
7 referring to in note 3 and the -- the increase reference
8 there?

9 MR. OTTMAR KRAMER: I -- I believe the
10 increase reference, they should have been from '09/'10 to
11 '12/'13, as were the increases to the -- from '09/'10 of
12 6.4 million up to seven point eight (7.8) in '12/'13.

13 So they -- they just -- we had a -- an
14 error in the year reference. It shouldn't have been
15 '10/'11, it should have been '12/'13. And the -- the
16 note explains the increase, the reason for the increase.

17 MS. CANDACE EVERARD: Right, which was
18 the change in accounting policy for capital assets to the
19 five thousand dollar (\$5,000) cap?

20 MR. OTTMAR KRAMER: That's correct.

21 MS. CANDACE EVERARD: Just on that point
22 -- and I appreciate it's a -- a fairly small decrease
23 from '09/'10 to '10/'11, but, given the change in the
24 capitalization cap to five thousand (5,000), why do we
25 see a decrease from '09/'10 to '10/'11?

1 MR. OTTMAR KRAMER: Again, that -- that's
2 based on the spend that has been budgeted by -- by all
3 our departments. That could be due to less computers
4 being purchased. That's the primary driver that would --
5 that would influence that. So depending on the -- the
6 upgrade timelines for the computer systems, that --
7 that's what I would think is driving that decrease.

8 MS. CANDACE EVERARD: And the date again
9 for the implementation of the new capitalization policy
10 was what?

11 MR. OTTMAR KRAMER: It was beginning
12 March 1st, 2009.

13

14 (BRIEF PAUSE)

15

16 MS. CANDACE EVERARD: Okay.

17 MR. OTTMAR KRAMER: Just -- just -- Mr.
18 Palmer was just showing me some of the -- that -- that
19 note, the capitalization, as I'd indicated, was effective
20 March 1st, 2009. The -- the increase, or the effect of
21 that policy, is -- is really from the '08/'09 \$4.4
22 million to the future years. That's -- part of that is
23 the effect of the change in the capital policy -- capital
24 -- capital amount that -- that we're -- from five hundred
25 (500) to five thousand (5,000), that capitalization

1 amount.

2 MS. CANDACE EVERARD: Thank you for
3 clarifying that.

4 I'm going to go -- ask you to go back to
5 tab 27, which is the one that we started with in looking
6 at the compounded annual growth rate changes. I'm going
7 to ask you to look at the compensation line, which is the
8 first line of the -- that particular table.

9 We see that, for the year of the
10 application, 2011/'12, the projected compensation
11 expenses are about 96 million, and that's representative
12 of an overall budget for Basic expenses of 161.7 million,
13 is that right?

14 MR. OTTMAR KRAMER: Yes, that's correct.

15 MS. CANDACE EVERARD: And if our math is
16 correct, that makes compensation about 59.4 percent of
17 the total operating budget?

18 MR. OTTMAR KRAMER: Yes, that's correct.

19 MS. CANDACE EVERARD: Thanks. And I -- I
20 do have a few more questions on staffing, but we'll come
21 to those in a moment.

22 If I can ask you then to go to Tab 29 of
23 the book of documents, we find the question and answer
24 posed by the Board at 56 in the First Round and, in
25 particular, I'm looking at the attachment which is found

1 on page 2 of that IR response.

2 We see on the first line item of the table
3 that the compounded annual growth rate for those staff
4 classified as "clerical" is anticipated to increase, or
5 the rate is anticipated to be 5.47 percent from 2009/'10
6 to 2011/'12.

7 Is that right?

8 MR. OTTMAR KRAMER: Yes, that's correct.

9 MS. CANDACE EVERARD: And that is
10 somewhat higher than the corporate average compounded
11 annual growth rate, which is shown at the bottom row of
12 the table, of 5.17 percent.

13 MR. OTTMAR KRAMER: Yes, that's correct.

14 MS. CANDACE EVERARD: And it also appears
15 that that particular compounded annual growth rate for
16 clerical of 5.47 percent is in excess of the inflation
17 rates that are reflected here?

18 MR. OTTMAR KRAMER: That's correct.

19 MS. CANDACE EVERARD: Can you explain to
20 the Board the -- the reasons, or the drivers behind that
21 5.47 percent being what it is relative to the corporate
22 average, and the inflation rates?

23

24 (BRIEF PAUSE)

25

1 MR. OTTMAR KRAMER: Sorry for the delay,
2 we were just looking at a -- at a response that we had --
3 we had answered that question. It's -- it's in CAC/MOS -
4 - MSOS-2-53, and I'll -- I'll read the answer to part
5 'A':

6 "Due to the Corporation's transition to
7 the service centre environment in
8 2010/'11, there is a greater need for
9 higher clerical jobs, such as service
10 centre representatives and call centre
11 representatives. There's now a lesser
12 need for lower pain -- playing --
13 paying clerk I and clerk II
14 positions."

15 And the -- the other answer that I was
16 going to be giving, we've also had quite a -- okay -- and
17 part 'B' answers a part of that increase. I'll -- and
18 I'll -- I'll read that in, too:

19 "The increases for other
20 classifications are attributable to the
21 two point nine (2.9) economic -- annual
22 economic increase combined with an
23 estimated 30 percent of employees
24 receiving -- receiving a three point
25 five (3.5) incremental increase."

1 So the long and short of it is, we --
2 we've had -- as we've have turnover we hire new people.
3 Those people are generally started at a -- at a -- at the
4 low end of that wage scale, and as they spend a time at
5 the Corporation, they -- they increase in that scale.

6 So in addition to the -- the two point
7 nine (2.9) that is the annual increase that's in the
8 collective bargaining agreement, there's that -- that
9 incremental, or the -- the bump in the -- in the class
10 for those people, and that's what's driving that -- that
11 5.4.

12 If you take a look at from '04/'05 to
13 '10/'11, as indicated in PUB-1-56, you can see that that
14 average is only 2.5 percent, which would -- indicates
15 that the -- the increase in those -- those last several
16 years is -- is mitigated by some decreases earlier on.

17 Because as older folks retired which were
18 at the top of their wage scale, were replaced by people
19 at the lower end of their wage scale. As they grow up
20 (sic) that wage scale, you're -- you're going to see an
21 increase in that -- in that short term -- in the -- in
22 the last years.

23 MS. CANDACE EVERARD: You mentioned, I
24 think, Mr. Kramer, the increases that the staff will be
25 receiving under the collective agreement.

1 Just while we're on that topic, would all
2 of the clerical staff under that classification be
3 members of a bargaining unit?

4 MR. OTTMAR KRAMER: Yes.

5 MS. CANDACE EVERARD: And what -- where
6 are we in the term of that collective agreement? Is it -
7 - are we at the beginning of it or are we close to the
8 end of it?

9 MR. OTTMAR KRAMER: Sorry. We're in
10 about -- in the middle of that -- that agreement. It's a
11 four (4) year agreement.

12 MS. CANDACE EVERARD: Okay, so we've got
13 about two (2) years done and we've got two (2) years
14 left.

15 MR. OTTMAR KRAMER: Correct.

16 MS. CANDACE EVERARD: Okay. I'm going to
17 ask you to go to Tab 28 of the book of documents. This
18 is 1-55 posed by the Board. And I'm going to ask you
19 particularly to go to 1-55(e). This was an IR that we
20 asked:

21 "Since the commencement of the business
22 process review, please provide the
23 compliment of staff assigned to BPR
24 projects by category for each year
25 through to 2014/'15 and whether they

1 are permanent or term employees."

2 So that was the question. And then we
3 have at the answer, which is Attachment E, the second
4 attachment in -- are you with me?

5 MR. OTTMAR KRAMER: Yes, I have that.

6 MS. CANDACE EVERARD: Okay. So we see
7 the table reads at -- at the top:

8 "Since the commencement of BPR, staff
9 assigned to the projects were as
10 follows:"

11 And we've got a chart which reflects the
12 management, supervisory, technical/professional and
13 clerical components. And I'll -- I'll come to the
14 footnote at the bottom in a moment.

15 But we see for the year ending February
16 '07 there's twenty-three (23) staff in total, is that
17 right?

18 MR. OTTMAR KRAMER: Yes, that's correct.

19 MS. CANDACE EVERARD: And for February 20
20 of '08 it's twenty-two (22).

21 MR. OTTMAR KRAMER: Correct.

22 MS. CANDACE EVERARD: And then for
23 February of '09 we see the increase to two hundred and
24 twenty-eight point nine (28.9) individuals.

25 MR. OTTMAR KRAMER: That's correct.

1 MS. CANDACE EVERARD: For February of
2 this year, 2010, it's down to seventy-two point eight
3 (72.8) and projected to -- to increase further to sixty-
4 three point five (63.5) in the current year.

5 MR. OTTMAR KRAMER: That's correct.

6 MS. CANDACE EVERARD: And then down for
7 the year of the Application to twenty-three (23)
8 individuals, and then down to five (5) individuals
9 thereafter.

10 MR. OTTMAR KRAMER: Yes, those are the
11 projections.

12 MS. CANDACE EVERARD: Now, it's my
13 understanding that while the Corporation has some comment
14 about the split between permanent and term staff, those
15 total numbers are accurate; is that right?

16 MR. OTTMAR KRAMER: Yes, that's correct.

17 MS. CANDACE EVERARD: And the note that
18 the Corporation raises is that the classification of
19 individuals into permanent or term is misleading as the
20 majority of permanent staff are sim -- are temporarily
21 assigned to BPR and most will return to their original
22 positions as BPR winds down.

23 It expected five (5) will continue, that's
24 right?

25 MR. OTTMAR KRAMER: That's correct.

1 MS. CANDACE EVERARD: Now, it's our
2 understanding that in addition to the Corporation staff
3 working on BPR initiatives, there are also about sixty-
4 five (65) outside consultants working on BPR projects.
5 And I get that not from one (1) of the Board documents,
6 but from CAC/MSOS-2-50(a).

7

8 (BRIEF PAUSE)

9

10 MR. OTTMAR KRAMER: What was that number
11 again, Ms. Everard?

12 MS. CANDACE EVERARD: It was sixty-five
13 (65). Actually, sixty-four point nine (64.9).

14 MR. OTTMAR KRAMER: That's correct.

15 MS. CANDACE EVERARD: And the average
16 hourly rate was a hundred and thirty-six dollars and
17 twenty five cents (\$136.25) based on the same document.

18 MR. OTTMAR KRAMER: I don't have that
19 calculation, but it looks close. MS. CANDACE EVERARD:
20 Okay. Now, are there -- coming back to the staff of the
21 Corporation, are there permanent or term staff that have
22 been assigned to the BPR initiatives that will not be
23 retained by the Corporation going forward, or is it
24 expected that everyone will just be reassigned?

25 MS. MARILYN MCLAREN: I think what the

1 comment at the end of that IR that we were talking about
2 real -- is really meaning, that we really didn't hire,
3 with some exceptions. The practice has generally been to
4 hire term staff to backfill the normal work for permanent
5 staff who've been reassigned to BPR.

6 So there were many term staff hired for
7 different BPR projects that were hired specifically for
8 the project, and then finished at the end of their terms.

9 But for the most part, permanent staff did
10 BPR work because they know the business, and their normal
11 jobs were backfilled by term staff, and many of those
12 term staff have been released as well.

13 You know, I'm -- I'm really pleased with -
14 - with the -- the caliber of people who are willing to
15 come and work temporary positions with us, and many of
16 them do want permanent jobs.

17 Many of them have been able to get
18 permanent jobs, because while we were doing all this we
19 still had lots of retirements and that kind of thing, so
20 many of our term staff did get permanent jobs. But some
21 in fact did finish their term, and have gone on to other
22 opportunities, as well.

23 MS. CANDACE EVERARD: Did the Corporation
24 find itself in a situation where any permanent staff had
25 to be discontinued, or have their employment discontinued

1 because of the -- the completion of BPR initiatives?

2 MS. MARILYN MCLAREN: No, not at all.
3 For many years, we've given our permanent staff a
4 commitment that there would not be layoffs.

5 There's enough turnover, largely through
6 retirements, that if we find for whatever reason we had a
7 small number of excess permanent employees, they would
8 not be excess for long because there are enough --
9 there's enough turnover within the organization.

10 And we gave our staff a commitment that
11 their jobs may disappear, but they would be reassigned to
12 other jobs. That permanent staff would not, and have
13 not, been laid off.

14 MS. CANDACE EVERARD: Thank you. Just
15 to get a sense of some overall numbers, still within Tab
16 28, 1-55, I'll ask you to go to (f).

17 So 1-55(f). This was an IR where we asked
18 the Corporation to provide a current head count for
19 '09/'10, and year to date for current year 2010/'11, by
20 department and category, and indicate the number of
21 vacancies.

22 So this attachment, 1-55(f), reflects that
23 for year ending '09/'10, total corporate employees, or
24 FTEs, I suppose, full time equivalents, were nineteen
25 hundred and five point eight (1,905.8).

1 Is that right?

2 MR. OTTMAR KRAMER: That's correct.

3 MS. CANDACE EVERARD: And in terms of net
4 vacancies, we see on the right-hand side of the table,
5 total net vac -- vacancies of a negative number of two
6 hundred and thirty point six (230.6).

7 Is that right?

8 MR. OTTMAR KRAMER: That's correct, and
9 that would -- that negative number is the vacancies.

10 MS. CANDACE EVERARD: And then as of May
11 of 2010, which would have been the most current
12 information at the time this was prepared, I suppose, we
13 see a total FTEs of eighteen hundred and eighty-nine
14 point two (1,889.2), and then net vacancies of sixty-
15 seven point five (67.5).

16 Is that right?

17 MR. OTTMAR KRAMER: That's correct.

18 MS. CANDACE EVERARD: Okay. And if we go
19 one attachment further to Attachment G, which is the next
20 one in this particular IR, we see, just taking it back a
21 year, that at the last GRA -- this is a comparison
22 between the total staff last GRA and current GRA.

23 And we see that nineteen-o-five point
24 eight (1,905.8) again for the February 2010 number, but
25 that's compared with some twenty-one hundred and thirty-

1 six (2,136) employees as of last year's GRA.

2 Is that right?

3 MR. OTTMAR KRAMER: That's correct.

4

5 (BRIEF PAUSE)

6

7 MS. CANDACE EVERARD: And as we've been
8 speaking about the reduction in staffing would be due to
9 the completion of BPR initiatives?

10 MR. OTTMAR KRAMER: Yes, that's correct.
11 And often these are point-in-time estimates, and to the
12 extent that projects are -- are completed earlier or
13 later, that will influence the vacancies.

14

15 (BRIEF PAUSE)

16

17 MS. CANDACE EVERARD: Now, my
18 understanding is that the dollar impact of the reduction
19 associated with this decrease in staff is about 6.5
20 million to the Corporation?

21 MR. OTTMAR KRAMER: Do you have the
22 reference to that?

23 MS. CANDACE EVERARD: You know what, I'm
24 sure I do, and I'm just wanting to put my -- oh, here it
25 is. Yeah, it's on -- at the 1-55(g) attachment that we

1 were just looking at, the comparison between last year's
2 GRA and this GRA, it's right under the table. The
3 Corporation put a note that talks about the reduction
4 being due to BPR, and then it says:

5 "The dollar impact of the variance is
6 estimated at 6.5 million on a corporate
7 basis."

8 MR. OTTMAR KRAMER: Yes, I see that, and
9 I agree.

10 MS. CANDACE EVERARD: And do we have a
11 sense of how much of that is attributable to Basic,
12 rather than the Corporation as a whole?

13

14 (BRIEF PAUSE)

15

16 MR. OTTMAR KRAMER: Not much of that two
17 thirty (230) vacancy or the six point five (6.5) is
18 related to Basic. It was primarily a non-Basic program.

19 MS. CANDACE EVERARD: Okay. Thank you.
20 Mr. Chairman, I'm noting the time, and I'm about to go
21 into the area of capital expenditures, which is a bit
22 different, so maybe it's time for our lunch break.

23 THE CHAIRPERSON: Sounds fine. So we'll
24 come back at 1:15. Thank you.

25

1 --- Upon recessing at 12:04 p.m.

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

3

4 THE CHAIRPERSON: While we're waiting for
5 Ms. McLaren, Ms. Kalinowsky, do you want to put into the
6 record these new exhibits, the undertakings?

7 MS. KATHY KALINOWSKY: Yes. Good
8 afternoon, Mr. Chairman. Undertaking number 2 is the
9 DCAT, and the undertaking line -- line item there is what
10 was in the transcript. But I've spoken with Board
11 counsel, and what she was askly -- actually asking for,
12 and what we had understood her to be asking for was the
13 DCAT, so we filed the DCAT but kept the Undertaking
14 number 2 as the transcript, and she said she was
15 satisfied with that.

16 THE CHAIRPERSON: Do we have an exhibit
17 number?

18 MS. CANDACE EVERARD: I believe it'll be
19 fourteen (14) -- or -- no, actually that would be -- I
20 don't know that it would be number fourteen (14).

21

22 (BRIEF PAUSE)

23

24 MS. CANDACE EVERARD: Okay. Okay. MPI
25 Exhibit 14.

1 THE CHAIRPERSON: Very good.

2

3 --- EXHIBIT NO. MPI-14: DCAT

4

5 MS. KATHY KALINOWSKY: The next is
6 Undertaking number 7, which would then be MPI Exhibit
7 number 15.

8

9 --- EXHIBIT NO. MPI-15: Response to Undertaking 7

10

11 MS. KATHY KALINOWSKY: The following item
12 is a pre -- pre-ask question, PUB/MPI-3-2, so in keeping
13 with the numbering sequence that exists, that would then
14 be PUB-11-2.

15

16 --- EXHIBIT NO. PUB-11-2: Response to Pre-ask PUB/MPI-
17 3-2

18

19 THE CHAIRPERSON: Very good. Thank you.
20 Okay, Ms. Everard.

21 MS. CANDACE EVERARD: Thank you, Mr.
22 Chairman.

23 MS. KATHY KALINOWSKY: Ms. Everard, I'd
24 also like -- Mr. Palmer wanted to add something to the
25 record that he spoke about last Thursday, I believe it

1 was.

2 MR. DON PALMER: Yes. I'd just like to
3 clarify my comments made on Thursday on stochastic
4 modelling.

5 I had said that it wasn't in my top 10 to
6 in -- incorporate into the claims forecast. And I think
7 I just put too fine a point on which process we include
8 stochastic modelling. The fact is, it's a useful
9 corporate tool to measure a realistic range that our
10 claims may fall into. It's really the cornerstone of the
11 DCAT process that results in a corporate RSR target of
12 \$185 million.

13 We've just filed the 2010 DCAT, and you
14 can see the distribution of claims re -- results that are
15 included in that particular report.

16 It's important to reiterate that
17 stochastic modelling in itself does not change the
18 forecast. It just pro -- provides an idea of the
19 reasonable range of uncertainty.

20 One (1) other thing on stochastic
21 modelling. We've also incorporated stochastic modelling
22 into our equity returns again to determine a reasonable
23 range of the expected equity returns.

24

25 CONTINUED BY MS. CANDACE EVERARD:

1 MS. CANDACE EVERARD: Thank you. What
2 I'd like to do is just ask a few follow-up questions to a
3 line that I had before lunch, and then we'll move onto
4 capital expenditures.

5 We were speaking about operating expenses,
6 and I believe reference was made to a question posed by
7 CAC/MSOS, which was 2-62. This was the IR where CAC/MSOS
8 asked for a breakdown of special services expenses from
9 '08/'09 through to the current year, and by category as
10 well. So I'd ask you to go to 2-62 of CAC/MSOS.

11

12 (BRIEF PAUSE)

13

14 MS. CANDACE EVERARD: Round 2, 2-62.

15 MR. OTTMAR KRAMER: We have that.

16 MS. CANDACE EVERARD: Thank you. Now, I
17 understand that the expenses reflected on this particular
18 IR relate to Basic, as opposed to corporate wide.

19 Is that right?

20 MR. OTTMAR KRAMER: Yes, that's correct.

21 MS. CANDACE EVERARD: So whatever costs
22 the Corporation had outside of Basic for special services
23 are not shown here?

24 MR. OTTMAR KRAMER: That's correct.

25 MS. CANDACE EVERARD: Now, we see on the

1 second line of the table there's somewhat of an increase
2 in the audit fees reflected between '08/'09 and the
3 current year.

4 Is there any particular driver behind
5 those increases?

6 MR. OTTMAR KRAMER: The primary driver is
7 just the inflationary increases.

8 MS. CANDACE EVERARD: Okay. And then on
9 the third line, the actuary -- or actuary fees, we see
10 somewhat of a variation in that there's quite a dip in
11 the 2009/'10 actual figures.

12 What's behind that variability?

13 MR. DON PALMER: Yes. And -- and I think
14 the '10/'11 budget might actually be a little overstated.
15 In 2009/'10 we brought the production of the DCAT in
16 house, so that decrease from '08/'09 to '09/'10 was a
17 result of more internal work being done, the DCAT being
18 signed by our internal actuary, Mr. Johnston, and the
19 involvement of Ernst & Young was one of a peer reviewer,
20 not one of an author.

21 MS. CANDACE EVERARD: Thank you. We see
22 the fifth line in the table is entitled, "Security
23 Services."

24 What does that relate to?

25 MR. DON PALMER: The security services,

1 among other things, is security in our building, the
2 security guards that -- excuse me, in Cityplace and in
3 some of our other service centres. We've changed the
4 security model. We did have security in all our service
5 centres; we -- we don't anymore.

6 We had security on all of our floors in --
7 in Cityplace that there was MPI staff. We have
8 discontinued that as well. We're relying on a
9 centralized security and don't have -- relying on
10 centralized security and -- and the automatic door locks.
11 So all visitors into MPI offices in Cityplace now go to
12 one (1) location.

13 MS. CANDACE EVERARD: And those decreases
14 in security coverage, if you will, in terms of in-person
15 security would be representative of the decrease from the
16 '09/'10 actual to the current year budget?

17 MR. DON PALMER: That's correct.

18 MS. CANDACE EVERARD: And just going back
19 in time slightly from the '08/'09 actual to the '09/'10
20 actual, the seven hundred and twelve thousand (712,000)
21 to the one point one (1.1), what was the particular
22 impetus for that increase?

23

24

(BRIEF PAUSE)

25

1 MR. DON PALMER: As we fully staffed the
2 -- the service centres there was an increase in security
3 there, so I mentioned that we had security go into all --
4 all service centres. And on top of that there was also
5 some -- some personal security that was required of one
6 (1) of our employees for a period of time as well with
7 relation to a specific claimant.

8 MS. CANDACE EVERARD: So protection of a
9 staff person from some member of the public?

10 MR. DON PALMER: Yes, that's correct.

11 MS. CANDACE EVERARD: Okay. The next
12 line item relates to talent management.

13 What is that?

14 MS. MARILYN MCLAREN: That would have
15 been largely a one (1) time initiative with some external
16 support to develop sort of a management development
17 framework. So it really was an initiative to better
18 position ourselves in a time where many of our long, long
19 service managers are retiring, to be able to accelerate
20 the development of younger managers, really have a much
21 robust selection process to select managers. And it was
22 really the -- I guess that was probably mostly the
23 external consulting dollars to help us put that framework
24 in place.

25

1 (BRIEF PAUSE)

2

3 MS. CANDACE EVERARD: And then if we turn
4 our attention near to the bottom of the table, we have
5 the third last entry, which is, "Surveys/Evaluations",
6 and then we have the second last, which is, "Safety
7 Surveys/Evaluations."

8 What is the distinction between those two
9 (2) line items?

10 MS. MARILYN MCLAREN: The -- the latter
11 is just solely related to our safety programs, and the
12 other is broader, more corporate stuff. It would be
13 related to ser -- service standards.

14 We survey customers with -- the extent to
15 which they believed that they were satisfied with the
16 service that they received. Things like that.

17 MS. CANDACE EVERARD: And then we see the
18 last line item is, "other", which overall are fairly
19 significant dollars relative to the totals.

20 What kinds of things would be in "other"?

21 MR. OTTMAR KRAMER: The -- the answer of
22 that is in, I believe, it's PUB-1-80, or CAC -- sorry,
23 CAC-1-80(e), "Business Promotion, Corporate and Community
24 Relations, Furniture and Equipment, Insurance Membership
25 Fees and Conferences, and Miscellaneous."

1 And I assume your next question will be:
2 Why did it increase in '09/'10, and '10/'11? And that
3 increase is related to the capitalization policy, and the
4 expensing of furniture and equipment.

5 MS. CANDACE EVERARD: And I take it that
6 these -- the items reflected at "other" are shown there
7 because they don't fit with -- within the other
8 categories listed.

9 MR. OTTMAR KRAMER: That's correct.

10

11 (BRIEF PAUSE)

12

13 MS. CANDACE EVERARD: Thank you. I'm
14 going to move then to questions on capital expenditures.
15 Firstly, I'd ask you to look at TI.10, Tab 5 of the book
16 of documents.

17 MR. OTTMAR KRAMER: I have that.

18 MS. CANDACE EVERARD: We see here that
19 the budget for the current year for capital expenditures
20 is 30.2 million.

21 Is that right?

22 MR. OTTMAR KRAMER: That's correct.

23 MS. CANDACE EVERARD: And of that amount,
24 about 12.9 million is forecasted to be capitalized on BPR
25 initiatives. And I'm -- I'm deriving that from the 1.9

1 million for business process review under "data
2 processing," and the 10.9, or 11 million, under "deferred
3 development costs."

4 Is that right?

5 MR. OTTMAR KRAMER: Yes, that's correct.

6 MS. CANDACE EVERARD: And what is being
7 budgeted for under operational initiatives under deferred
8 development cost for the current year, that 2.767
9 million?

10

11 (BRIEF PAUSE)

12

13 MR. OTTMAR KRAMER: I believe that's the
14 call centre re-engineering, which isn't a part of the BPR
15 projects.

16 MS. CANDACE EVERARD: Sorry, the call
17 centre re-engineering, which -- what?

18 MR. OTTMAR KRAMER: Which isn't a part of
19 BPR.

20 MS. CANDACE EVERARD: Isn't a part of
21 BPR?

22 MR. OTTMAR KRAMER: It isn't -- isn't a
23 part of the BPR projects.

24 MS. CANDACE EVERARD: Okay. If we look
25 at Tab 31 of the book of documents we find the question

1 and answer at 61, posed by the Board in the First Round.

2 And at (d), so PUB/MPI-1-61(d), we asked
3 the Corporation to provide a schedule with reference to
4 documents filed last year, comparing by category the
5 current forecast and projected expenditures provided last
6 year with an explanation for variances.

7 And so we see at the narrative answer to
8 (d) there's -- there are explanations, which rel --
9 relate back to the numerical table at the attachment at
10 1-61(d). And we see, if I'm reading this correctly, at
11 the numerical table, 1-61(d), that at last year's GRA the
12 capital expenditures for the current year were projected
13 at some 25.4 million.

14 So there's been an increase to 30.2
15 million. Is that right?

16 MR. OTTMAR KRAMER: Yes, that's correct.

17 MS. CANDACE EVERARD: And, as we've
18 discussed, the new capitalization policy for furniture
19 and equipment is incorporated into the current forecast.

20 MR. OTTMAR KRAMER: Yes, that's correct.

21 MS. CANDACE EVERARD: And I believe that
22 the increases that we see over last year, that is between
23 the twenty-five point four (25.4) and the thirty point
24 two (30.2), are attributable primarily to claims centres,
25 which, according to the narrative, would be the Winnipeg

1 south and Winnipeg northeast claim centres, as well as
2 data processing equipment.

3 Is that right?

4 MR. OTTMAR KRAMER: Yes, that's a --
5 that's a summation of the differences.

6

7 (BRIEF PAUSE)

8

9 MS. CANDACE EVERARD: Just a moment, Mr.
10 Chairman.

11

12 (BRIEF PAUSE)

13

14 MS. CANDACE EVERARD: I'm going to ask
15 you to turn back within that tab, so still at Tab 31, to
16 the attachment at 1-61(a). This was an IR where we asked
17 the Corporation to provide a historical table for the
18 last ten (10) years, showing original projected costs
19 applied for revised forecast, and then final actual
20 capital expenditures.

21 MR. OTTMAR KRAMER: I have that.

22 MS. CANDACE EVERARD: And so we see for
23 last year, the '09/'10 year, that the actual capital
24 expenditures incurred were some 119.8 million, compared
25 with a revised forecast of 82.8 million.

1 Is that right?

2 MR. OTTMAR KRAMER: Yes, that's correct.

3 MS. CANDACE EVERARD: And, again, we have
4 the variances there being explained by the Corporation in
5 a series of notes. It would appear that the main reason
6 behind the variance that we've just discussed is driven
7 by the "buildings" line, which is the first line in the
8 table, the actual being almost 75 million compared with a
9 forecast of almost 25 million, and that would be due to
10 the Cityplace acquisition.

11 Is that right?

12 MR. OTTMAR KRAMER: Yes, that's correct.
13 When the forecast was put together, which it would be the
14 -- the budget for that year, the purchase of that
15 building was not included in that, and so once that
16 building was purchased for a total cost of \$84-ish
17 million, that impacted the capital expenditures and
18 increased them significantly in that year.

19 MS. CANDACE EVERARD: Thank you. And if
20 we go back to (d), which is the -- the numerical table
21 that we looked at a moment ago, comparing '09/'10 to the
22 current year, to the year of the Application and the --
23 the various categories, we see note 2, which relates to
24 the capital lease entry, which is the second line on the
25 table, and that there's a variance of some 4 1/2 million

1 reflected there for the current year.

2 Is that right?

3 MR. OTTMAR KRAMER: That's correct.

4 That's a recovery of 4.5 million in the current year.

5 And if you look at the '09/'10 year, there's also
6 variance. We had budgeted to receive that capital lease
7 recovery in the '09/'10 year, and since the building
8 wasn't completed until the '10/'11 year, that's when it -
9 - we -- we had now budgeted in -- in the current year.

10 So it's -- it's -- with the capital
11 expenditures, the amounts can easily slip between one (1)
12 year and another depending on completion of construction
13 costs, et cetera, those sort of things that can push
14 expenditures from one year to the other.

15 In total, it's what we had expected, but
16 it was just recorded in a -- in a subsequent year because
17 of the timing of it.

18 MS. CANDACE EVERARD: And according to
19 the narrative at page 2, that item arose from landlord
20 contributions that were expected to be received in
21 '09/'10 but didn't come in until the sec -- the next
22 year?

23 MR. OTTMAR KRAMER: That's correct.

24 MS. CANDACE EVERARD: Now, we see that
25 the Corporation is -- and I'm now harkening back to TI.10

1 -- that the Corporation, as per TI.10, was expecting to
2 spend an additional 1.1 million on additional and
3 replacement buildings in 2012/'13. We are going to be
4 coming back to this other tab, but we can go to -- to
5 TI.10 for a moment, which is Tab 5. This is reflected in
6 the far right column of TI.10 under "Outlook Period for
7 2012/13."

8 Do you see that?

9 MR. OTTMAR KRAMER: Yes, I see it.

10 MS. CANDACE EVERARD: And the Corporation
11 has advised us, in response to an IR which is I-61(c),
12 the one that we just came from, that this was -- is a
13 provision only at this point.

14 MR. OTTMAR KRAMER: That's correct.

15 MS. CANDACE EVERARD: We had asked a
16 follow-up question on that in the Second Round, which
17 isn't in the book. It's 2-30. You can certainly go to
18 2-30 if you wish.

19 The Corporation stated in that answer that
20 there are no working papers that it has to support that
21 \$1.1 million estimate.

22 Is that right?

23 MR. OTTMAR KRAMER: Yes, and I'll just
24 read the response:

25 "There are no supporting working papers

1 prepared. Provisions are merely
2 estimates provided by the business
3 areas."

4 That -- that's going out several years.
5 We -- we don't have the details to -- to exactly what
6 those expenditures would be, but we need to put a
7 provision in so that, when we do have detailed plans, at
8 least we've got something in the budget already or in --
9 in the forecast, and that -- that's something that we do
10 on a -- on an annual basis.

11 MS. CANDACE EVERARD: And -- and I
12 understand that concept, but the -- the 1.13 million that
13 we see in TI.10 for this item is a fairly specific
14 number. How did the Corporation come up with that number
15 if there are no working papers?

16 MR. OTTMAR KRAMER: I believe it was an
17 estimate that was just increased for inflationary
18 pressures.

19 MS. CANDACE EVERARD: So at this point in
20 time, the Corporation would consider that to be its most
21 reliable figure for that category?

22 MR. OTTMAR KRAMER: At this point in
23 time, yes.

24 MS. CANDACE EVERARD: Can you tell us if
25 that item relates to a new claims centre or a new service

1 centre or something of that nature.

2 MR. OTTMAR KRAMER: Again, it's -- it's -
3 - it's a provision only, and there -- there's no
4 specifics behind it.

5 MS. CANDACE EVERARD: Okay. Going back
6 to -- to 1-61, which we have at Tab 31 of the book of
7 documents, we see at 1-61(d) -- this is the -- the same
8 table that we looked at earlier on a different item,
9 where we have the narrative explanatory notes as well as
10 the numerical table on page 7. And we see, for data
11 processing equipment, for the '09/'10 year, that there
12 was \$4.8 million less spent than was forecast. And the
13 note on page 2 for that item advises that that was mainly
14 due to the timing of BPR initiatives, as well as spending
15 less than expected on additional and replacement
16 equipment.

17 Is that right?

18 MR. OTTMAR KRAMER: Yes, that's correct.

19 MS. CANDACE EVERARD: And is -- when we
20 talk about less spending than -- than expected on
21 additional and replacement equipment, are we talking
22 about just a timing difference, or are we talking about
23 not making the expenditure at all?

24 MR. OTTMAR KRAMER: A large part of that
25 is -- is just the timing, and that -- that then

1 corresponds with the -- the future years actually
2 increasing because of the delay in the '09/'10, and then
3 it gets -- the capital expenditures get pushed out to
4 '10/'11 or '11/'12.

5 And that was my earlier comment: capital
6 expenditures being point in time, they will span years,
7 and to the extent that a year -- you know, a finite
8 cutoff of February 28th. If something would have been
9 budgeted on -- on February 27th and it didn't happen
10 until March 2nd, that will go between the years. It's
11 not an unexpected expenditure, but it can span a year or
12 lar -- on large projects they can even be pushed out
13 further than that sometimes.

14 MS. CANDACE EVERARD: And -- and if we
15 look at the numerical table at 1-61(d), where we saw that
16 \$4.8 million variance in '09/'10, conversely, we see
17 increases in the anticipated spending for the current
18 year and the year of the Application, not in -- an
19 identical amount, but in a similar amount.

20 So would that account for the -- the time
21 delay that you were just speaking of?

22 MR. OTTMAR KRAMER: Yes, that's what I
23 was referring to.

24 MS. CANDACE EVERARD: And can you
25 indicate whether the -- these capitalization numbers that

1 we've just looked at, so for data processing for the
2 three (3) year span at 161(d), whether there is an
3 impact, due to the change from the five hundred (500) to
4 five thousand dollars (\$5,000) that we discussed earlier?

5

6 (BRIEF PAUSE)

7

8 MR. OTTMAR KRAMER: Yes, there would be a
9 minor impact. A large part of the data processing
10 equipment though is servers, et cetera, large pieces of
11 IT equipment that -- that aren't impacted by this.

12 MS. CANDACE EVERARD: Thank you. We're
13 going to speak then a little bit about deferred
14 development costs, which we've talked about somewhat last
15 weekend, and this morning as well, but we'll just drill
16 into it a little bit more.

17 At 161(d), page 3, note 6, we see an
18 explanation relating to the '09/'10 year of about a \$19
19 million variance. And it's reflected that that arose due
20 to a change in the CICA Handbook for classification of
21 deferred development costs, resulting in DVL related
22 projects being written off to expense.

23 That's right?

24 MR. OTTMAR KRAMER: That's correct.

25 MS. CANDACE EVERARD: And, of course,

1 that 19.5 million is the difference between the capital
2 expenditures for '09/'10 provided last year, and the
3 actual numbers provided this year, for the same year?

4 MR. OTTMAR KRAMER: That's correct.

5 MS. CANDACE EVERARD: Can you tell us
6 what the DVL related projects were that are referenced in
7 note 6 on page 3 that gave rise to this adjustment?

8 MR. OTTMAR KRAMER: We -- we talked about
9 this issue, I think, this morning already and -- and some
10 of the previous days. That's basically discussed in note
11 4 of our annual report on page 59, talking about the
12 goodwill and intangible section and the writeoff of that.
13 In -- in that case, it's \$17.8 million.

14 MS. CANDACE EVERARD: And these are for
15 projects that don't have a future economic benefit.
16 That's what the change relates to?

17 MR. OTTMAR KRAMER: Yes. In the note it
18 says:

19 "As a result of adopting new standards
20 requiring assets -- intangible assets
21 to provide an economic return."

22 And then it goes on. And these did not
23 meet that definition.

24 MS. CANDACE EVERARD: And, as we see on
25 page 3, still of 1-61(d), that for the next year, the

1 2010/'11 year, there is a variance again for deferred
2 devel -- deferred development costs that includes an
3 adjustment for the mainframe decommissioning initiative,
4 and this arises from the same CICA Handbook change.

5 MR. OTTMAR KRAMER: That's correct. In
6 the -- in the 2010 GRA it was forecast to be deferred
7 development. Due to the -- that handbook section, these
8 expenditures will now be expensed.

9 MS. CANDACE EVERARD: And the impact,
10 dealing with the mainframe decommissioning, is 10.5
11 million in that year?

12

13 (BRIEF PAUSE)

14

15 MR. OTTMAR KRAMER: It -- it's not ten
16 point five (10.5) for the -- the -- that year. The ten
17 point five (10.5) was referring to the total deferred
18 development related to that project.

19 MS. CANDACE EVERARD: I think we're
20 speaking the same language. I appreciate that the
21 overall deferred development cost adjustment for that
22 year wasn't ten point five (10.5), because there were
23 some offsets as -- as reflected here, but the mainframe
24 decommissioning piece was 10 -- 10.5 million.

25 MR. OTTMAR KRAMER: Yes, I believe that's

1 what that says.

2 MS. CANDACE EVERARD: Okay. If we go
3 back to the numerical table at 1-61(d), we see for de --
4 deferred development cost a small variance for the
5 current year of some 1.6 million, and that's due to the
6 most current projection being \$1.6 million higher than
7 the forecast from last year.

8 Is that right?

9 MR. OTTMAR KRAMER: Could -- could you
10 repeat that again?

11 MS. CANDACE EVERARD: For sure. One dash
12 sixty-one (d), (1-61(d)), the numerical table, which is
13 on page 7, looking at the current year, so the 2010/'11
14 year, we see the adjustment for deferred development
15 costs from last forecast to current projection is about
16 one point seven (1.7) -- there's a \$1.7 million
17 difference, or variation?

18 MR. OTTMAR KRAMER: Yeah -- yes, a
19 decrease.

20 MS. CANDACE EVERARD: Right. I think --
21 okay. I think when I asked the question the first time I
22 had the dates reversed, which was probably what was
23 somewhat confusing.

24 It's gone from fifteen point four (15.4)
25 to thirteen point seven (13.7).

1 MR. OTTMAR KRAMER: That's correct.
2 Yeah, I was confused because I thought you had mentioned
3 that it increased.

4 MS. CANDACE EVERARD: I -- I think I
5 misspoke, so I apologize for that.

6 For the year of the Application, the
7 2011/'12 year, we see a -- a more substantial variance of
8 some 12.1 million, and that results from a decrease as
9 well from about 14 million being projected last year, to
10 a current projection of one point eight (1.8).

11 Is that right?

12 MR. OTTMAR KRAMER: Yes, that's correct.
13 Sorry.

14 MS. CANDACE EVERARD: And per the note
15 for that, which is Note 14, and the narrative for that is
16 on page 4, that is mostly due to mainframe
17 decommissioning that was classified as deferred
18 development last year, and re-classified as an expense
19 this year, again relating back to CICA section 30-64.

20 MR. OTTMAR KRAMER: Yes, that's correct.
21 And -- and that is a -- a non-Basic -- non-Basic
22 expenditure.

23 MS. CANDACE EVERARD: So is it the case
24 then that the cost of the mainframe decommissioning are
25 over 20 million to be expensed between the current year

1 and the year of the Application?

2 MR. OTTMAR KRAMER: I don't understand
3 how you arrive at 20 million.

4 MS. CANDACE EVERARD: What -- what we're
5 doing is adding together the 10.5 million from the
6 current year to the 12 million, which is mostly due to
7 mainframe decommissioning, for the year of the
8 Application.

9 MR. OTTMAR KRAMER: That was my earlier
10 comment. That ten point five (10.5) that is referenced
11 on page 3 is spread over '10/'11, and '11/'12.

12 And so the -- you can't double count that.
13 Again, that is the total capital -- capital expenditures
14 over several years.

15 MS. CANDACE EVERARD: And has that
16 decommissioning project been started at this point?

17 MR. OTTMAR KRAMER: No, not yet.

18

19 (BRIEF PAUSE)

20

21 MS. CANDACE EVERARD: Okay. I'll -- I'll
22 -- okay. I'll -- okay. Just one (1) further question.

23 Looking back at 1-61(d), and the -- the
24 numerical table with -- which reflects the variations for
25 deferred development costs there on the bottom line -- or

1 second bottom line.

2 I -- I appreciate the answer that you just
3 gave. My question is: If you -- if one were to add
4 together the variations, so the -- the nineteen point
5 five (19.5) for the '09/'10 year, the one point seven
6 (1.7) for the current year, and the twelve point one
7 (12.1) for the year of the Application, is it fair to say
8 that the sum of those numbers, so it would be roughly 33
9 million, or so, just off the top -- yeah, about there,
10 off-the-top-of-my-head math, that that figure of
11 expenditures would relate to BPR initiatives that are
12 being expensed as incurred versus deferred and amortized
13 now, pursuant to the accounting change?

14 MR. OTTMAR KRAMER: Yes, the largest part
15 -- piece of that would be -- would be that the expense
16 versus deferral of non-Basic projects.

17 MS. CANDACE EVERARD: Thank you.

18

19 (BRIEF PAUSE)

20

21 MS. CANDACE EVERARD: Okay. I'd like you
22 to go then to 2-31 posed by the Board. It's not in the
23 book of documents.

24

25 (BRIEF PAUSE)

1 MS. CANDACE EVERARD: This was an IR that
2 the Board posed with respect to some external costs for
3 AutoPac online, or AOL, as well as CARS, C-A-R-S. Before
4 we get into this, can someone remind me what CARS stands
5 for?

6 MR. DON PALMER: Claims Administration
7 Reporting System.

8 MS. CANDACE EVERARD: Well done. In both
9 sub (a) and sub (b) of 2-31 we asked about external
10 costs, for in the case of sub (a), AOL, and in the case
11 of (b), the CARS System and the costs of those systems.
12 Both of the answers reflect that the resources were
13 directed to other projects. That's in similar language
14 of the responses to (a) and (b).

15 In the case of AOL it was -- the actual
16 expense was 2.5 million due to resources being
17 redirected. And then in the case in CARS, again, the
18 actual was only about nine hundred and forty thousand
19 (940,000) on a forecast of 2.5 million dues to resou --
20 resources being redirected.

21 Can you explain when the redirection was
22 done and whether there are going to be extra costs to the
23 Corporation?

24 Meaning once we go back to this, are there
25 going to be increased costs as a result of the time lag?

1 MR. DON PALMER: In this particular
2 question, I -- I think specifically you had asked -- or
3 the Board had asked about big increases from '09/10 to
4 '10/11. And it's really not a question of -- of a big
5 increase, but the fact that the -- the '08/09 and '09/10
6 amounts were lower. And I refute -- refer you to 1- --
7 PUB 1-62, attachment A.

8

9 (BRIEF PAUSE)

10

11 MR. DON PALMER: The -- the external
12 costs budgeted for AOL gen -- typically would run about
13 three hundred -- \$3 1/2 million. For CARS, historically
14 about \$2 1/2 million. And we're just budgeting that to
15 get back to sort of status quo levels.

16 We -- we pulled -- diverted resources from
17 those two (2) into the BPR project.

18

19 (BRIEF PAUSE)

20

21 MS. CANDACE EVERARD: Is it within the
22 realm of possibility, then, that those costs could be
23 maintained at the -- at the lower levels, given that they
24 were there for about a two (2) year period?

25 MR. DON PALMER: No. There's regular

1 maintenance, work tickets, whatnot that have to be done
2 on those systems. We haven't done those for a couple of
3 years, and those are back right on the top of the to-do
4 list. So the answer is no. It's -- it's regular
5 maintenance charges on those two systems.

6 MS. CANDACE EVERARD: Thank you. I'm
7 going to ask you to go then to 2-60 posed by the Board,
8 which is not in the book. This relates to donations made
9 by the Corporation.

10 We asked at 2-60(a) for the rationale and
11 authority for the Corporation to provide a material gift
12 of property, namely, a former claims centre on King
13 Street to a community group.

14 And the Corporation has stated in reply a
15 reference to one of its corporate values about corporate
16 citizenship. It states that it identified a community
17 need for the facility and -- and determined that donating
18 the building would provide a positive contribution to the
19 community and, therefore, to Manitobans.

20 Is that a fair paraphrase of that first
21 sub-paragraph?

22 MS. MARILYN MCLAREN: Yeah, sure.

23 MS. CANDACE EVERARD: And the Corporation
24 also pointed to the MPIC Act, Section 6(1)(e), which
25 again - and I'll paraphrase - reflects that it is a

1 function of the Corporation, and it has the power and
2 capacity to -- and I'll -- I'll skip to the part that the
3 Corporation has bolded:

4 "...to otherwise dispose of the whole
5 or any part of such real property in
6 each case upon such terms and
7 conditions as the Board deems proper."

8 Would -- would it be fair that those are
9 the --

10 MS. MARILYN MCLAREN: Yes.

11 MS. CANDACE EVERARD: -- most relevant
12 parts --

13 MS. MARILYN MCLAREN: Yes.

14 MS. CANDACE EVERARD: -- of that section?

15 And when -- when a section there refers to "the Board
16 deems proper," that's the MPIC Board of Directors that
17 the legislation refers to?

18 MS. MARILYN MCLAREN: Yes.

19 MS. CANDACE EVERARD: So I take it that,
20 in response to this question, the Corporation is pointing
21 to the legislation as drafted and sort of a plain reading
22 of what that legislation provides?

23 MS. MARILYN MCLAREN: That's fair.

24 MS. CANDACE EVERARD: Now, we know that
25 the building on King was worth about \$1.1 million per the

1 appraised value. I -- I appreciate that -- the evidence
2 of the Corporation has given about why it made the
3 donation.

4 Did the Corporation consider selling the
5 business and -- or, sorry, the building, not the business
6 and reaping some income or a -- a purchase price for
7 that?

8 MS. MARILYN MCLAREN: It did, but very --
9 very early in the process of making the decision to
10 replace that claims centre with the new building that's
11 on Main Street, the -- the Corporation's preference
12 really was to -- to see if it could leave a bit of a
13 legacy in that community and find a way to give a new
14 life to the building, for lack of a better way to
15 describe it.

16 MS. CANDACE EVERARD: So would it be fair
17 to say it was a -- a policy decision in the mind of the
18 Corporation rather than a pure dollars-and-cents
19 analysis?

20 MS. MARILYN MCLAREN: Definitely. I
21 mean, I think if -- if it had been the primary goal to
22 wrest as much return from the building than trying to
23 sell, it would have been the first choice, but that
24 wasn't the first choice.

25 MS. CANDACE EVERARD: Okay. We see at 2-

1 60(c) a schedule provided by the Corporation of donations
2 that it's made of over twenty thousand dollars (\$20,000)
3 over a three (3) year period, and we'll just spend a
4 little bit of time with this.

5 We see a number of donations on behalf of
6 the Corporation to sports teams like Brandon Wheat Kings,
7 Manitoba Moose, Winnipeg Blue Bombers, Winnipeg Goldeyes.
8 Those are -- there are a couple of others as well.

9 What is the rationale for sporting-type
10 donations?

11 MS. MARILYN MCLAREN: Safety promotion.
12 The primary audience who attend those games is -- aligns
13 very, very well with the primary audience for many of our
14 key road safety messages about don't drink and drive and
15 -- and so on.

16 And as part of our -- you know, we have a
17 very specific agreement with these organizations, that in
18 return for our sponsorship dollars we get either rink
19 boards, or announcements, or -- or something very
20 tangible to promote the safety messages as -- in return
21 for the sponsorship dollars.

22 MS. CANDACE EVERARD: Of the donation
23 recipients on the list, I'm assuming that there are
24 others where there was a safety-type theme other than the
25 sporting ones, and some are obvious on their face, the

1 relationship to the Corporation and auto insurance,
2 Mothers Against Drunk Drivers being a good example of
3 that.

4 Are any of these donation recipients -- or
5 were any of these donations not related to auto
6 insurance? And what I mean by that is were -- were any
7 of them just a community support type donation without
8 the -- either a safety theme or thumb -- some kind of
9 auto insurance related theme.

10 MS. MARILYN MCLAREN: I think the Olympic
11 broadcasting sponsorship would fall into that quarter --
12 category of a broad-community sponsorship.

13 City of Brandon Andrews Field is not a
14 safety- related initiative, but we did that as -- as a
15 support for the brokers in that community who took the
16 lead on -- on developing that field in recognition of a
17 particular broker.

18 Le Cirque probably is a broader-community
19 initiative.

20 Manitoba Homecoming would be the same
21 thing, a broader community initiative.

22 United Way would be the same.

23 And while the Regional Health Authority is
24 not a safety, it's certainly related to our core business
25 with respect to automobile-injured claimants.

1 MS. CANDACE EVERARD: I was actually
2 going to ask about that one specifically. We -- I see
3 the reference to the Surgery of the Future Initiative.

4 Can you just give a real short explanation
5 of what that is?

6 MS. MARILYN MCLAREN: It's basically
7 approximately \$1/2 million a year for four (4) years as
8 part of the creation of this brain surgery facility that
9 they are creating at the Health Sciences.

10 MS. CANDACE EVERARD: Okay. With respect
11 to the -- the donations that you've described and -- and
12 listed a couple of moments ago with those that don't have
13 a specific safety theme, what is the criteria for making
14 a donation that is really for a community support or
15 community initiative?

16 Is there something specific or a specific
17 series of factors that the Corporation would consider?

18 MS. MARILYN MCLAREN: Nothing specific.
19 There is a series of factors. I can't name them off the
20 top of my head. But I think it's fair to say one (1) of
21 the things that we think about is, you know, the extent
22 to which the particular initiative is getting broad
23 support from the larger business community.

24 If this was not a Crown corporation, if it
25 was not a monopoly, you would expect to see businesses

1 who were engaging in this work in place of MPI, doing the
2 same kinds of donations. In fact, that's some of the
3 feedback when there was some attempt to create some
4 controversy from the Corporation's donation to the Human
5 Rights Museum. Some of the feedback from members of
6 public was that, you know, if -- if it wasn't MPI, I
7 would expect another insurer to be donating and, in fact,
8 other insurers in this community did.

9 So that's certainly -- there's an
10 expectation, I think, in the broader community and part -
11 - and the larger government community that, to the extent
12 possible, we ought to act like any other kind of
13 corporation when it comes to supporting broadly-based
14 community initiatives.

15 MS. CANDACE EVERARD: Okay. I'm going to
16 shift gears then and turn away from capital expenditures
17 and get into some questions about road safety. SM.5.2 is
18 where I'd ask you to start.

19

20 (BRIEF PAUSE)

21

22 MS. CANDACE EVERARD: This was a
23 reflection of an excerpt from last year's Order of this
24 Board asking the Corporation to conduct a review of
25 Canadian and North American best practices relating to

1 integration of public information and enforcement in the
2 areas of occupant restraint, unsafe speed, and impaired
3 driving, and compare it to its own practices. In
4 addition, MPI was to report on any changes to its current
5 approach resulting from this review at the next GRA.

6 And the Corporation has provided a
7 document located at AI.10 with respect to that. Is that
8 right?

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

10

11 (BRIEF PAUSE)

12

13 MS. CANDACE EVERARD: So if we go to
14 AI.10, we see the Corporation reports on the first page
15 that it's conducted a review as asked, did a review of
16 other jurisdictions, and some other published reports.

17 And at the bottom of the first page, the
18 Corporation states that its research identified a number
19 of best practices relating to enforcement, public
20 awareness, and more specific to the Board Order, the
21 integration of each.

22 Is that fair to say?

23 MS. MARILYN MCLAREN: Yes.

24 MS. CANDACE EVERARD: And the Corporation
25 then went on to list five (5) programs that were

1 referenced as being highly effective in deterring illegal
2 behaviour, particularly if supported by public messaging,
3 and highly visible enforcement efforts.

4 Is that right?

5 MS. MARILYN MCLAREN: Yes, it is.

6 MS. CANDACE EVERARD: And those five (5)
7 are: selective traffic enforcement, integrated
8 enforcement, enforcement campaigns being publicized,
9 public education campaigns, and community approaches.

10 Is that right?

11 MS. MARILYN MCLAREN: Yes.

12 MS. CANDACE EVERARD: What I'd ask you to
13 do is just give us a brief description of -- of each of
14 those five (5) in a couple sentences, if you can.

15 MS. MARILYN MCLAREN: Short-term STEP
16 campaigns, which is basically selective traffic
17 enforcement programs, acronym STEP, are really simply a
18 way of targeting a particular enforcement activity, and
19 widely publicizing the fact that you're doing it.

20 The concept uses -- uses phrases and
21 language like roadside Checkstop, saturation patrols, but
22 the concept is really very highly visible selectively
23 enforced campaigns for a short period of time to really
24 raise the profile; that would be selective traffic
25 enforcement.

1 Integrated enforcement is in some ways
2 similar, but it really is establishing check points. And
3 again, needs to be linked with public information. It -
4 - it needs -- the public needs to be aware that it's
5 happening.

6 Sorry, I just skipped my page. Which
7 leads, I guess, to the third one (1), enforcement
8 campaigns must be publicized. This is really just
9 reinforcing another angle of the selective traffic
10 enforcement programs.

11 Things like that that we have done here
12 would be the -- the Click It or Ticket program. In terms
13 of speed watch, the -- the two (2) strikes program.
14 Something that really, really escalates the communication
15 of the enforcement effort that's underway.

16 And specific publication -- public
17 education campaigns, the -- the next one (1), really have
18 the greatest reach when they are specifically targeted to
19 a particular demographic, a particular audience but,
20 again, to have their maximum effectiveness they need to
21 be aligned with enforcement.

22 And community approaches are efforts to
23 really engage communities at a very grassroots level in
24 helping to create safer roads. Some of the things that
25 we've done locally is in some ways similar to the

1 community-based traffic safety coordinators that -- that
2 is offered as an example here in Alberta would be some of
3 the neighbourhood speed watch programs that we've done
4 locally to really engage the community in making a
5 difference.

6 MS. CANDACE EVERARD: Thank you. I just
7 want to clarify one (1) point on the second one (1) that
8 you described, the integrated enforcement.

9 The way that I read this, and I -- I'm not
10 sure if you touched on this or not, that it's -- the idea
11 is if you're already enforcing like at a sobriety
12 checkpoint, the idea is you're checking for any other
13 problems as well, right?

14 Like you're also checking for seat belt,
15 child restraint, whatever other infractions, or issues,
16 there may be at that vehicle at that time.

17 MS. MARILYN MCLAREN: Yeah, definitely.
18 That's exactly right. And I didn't make that point.

19 MS. CANDACE EVERARD: At the bottom of
20 page 3, we see the section entitled "Next Steps," so --
21 so where the Corporation is going, and that's sort of
22 summarized, I think, on the -- the second page, page 4,
23 in the first full paragraph, where the Corporation says:

24 "With respect to changes in the
25 Corporation's approach to these

1 matters, management has consulted with
2 law enforcement representatives on
3 opportunities to collaborate more
4 closely on public education and
5 enforcement initiatives, and we have
6 reached an agreement with all three (3)
7 major police agencies on the
8 formulation -- or formation, rather --
9 of a committee to continue the
10 dialogue."

11 Is that right?

12 MS. MARILYN MCLAREN: Yes, it is.

13 MS. CANDACE EVERARD: And we have some
14 further detail on that -- those discussions, I believe,
15 and that committee, at PUB/MPI-1-101, which is not in the
16 book of documents. But if we look at 101(c) posed by the
17 Board, we had asked that the Corporation elaborate on the
18 nature of discussions for collaboration with law
19 enforcement, indicate when discussions were undertaken.

20 And the Corporation has said -- and I'll -
21 - are you there? Sorry. 101(c).

22 MS. MARILYN MCLAREN: Almost. Yes, I
23 have it. Thank you.

24 MS. CANDACE EVERARD: So, firstly, if you
25 can just review (c) and confirm that that's the same line

1 of discussion with the police agencies that we just
2 referred to in AI.10, just to make sure we're talking
3 about the same thing and not a different nuance of the
4 Corporation's activities?

5 MS. MARILYN MCLAREN: No, I believe
6 that's the same thing we're talking about from AI.10.

7 MS. CANDACE EVERARD: Okay. And so in
8 101-(c), the Corporation says:

9 "It's been consulting with major
10 Manitoba police agencies, at both
11 leadership and operational levels, for
12 many years, but more recently,
13 discussions have been held with the
14 three (3), being Winnipeg Police,
15 Brandon Police and RCMP, and as well
16 the Traffic Committee of the Manitoba
17 Association of Chiefs of Police."

18 That's right?

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

20 MS. CANDACE EVERARD: And the Corporation
21 has said that the discussions commenced in April of 2010,
22 and anticipated quarterly meetings for the foreseeable
23 future.

24 Yes?

25 MS. MARILYN MCLAREN: Yes.

1 MS. CANDACE EVERARD: Can you give us an
2 update of whether there have been now more than one (1)
3 meeting, and what has been discussed?

4 MS. MARILYN MCLAREN: There has been more
5 than one (1) meeting. There's really a -- a wide variety
6 of topics that are discussed.

7 One (1) of -- one (1) of the improvements
8 to the integrated approach, I guess, is just something
9 that -- even recently the RCMP were about to embark on a
10 seatbelt enforcement campaign, and because we had been
11 meeting regularly, we were more aware of that, we were
12 able to align our news release and to get some other
13 earned media opportunities right at the same time as they
14 were starting the enforcement.

15 So that's exactly the kind of thing that
16 we're talking about, of better linking things like that,
17 and that's one (1) outcome since the meetings have been
18 more structured and more inclusive.

19 MS. CANDACE EVERARD: And if we go back
20 to AI.10 for a moment, page 4 and then on to page 5,
21 after the Corporation made reference to these -- this
22 committee and -- and to discussions, there were actually
23 five (5) areas of interest that were listed.

24 And I think the example you just gave
25 would go to initiative 5, which would be joint

1 initiatives -- well, this talks about road safety
2 presentations, but I think the idea is the same, is that
3 the Corporation work together with law enforcement
4 agencies for prevention initiatives that are being
5 undertaken.

6 MS. MARILYN MCLAREN: Yeah, that's fair.

7 MS. CANDACE EVERARD: And then, just
8 running through 1 through 4 for the benefit of the Board
9 -- actually, probably the example you gave was number 1,
10 which was tighter collaboration and input on planned
11 public information campaigns with the aim of having those
12 campaigns formally supported in a high visibility way.

13 MS. MARILYN MCLAREN: This is a -- that's
14 a bit of an example of that, but I think this really
15 means something a little bit more broader. Public
16 information campaigns to us usually mean paid media, you
17 know, much more significant expenditures than the news
18 release and the earned media that we did just recently in
19 terms of the seatbelt campaign.

20 It was really in direct response to some -
21 - I think three (3) or four (4) in a very short timeframe
22 really tragic deaths in rural Manitoba from failure to
23 wear seatbelts. So that was a little bit more limited,
24 but -- but similar to this as well.

25 The kinds of things that they're talking

1 about is does it make sense for MPI to run an anti-
2 speeding media campaign in the springtime and then have
3 City Winnipeg Police run one (1) in the fall.

4 Is there a way to sort of better use the
5 same dollars, or maybe even less of the police dollars
6 and they could devote their resources to enforcing while
7 MPI is advertising, things like that.

8 MS. CANDACE EVERARD: Okay. And number 2
9 on page 4 here of AI.10 relates to the collaboration of
10 additional selective traffic enforcement programs to
11 supplement the Corporation's current road watch campaign.

12 And ex -- and examples are the seatbelt
13 issue that we've just been discussing, as well as speed
14 enforcement and wildlife collision zones, particularly in
15 October and November?

16 MS. MARILYN MCLAREN: Yes, exactly.

17 MS. CANDACE EVERARD: Number 3 here on
18 page 4 references opportunities to supplement traffic
19 accident data and data on offence notices issued with
20 claims data to assist law enforcement in making
21 intelligence-based policing decisions relating to traffic
22 enforcement, yes?

23 MS. MARILYN MCLAREN: Yes.

24 MS. CANDACE EVERARD: And then number 4,
25 page 5 of AI.10 relates to the distribution of public

1 education material by officers at the roadside during
2 traffic stops. And an example is given from British
3 Columbia involving police at roadside, getting
4 information about the consequences criminally of -- of
5 drunk driving?

6 MS. MARILYN MCLAREN: Exactly.

7 MS. CANDACE EVERARD: And then number 5,
8 which we already touch -- touched on was the joint
9 initiatives to deliver presentations in schools and to
10 interested community groups?

11 MS. MARILYN MCLAREN: Yep.

12 MS. CANDACE EVERARD: And we know, going
13 back just momentarily to 101, in the answer to (d), that
14 specific enforcement strategies have not yet been
15 formalized.

16 So I take it that these things are still
17 under discussion at the committee level?

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

19 MS. CANDACE EVERARD: Now we also see in
20 AI.10, page 5, toward the bottom half of the page, that
21 in addition to the items that we've been discussing, the
22 Corporation has an affiliation with the Canadian Council
23 of Motor Transport Administrators, or the CCMTA, and is
24 providing input into a new road safety plan to replace
25 Canada's current plan, which is the RSV 2010, and is

1 coming to the end of its tenure. That's correct?

2 MS. MARILYN MCLAREN: Yes.

3 MS. CANDACE EVERARD: The Corporation
4 states that it will have full access to the research,
5 giving rise to a new report and will share it with
6 stakeholders when it becomes publically available?

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

8 MS. CANDACE EVERARD: And then the last
9 paragraph of AI.10 refers to senior representatives of
10 the Corporation, together with those from ICBC and SGI,
11 having a regular dialogue on road safety matters, and the
12 Corporation would be participating in a joint meeting to
13 share road safety best practices. Is that right?

14 MS. MARILYN MCLAREN: Yes. Yes, that's
15 right.

16 MS. CANDACE EVERARD: And has that
17 meeting taken place now, given that this was done in
18 June?

19 MS. MARILYN MCLAREN: It did. It was
20 last week. I don't know the results yet.

21 MS. CANDACE EVERARD: Okay. Thank you.
22 If we go back to SM.5. We see at SM.5.11.8, reference to
23 a recommendation given by the Board in its last Order.
24 And this relates to traffic law enforcement, suggesting
25 that:

1 from page 18 of SM.5, that this includes funding from the
2 Corporation for an RCMP data analyst being provided in
3 2009?

4 MS. MARILYN MCLAREN: Yes, that funding
5 began in '08. I believe it continued in '09.

6 MS. CANDACE EVERARD: And it doesn't
7 continue now?

8 MS. MARILYN MCLAREN: I believe it does.
9 If it doesn't, I'll come back and -- and make the point
10 on the record.

11 MS. CANDACE EVERARD: Thank you. Just
12 for -- the way it was worded, it seemed like it didn't.
13 But if -- if it did, then -- or if it does, then that's
14 good for the Board to know.

15 The Corporation also references here joint
16 speed awareness and enforcement campaigns, which is
17 similar to what we've been discussing.

18 There's also reference here to loaning
19 speed monitoring equipment to assist police in
20 identifying problem speeding locations.

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

22 MS. CANDACE EVERARD: And, as well, road
23 watch funding to support visible roadside enforcement
24 outside the traditional Christmas season Checkstop
25 period.

1 MS. MARILYN MCLAREN: Yes, definitely.

2 MS. CANDACE EVERARD: Now, if we look at
3 M -- PUB/MPI-1-94, which is not in the book of documents,
4 we'll find some statistics relative to Highway Traffic
5 Act convictions. So I'd ask you to go to PUB/MPI-1-
6 94(b).

7

8 (BRIEF PAUSE)

9

10 MS. MARILYN MCLAREN: I have it.

11 MS. CANDACE EVERARD: The question was to
12 provide a table indicating the number of Highway Traffic
13 Act offence notices issues by the RCMP and Winnipeg
14 Police Service from '05/'06 through to 2009/'10.

15 The Corporation advised that it did not
16 have data on the offence notices issued but did have
17 numbers on convictions, and then provided a table with
18 respect to the number of convictions; is that right?

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

20 MS. CANDACE EVERARD: And we see from
21 looking at the table, if we look firstly under the,
22 "Winnipeg Police" column, we see that in 2005 the number
23 of convictions was just under twenty-six thousand
24 (26,000); that went up slightly the next year, and then
25 dropped in 2007.

1 was -- was one (1) of several voices encouraging a move
2 in this direction, but I -- I wouldn't feel comfortable
3 saying it was any more than that.

4 THE CHAIRPERSON: Ms. McLaren, could you
5 remind us, where does the fine money go? Like in, for
6 example, the City of Winnipeg, the fine money goes to the
7 City, I presume.

8 MS. MARILYN MCLAREN: I honestly don't
9 know if it's shared with the province on some basis or if
10 they keep it all, I really don't know.

11 THE CHAIRPERSON: So you're not aware of
12 what happens with the tickets, for example, issued by the
13 RCMP, whether they go to the municipalities or they --

14 MS. MARILYN MCLAREN: No --

15 THE CHAIRPERSON: -- flow into the --

16 MS. MARILYN MCLAREN: -- I really don't.

17 THE CHAIRPERSON: -- Feds or the province
18 or --

19 MS. MARILYN MCLAREN: I really don't
20 know.

21 THE CHAIRPERSON: -- whatever it goes.

22 MS. MARILYN MCLAREN: Yeah, I don't know.

23

24 THE CHAIRPERSON: The red light cameras,
25 the money just flows right into the City's coffers

1 though, correct?

2 MS. MARILYN MCLAREN: I believe that's
3 true. Again, I'm not a hundred percent sure of that. My
4 knowledge would come from media stories more than
5 anything else.

6 THE CHAIRPERSON: Thank you.

7

8 CONTINUED BY MS. CANDACE EVERARD:

9 MS. CANDACE EVERARD: Okay. If we just
10 go back to SM.5 for a moment. We were looking at page
11 18. And just at the very bottom of page 18 of SM.5 we
12 see reference to the conviction rates, and then with
13 respect to fatalities and injuries.

14 And we see that the -- that Manitoba's
15 relative ranking for the lowest fatalities improved from
16 seventh in 2006 to fifth in 2007 based on population and
17 -- and that that excludes Nunavut, is that right?

18 MS. MARILYN MCLAREN: Sorry, what page of
19 SM.5?

20 MS. CANDACE EVERARD: Sure, page 18.

21

22 (BRIEF PAUSE)

23

24 MS. MARILYN MCLAREN: Yes, I have it.

25 Thank you.

1 MS. CANDACE EVERARD: So I was just
2 asking that you confirm that Manitoba's ranking for
3 lowest fatalities improved from seventh to fifth.

4 MS. MARILYN MCLAREN: Yes, it did.

5 MS. CANDACE EVERARD: And Manitoba's
6 ranking, this is at the top of page 19, improved even
7 more significantly from fifth to third based on vehicle
8 kilometres travelled.

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

10 MS. CANDACE EVERARD: In terms of actual
11 numbers, we see here on page 19 that the number of
12 victims killed has declined from a hundred and nineteen
13 (119) in '06 to a hundred and nine (109) in '07, and then
14 ninety-two (92) in 2008, which is a decline of 22.7
15 percent over that period.

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

17 MS. CANDACE EVERARD: We see in the next
18 paragraph that serious injuries in Manitoba, which are
19 those that require hospitalization, decreased by 10.4
20 percent from '06 to '07, and by 21.9 percent when
21 compared to the average over a five (5) year period, from
22 '96 to 2001.

23 MS. MARILYN MCLAREN: Agreed, yes.

24 MS. CANDACE EVERARD: Does the
25 Corporation have a view on those statistics, as well as

1 the current level of traffic violation convictions?

2 Is it -- is it satisfied with the level of
3 convictions? Does it feel that additional steps should
4 be undertaken, or does -- does it have any view that --
5 that it can share with the Board on those points?

6 MS. MARILYN MCLAREN: Well, you know, I
7 think we saw that the significant increase in Winnipeg
8 really was just in the last year, or so. And I think the
9 increases have been in the last three (3) years in rural
10 Manitoba.

11 So I think there's some possibility that
12 this may have had an influence outside of Winnipeg, but I
13 think the -- the increase in the number of convictions
14 has been too -- too soon in Winnipeg to equate it to
15 this.

16 I think -- I'm -- I'm very encouraged with
17 the increases in the number of -- the extent to which
18 there is enforcement. I hope it is sustained. I -- I'm
19 not in a position to say whether it's likely to increase,
20 or -- or -- but I really hope that it is sustained.

21 In terms of a more recent example, I
22 guess, that I can provide in terms of our claims
23 experience is, you know, late last year we saw fairly --
24 maybe not significant, but fairly noticeable decrease in
25 -- in collision frequency just near the end of '09.

1 And we really started thinking that -- you
2 know, we were wondering if that had something to do with
3 the increased enforcement, but we really had to conclude
4 that, when it went right back to normal again in April
5 and May, that it was really the winter, and not the
6 enforcement.

7 So, really, when we saw our own claims
8 experience during this period of -- of much greater
9 numbers of enforcement convictions, our -- there -- there
10 was a decrease just when the weather was so much better,
11 and when more normal driving, the frequency of claims
12 went right back to normal. So I think the jury's still
13 out in terms of the impact.

14 MS. CANDACE EVERARD: Thank you. We'll
15 continue on then in SM.5, looking at SM.5.11.12, which we
16 find at page 21 of SM.5.

17 This is a section dealing with red light
18 cameras and photo radar, again, picking up on a
19 recommendation from the Board last year suggesting that
20 MPI take more interest in the levels and locations of red
21 light and photo radar infractions, and undertake research
22 to determine whether or not red light and photo radar are
23 helpful to road safety, and if help -- if helpful, to
24 what degree.

25 The Corporation stated here on page 21

1 that it has no record of which vehicle owners have
2 received red light camera and photo radar offenses, nor
3 does it have the statutory authority to get this data.

4 Accordingly, the Corporation says its not
5 in a position to conduct any analysis regarding the
6 extent to which those who have these types of offenses
7 may have different at-fault claims experience than those
8 who do not.

9 Is that right?

10 MS. MARILYN MCLAREN: Yes.

11 MS. CANDACE EVERARD: And is there
12 anything new on this point from the time of this filing
13 in June that the Corporation can share with the Board?

14 MS. MARILYN MCLAREN: No, there's not.

15 MS. CANDACE EVERARD: Okay. On a
16 somewhat related point, still under the -- the topic of
17 road safety, we know that there was a recent amendment to
18 the Highway Traffic Act to permit -- prohibit, pardon me,
19 drivers from operating handheld electronic devices while
20 driving.

21 You're familiar with that I'm sure.

22 MS. MARILYN MCLAREN: Yes, I am.

23 MS. CANDACE EVERARD: Does the
24 Corporation expect any reductions in accident counts or
25 any claims cost savings as a result of these

1 prohibitions?

2 MS. MARILYN MCLAREN: I don't know how we
3 would really measure that and track that. I think if
4 there was an overall -- I think if this becomes part of,
5 you know, a continuing sustained trend of higher HTA
6 convictions, maybe we will see something in terms of
7 actual claims frequency.

8 But, you know, I think if you look at
9 forty-four thousand (44,000) tickets handed out in the
10 City of Winnipeg, convictions la -- last year, I think
11 we're talking hundreds so far of, you know, cell phone or
12 texting convictions, so, I mean, it's a small percentage
13 of the total.

14 And I have to tell you, you know, we asked
15 the question when we accept every new claim report, you
16 know, was there any, you know, intervening, you know, did
17 you have your seatbelt on, were you drinking, did you
18 happen to be texting while you -- you know, they -- they
19 never volunteer that they were texting while they
20 crashed, never, so we don't really have a baseline of
21 information to work from either.

22 MS. CANDACE EVERARD: Okay. We became
23 aware here at our end of the room of a study that was
24 done in Alberta, and I just want to ask if the
25 Corporation has any familiarity with this. There was a

1 study, I gather, conducted in Alberta. It was published
2 in a journal called Health Economics which looked at the
3 cost effectiveness of the proposed, in -- in their
4 province, in-car cell phone ban.

5 And the conclusion of the study was that
6 the province could save about \$140 million, cut the
7 annual number of collisions by about forty-four hundred
8 (4,400) and save about fifteen (15) traffic related
9 deaths each year.

10 Does the Corporation have any familiarity
11 with that study or those statistics?

12 MS. MARILYN MCLAREN: I don't. I -- I
13 don't know whether someone in the Corporation may be
14 familiar with it, but I don't.

15 MS. CANDACE EVERARD: Okay. Let's go
16 then to -- I have one (1) more section, Mr. Chairman, on
17 road safety, so perhaps I can go through that. And then,
18 before I move to my next area you may want to have the
19 afternoon break.

20 THE CHAIRPERSON: Yes, we have a few
21 questions too when you're finished on road safety.

22 MS. CANDACE EVERARD: Okay. Do you want
23 to ask yours now or do you want me to just keep going?

24 THE CHAIRPERSON: I suggest you just keep
25 going.

1 CONTINUED BY MS. CANDACE EVERARD:

2 MS. CANDACE EVERARD: Okay, very well.
3 I'll direct your attention then to PUB/MPI-1-104, which
4 is not in the book. This is an IR that relates to
5 motorcycle road safety issues. And what the question was
6 was that the Corporation file a revised table indicating
7 the ratio of claimants to policyholders broken down by
8 years of driver's experience with a company in
9 commentary.

10 So this is the chart that tells us about
11 years of experience driving compared with number of
12 policyholders and the number of claimants. Do you have
13 it?

14 MR. DON PALMER: Yes, I have it.

15 MS. CANDACE EVERARD: Thank you. Now, we
16 see that the first row of information in the table that
17 relates to motorcycle riders with less than four (4)
18 years experience reflects that 23 percent of
19 policyholders represent 31 percent of claimants, which
20 would be a ratio of one point three five (1.35).

21 Does that sound about right to you?

22 MR. DON PALMER: It sounds about right,
23 yes.

24 MS. CANDACE EVERARD: And then we see if
25 we skip to the last row of data, which is the group of

1 motorcycle riders with more than twenty (20) years
2 experience, we see that the ratio of policy -- or that 50
3 percent -- 56 percent of policyholders form 44 percent of
4 claimants, which would be a ratio of about point seven
5 eight (.78).

6 Does that sound about right?

7 MR. DON PALMER: About 80 percent, yes.

8 MS. CANDACE EVERARD: And does the
9 Corporation draw any conclusions from those two (2)
10 numbers and those that fall in-between?

11 MR. DON PALMER: I guess the conclusions
12 that we would draw from this are conclusions that we got
13 from the Driver Safety Rating Program that increased
14 experience is -- is beneficial and -- and the DSR system
15 is based on that. So -- so with more years of experience
16 comes higher discount levels.

17 I -- I think these are completely
18 consistent with -- not just for motorcycle riders, but I
19 think for -- generally for the driving population as a
20 whole.

21 MS. CANDACE EVERARD: Has the Corporation
22 considered safety programs specifically targeted for less
23 experienced motorcycle riders?

24 MS. MARILYN MCLAREN: That is our major
25 focus. As part of the GDL program that the Province has

1 established, you must have some motorcycle training to
2 get your -- to -- to get your motorcycle licence. It's a
3 one (1) day course.

4 The Corporation funds the much more
5 intensive, much more comprehensive two (2) day course,
6 encouraging -- basically it's about the same cost as the
7 one (1) day through our subsidy, really encouraging
8 people to get that training.

9 I -- I think just for the conversation
10 though, it's worth noting the -- the little note at the
11 bottom of this little table though, because we really
12 have no way of knowing whether people are active
13 motorcyclists.

14 And I think that's really important for
15 this particular -- you know, I -- I suspect that there
16 are quite a few people with a motorcycle certification on
17 their driver's licence who haven't ridden a motorcycle
18 for years that will bump up this 56 percent that we're
19 looking at.

20 And of course, if they're never on a bike,
21 they will never be in a claim. So I think it's -- it's a
22 little bit potentially skewed. I mean, there could be
23 people in that category, in that situation in every
24 category, but it's more likely to be with -- you know,
25 the longer you have the licence. So I think that's worth

1 noting as well.

2 MS. CANDACE EVERARD: Could there also be
3 people in the numbers that have experience but didn't get
4 their...

5

6 (BRIEF PAUSE)

7

8 MS. MARILYN MCLAREN: I stand corrected.
9 The years of experience is, as I said it, but by
10 policyholders, they have to have a motorcycle registered
11 now to be in this category. So forget what I said.

12 MS. CANDACE EVERARD: Okay. That's fine.
13 Then you can forget my nex -- my last question.

14 Okay. If we go back to SM.5, we will see
15 at SM.5.11.13, which is the section just after the one
16 (1) that we looked at dealing with red light cameras. We
17 see a recommendation made by the Board in its last Order
18 with respect to motorcycle road safety as follows, asking
19 the Corporation:

20 "To reconsider its approach to road
21 safety matters for motorcycles, given
22 that motorcyclists are vulnerable road
23 users, and the numbers of registered
24 motorcycles are rising faster than any
25 other major vehicle class."

1 And the Corporation has stated there, in
2 the first paragraph underneath that recommendation,
3 second sentence that it:

4 "Recognizes that motorcyclists face
5 different types of risks than
6 pedestrians or cyclists and as such,
7 benefit from different road safety
8 strategies and programs."

9 That's right?

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

11 MS. CANDACE EVERARD: The Corporation
12 then gives an example of that and states in the next
13 paragraph that it believes that:

14 "Segregating motorcycles into a
15 separate class is the most appropriate
16 response to dealing with the issues
17 faced by motorcycles, and the
18 Corporation sees no disadvantages into
19 maintaining a separate category for
20 this risk group."

21 MS. MARILYN MCLAREN: Yes.

22 MS. CANDACE EVERARD: In -- or at the
23 bottom of page 22 the Corporation states, spilling on to
24 page 23, that it:

25 "Believes that motorcycle safety

1 training is essential for new riders
2 and continues to provide significant
3 funding to Safety Services Manitoba to
4 subsidize enrollment in their safety
5 program."

6 And I believe that's the one (1) you were
7 just speaking about, Ms. McLaren?

8 MS. MARILYN MCLAREN: Yes, exactly.

9 MS. CANDACE EVERARD: The Corporation
10 also states in the next paragraph on page 23 that it:

11 "Runs public awareness campaigns each
12 year focussed specifically on
13 motorcycle safety."

14 MS. MARILYN MCLAREN: Yes.

15 MS. CANDACE EVERARD: And in the next
16 paragraph the Corporation references two (2) reports from
17 the Traffic Injury Research Foundation, or TIRF, that
18 demonstrate that:

19 "Speed, aggressive driving, and
20 impaired riding remain a significant
21 concern for motorcycles."

22 That's right?

23 MS. MARILYN MCLAREN: Yes, that's true.

24 MS. CANDACE EVERARD: And the Corporation
25 has provided an updated motorcycle risk study to the

1 Board at AI.12.A, and a moped risk study at AI.12.B.

2 That's right?

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

4 MS. CANDACE EVERARD: Okay. Mr.

5 Chairman, those are my questions on road safety, so I
6 don't know if you want to ask yours now, or go to the
7 break, but I'm in your hands.

8 THE CHAIRPERSON: Well actually, it's
9 just a couple of things, and then we'll have the break.

10 I'm wondering, Ms. McLaren, the -- the
11 importance of bringing down accident injury frequency,
12 and severity of being a priority issue not only for
13 yourself, MPI, and Intervenors, but also this Board for a
14 number of years now.

15 And, but one (1) of the difficulties in
16 getting some -- if you want to call it, to some of the
17 root factors that seem to drive the ongoing casualty
18 tolls appears to be the -- the absence of some parties to
19 these proceedings.

20 In certain other proceedings, such as --
21 well without going into them, the Board has called
22 independent witnesses. For example, we had some city of
23 Winnipeg police investigator from the, I guess you would
24 call them the fraud squad, called in for -- I think it
25 was related to our Pay Day Loan hearing, for example.

1 And we're wondering whether you have any
2 thoughts of if it would be useful if the Board was to
3 seek to call a witness from the RCMP, or the City, at
4 this or some other proceedings, and try and glean from
5 them some of their thoughts with respect to the level of
6 -- of traffic enforcement that goes on, and the -- the
7 factors that go into the amount of resources that they
8 put to it, and what types of expectations they would have
9 if a different direction was taken with respect to the
10 amount of effort put into it.

11 MS. MARILYN MCLAREN: Well, I -- I -- you
12 know, I think -- my suggestion would be that you'd give
13 us some time on this. I think as -- as we've put on the
14 record, the collaboration is significantly different than
15 it has been in the past.

16 I think that fact that the -- that we're
17 working in a very energetic way with the Manitoba
18 Association of Chiefs of Police subcommittee on traffic
19 enforcement is really, really important.

20 And I also think the fact that, at a
21 national level, there's about to be a replacement for the
22 RSV 2010, really positions us well to do some different
23 things, and -- and to make some differences in this area.

24 So my suggestion would be to see how some
25 of those things evolve. You know, if a year or two (2)

1 from now you see a national road safety framework that no
2 one has done anything with it in Manitoba, if traffic
3 convictions are tailing off again, and -- and you decide
4 you want to hear from police directly, you know, those
5 are clearly your decisions.

6 But at this point, I think there are a
7 number of things that are coming together that make this
8 an opportune time for the -- the stakeholders who are
9 working together now to continue to really leverage that
10 work, and -- and see what we can come up with.

11 THE CHAIRPERSON: I thank you for your
12 comments. I mean, it's one thing -- MPI has a limited
13 jurisdiction just as this Board does, but you can do your
14 best to compensate people, and rehabilitate them, but the
15 easiest approach is not have them hurt, or killed in the
16 first place.

17 MS. MARILYN MCLAREN: Absolutely.

18 THE CHAIRPERSON: Okay. We'll take our
19 break now. Thank you.

20

21 --- Upon recessing at 2:43 p.m.

22 --- Upon resuming at 3:03 p.m.

23

24 THE CHAIRPERSON: Okay. Welcome back,
25 everyone. Ms. Everard, whenever you're ready.

1 MS. CANDACE EVERARD: Thank you, Mr.
2 Chairman. Oh, yes.

3 MS. KATHY KALINOWSKY: I just made
4 arrangements to file -- it'll be an exhibit in
5 consultation with Board staff, the MPI Exhibit number 12,
6 which is a comparison of actual with expected experience
7 in previous year end evaluations, and I believe Mr.
8 Palmer wants to speak to it.

9 THE CHAIRPERSON: By all means.

10 MR. DON PALMER: Yes. On Thursday we
11 were talking about the claims runoff, and there was a
12 question with regard to the runoff exhibit that had
13 previously been filed showing a -- a favourable runoff
14 of, I think, it was \$87 million.

15 And the question that was put to me was:
16 Does that include the runoff in the PIPP enhancements?
17 At that point, I thought the PIPP enhancements were
18 included in that runoff exhibit; in fact, they are not.

19 So first, to correct the record, that
20 runoff exhibit did not include the PIPP enhancements,
21 and, anticipating the next question in terms of what the
22 runoff was going to be for those PIPP enhancements,
23 that's what this exhibit is by each one of the four (4)
24 categories of -- of enhancements.

25 So this outlines the total runoff from the

1 February, 2009 evaluation to the February, 2010
2 evaluation, on an undiscounted basis.

3 THE CHAIRPERSON: So we'll need an
4 exhibit number.

5 MS. CANDACE EVERARD: I think it'll be
6 MPI Exhibit 12.

7 THE CHAIRPERSON: Okay, subject to check.

8

9 --- EXHIBIT NO. MPI-13: Outline of total runoff from
10 February, 2009 evaluation to
11 February, 2010 evaluation, on
12 an undiscounted basis

13

14 THE CHAIRPERSON: Okay. Thank you very
15 much, Mr. Palmer.

16

17 CONTINUED BY MS. CANDACE EVERARD:

18 MS. CANDACE EVERARD: Thank you. I just
19 wanted to ask one (1) follow-up question. Before the
20 break, I was speaking to the panel about the recent
21 amendments to the Highway Traffic Act to prohibit the use
22 of cell phones or hand-held electronic devices.

23 Does the panel know offhand whether the
24 government has attached demerit points to those
25 convictions that would affect the -- a person's DSR

1 rating?

2 MS. MARILYN MCLAREN: The government has
3 not assigned demerits for that, no.

4 MS. CANDACE EVERARD: Does the
5 Corporation have a -- a view on that, with respect to --
6 or would the Corporation consider recommending to
7 government that there be demerits attached to it?

8 MS. MARILYN MCLAREN: Recommendations to
9 government are confidential.

10 MS. CANDACE EVERARD: Will the
11 Corporation consider -- consider, or give further thought
12 to that notion --

13 MS. MARILYN MCLAREN: The Corporation
14 will give --

15 MS. CANDACE EVERARD: -- without telling
16 us what you've actually --

17 MS. MARILYN MCLAREN: -- further thought
18 to that notion.

19 MS. CANDACE EVERARD: Thank you. Okay.
20 I'm going to take you then to the book of documents at
21 Tab 37. This is an IR posed by the Board, 1-93, it
22 relates to anti-theft initiatives, and the attachment at
23 'A'.

24 So 1-93(a) was a question that asked the
25 Corporation to provide, from '03/'04 through 2014/'15,

1 the actual or forecast, as the case may be, annual
2 spending on all aspects of the anti-theft initiative,
3 including the immobilizer program, special prosecutions,
4 Winnipeg Police support, WATSS, or Winnipeg Auto Theft
5 Suppression Strategy, and any other anti-theft
6 initiatives, internal or external.

7 Do you have that?

8 MR. DON PALMER: Yes, I have it.

9 MS. CANDACE EVERARD: And so, if we look
10 at the attachment, the response at 1-93(a), we see that,
11 for the year just ended, '09/'10, the total spending in
12 Basic on anti-theft initiatives was some 15 1/2 million.

13 Is that right?

14 MR. DON PALMER: That's correct.

15 MS. CANDACE EVERARD: And the vast
16 majority of that 13.7 million or so, related to the
17 immobilizer project?

18 MR. DON PALMER: Yes.

19 MS. CANDACE EVERARD: Now, we understand
20 from the evidence, and we can see it in this table, that
21 the immobilizer program is substantially complete, and
22 that the forecasted installations that we see at that
23 line are based on compliance with the legislation.

24 Is that right?

25 MR. DON PALMER: That's correct. These

1 would be vehicles new to Manitoba or new to Winnipeg.

2 MS. CANDACE EVERARD: Thank you. In the
3 current year, so 2010/'11, the total spending on anti-
4 theft initiatives was 4.7 million, which included about a
5 million on WATSS, which is the theft suppression line, is
6 that right?

7 MR. DON PALMER: That's correct.

8 MS. CANDACE EVERARD: And then as well,
9 we see about six hundred thousand (600,000) for Winnipeg
10 Police, as well as about five hundred and ten thousand
11 (510,000) on other auto theft countermeasures.

12 Is that right?

13 MR. DON PALMER: That's correct.

14 MS. CANDACE EVERARD: And those -- the
15 auto theft countermeasures include the special
16 prosecutions team, as per the footnote.

17 Is there anything else of note at that
18 line item, or included in that line item?

19 MS. MARILYN MCLAREN: I believe that inc
20 -- included the major parking lot signage ini --
21 initiative that the Corporation has undertaken. you
22 know, keep valuables out of sight, lock your vehicle,
23 that kind of stuff that's in every parking lot in the
24 province, pretty much.

25 And it also used to -- the -- we had a

1 combination of summer students and community volunteers
2 auditing vehicles in parking lots and leaving those
3 little notes that look like tickets on their windshield.
4 That was funded as the countermeasures as well.

5 MS. CANDACE EVERARD: Okay. Thank you.
6 Now, does this table reflect just the costs for the
7 strategies, or does it as -- include an -- a component
8 for administration of the strategies as well?

9

10 (BRIEF PAUSE)

11

12 MR. DON PALMER: I believe the -- the
13 administrative costs are included in -- for the
14 immobilizer project. This would be the cost of the
15 actual devices plus the administration.

16 MS. CANDACE EVERARD: And for the other
17 components is administration included?

18 MR. DON PALMER: I don't know that there
19 would be significant adm -- administration for those
20 other -- other programs. If there is, it'll be minimal.

21 MS. CANDACE EVERARD: So it may or may
22 not be included here, but you're saying the effect would
23 be minimal?

24 MR. DON PALMER: Yes.

25 MS. MARILYN MCLAREN: I think the only

1 place it would likely be included would be the
2 countermeasures. Some of the programs that we talked
3 about were, you know, varying degrees of administrative
4 overhead, but the Corporation would fund it as part of
5 the programs.

6 MS. CANDACE EVERARD: Thank you. Now, we
7 see here at 1-93(a) a chart that reflects a twelve (12)
8 year period, from '03/'04 through to 2014/'15. And it
9 appears that the -- the total for Basic for that twelve
10 (12) year period spent on anti-theft initiatives is about
11 87.9 million, and that's just the sum of the total for
12 each year shown on the table.

13 Does that look about right?

14 MR. DON PALMER: I haven't added it up,
15 but that's -- subject to check, I would accept that.

16 MS. CANDACE EVERARD: Thank you. Now, if
17 we look at the next attachment at 1-93, which is (b), we
18 see in the bottom table of the three (3) a table that
19 stretches over a nine (9) year period. So it -- we don't
20 see here '03/'04 or '04/'05, and we don't see 2014/'15,
21 but we have most of the years from the previous table and
22 we see that the total savings projected is about 220
23 million.

24 Is that right?

25 MR. DON PALMER: That's correct.

1 MS. CANDACE EVERARD: And so if we did a
2 strict apples-to-apples comparison and backed out those
3 three (3) years from the first table that don't appear,
4 we'd be at about say 84 million in expense, compared with
5 two hundred and twenty (220) in savings.

6 Does that sound about right?

7 MR. DON PALMER: That sounds about right.
8 And may I also say that the in -- the savings would
9 stretch beyond '13/'14 because the people don't get rid
10 of their immobilizers, so you save on an ongoing basis.
11 So even though you don't have expense, you still will
12 have ongoing savings going into the future, as long as
13 there's MaR 1 and MaR 2 vehicles on the road.

14 MS. CANDACE EVERARD: Thank you. Yeah,
15 that's -- that's appreciated.

16 And just -- just for review, and I know
17 we've talked about this lots in previous years, but just
18 for the purposes of the record in this proceeding, the
19 legislation provides that MaR 1 and MaR 2, and, of
20 course, MaR stands for mostga -- most at risk, but MaR 1
21 and MaR 2 vehicles in Winnipeg are required to be
22 immobilized by law.

23 Is that a fair summary of what's required
24 under the legislation?

25 MR. DON PALMER: Resident in Winnipeg or

1 commuting to Winnipeg.

2 MS. CANDACE EVERARD: And, as you
3 mentioned a moment ago, that includes new vehicle being
4 brought in to our jurisdiction from elsewhere in Canada,
5 or the United States, as the case may be.

6 MR. DON PALMER: Yes. Vehicles coming
7 outside of Manitoba into Manitoba that are on the MaR 1
8 or MaR 2 list are required to be immobilized, regardless
9 of where -- whether -- where in the province they come
10 into. There's some -- some exceptions with regard to how
11 close an -- an immobilizer facility is, and things like
12 that.

13 But gen -- in general terms, vehicles
14 coming into the province are required to be immobilized.
15 Also, vehicles within the province outside of Winnipeg
16 that have always been here that people move into Winnipeg
17 become part of that MaR list, as well.

18 MS. CANDACE EVERARD: And the -- the
19 requirement for the vehicles that you're speaking about
20 is that if they are not immobilized, they can't be
21 registered?

22 MR. DON PALMER: That's correct.

23 MS. CANDACE EVERARD: Okay. If we look
24 at -- I -- sorry, I have an incorrect reference here in
25 my notes. Just give me a moment.

1 (BRIEF PAUSE)

2

3 MS. CANDACE EVERARD: Okay. Yes, 1-91,
4 asked by the Board, is not in the book of documents. I
5 just want to go through some numbers relative to
6 immobilizer installations, and we'll see that at 1-91(a)
7 posed by the Board.

8 MR. DON PALMER: Yes, I have it.

9 MS. CANDACE EVERARD: We see, if we look
10 at the first line of the table entitled, "Immobilizes
11 Installed Current Year," for the year just ended,
12 '09/'10, we see that the Corporation installed some
13 thirty-six thousand (36,000) immobilizers.

14 Is that right?

15 MR. DON PALMER: That's correct.

16 MS. CANDACE EVERARD: And that is
17 forecasted to decrease to six thousand (6,000) in the
18 current year, and to forty-eight hundred (4,800) for the
19 year of the Application, and so on?

20

21 (BRIEF PAUSE)

22

23 MR. DON PALMER: Yes, I have it. That's
24 correct.

25 MS. CANDACE EVERARD: And the reason

1 being that the -- by the current year, and the six
2 thousand (6,000) installations that are forecast, the
3 bulk of the fleet has been immobilized.

4 Is that fair to say?

5 MR. DON PALMER: Yes. We anticipate the
6 number of vehicles coming into the province, from the MaR
7 1 and MaR 2 list, would decrease over time, especially
8 the MaR 1 vehicles tend to be older model years, so there
9 wouldn't be as many of those coming in.

10 MS. CANDACE EVERARD: Thank you. And we
11 see from the narrative in the answer to 1-91(a) that
12 those thirty-six thousand (36,000) installations done in
13 '09/'10 was a little bit more than what was expected,
14 which was about twenty-seven thousand (27,000).

15 Is that right?

16 MR. DON PALMER: That's correct.

17 MS. CANDACE EVERARD: And we saw, I
18 believe, when we looked at TI.11 last week that the
19 increased cost as a result of those extra installations
20 was about 3.1 million.

21 Is that right?

22 MR. DON PALMER: That sounds about right,
23 yes.

24 MS. CANDACE EVERARD: Now, if we look at
25 1-89, we see an IR that was asked actually on the Point,

1 referencing TI.11, and -- and the Corporation was asked
2 for an explanation of the major variance attributable to
3 the immobilizer program in '09/'10 from that forecast
4 last year. And the Corporation has advised that there
5 were two (2) major factors that caused the variance, and
6 they described those in some detail.

7 Can you either read those in, or summarize
8 them for the Board, please.

9 MR. DON PALMER: Yes. The -- the two (2)
10 major reasons for the variance in total cost of the
11 immobilizer was volume. There's more coming in than --
12 than we expected. And also the price per installation
13 went up from what we had expected.

14 MS. CANDACE EVERARD: Thank you. Now, in
15 the current year, road safety expenses are expected to
16 decline for the year of the Application by about five
17 hundred thousand (500,000) from the current year, and
18 that is set out in TI.13, and that is due to an expected
19 decline in immobilizer program costs.

20 Does that sound about right?

21 MR. DON PALMER: That sounds right, yes.

22 MS. CANDACE EVERARD: Okay. Let's look
23 then at 1-92, posed by the Board. This relates to WATSS,
24 which I defined previously.

25 The Corporation was asked at Question A to

1 provide a breakdown by major category of the use of the
2 funds provided for WATSS in the last five (5) years and
3 forecasted for the current year and the year of the
4 Application.

5 So we see in the table under the line
6 item, "Total outgoing expenses," what the Corporation's
7 costs were relating to WATSS from '05/'06 of about half a
8 million up to -- closer to the -- the \$1 million range
9 through the year just ended; is that right?

10 MR. DON PALMER: Yes, that's correct.

11 MS. CANDACE EVERARD: And then we see the
12 projection for the current year -- or the forecast for
13 the current year and year of Application are about 1.2
14 million; that's right?

15 MR. DON PALMER: That's correct.

16 MS. CANDACE EVERARD: And the majority of
17 the costs incurred for all of these years arises from the
18 salaries and benefits component.

19 MR. DON PALMER: That's correct.

20 MS. CANDACE EVERARD: And is it still
21 fourteen (14) positions that the Corporation funds, or
22 has that number changed?

23 MR. DON PALMER: Still fourteen (14).

24 MS. CANDACE EVERARD: And I believe last
25 year, just for the purposes of the record, the fourteen

1 (14) were Manitoba Justice employees, being a project
2 manager, four (4) probation officers, and nine (9) SUP
3 workers.

4 Does that sound right? And I -- I'm going
5 to ask you what SUP stands for once you've confirmed the
6 breakdown for me.

7 MR. DON PALMER: We'll have to check the
8 transcripts, but I don't know what an SUP worker is.

9 MS. CANDACE EVERARD: Does that breakdown
10 of the fourteen (14) sound about right, the one (1)
11 manager and the four (4) probation officers, and then
12 these nine (9) SUP workers?

13 MR. DON PALMER: Yes.

14 MS. CANDACE EVERARD: And I take it from
15 the table provided at 1-92(a) that there's been a funding
16 commitment provided by the Corporation for the current
17 year and year of Application of 1.2 million.

18 MR. DON PALMER: Yes.

19 MS. CANDACE EVERARD: And does -- is
20 there a set expiry for that funding commitment at this
21 point, or is it something that the Corporation expects to
22 continue into the foreseeable future?

23 MS. MARILYN MCLAREN: We have a
24 commitment to the end of fiscal '11/'12. We initially
25 thought we would end the funding earlier. It takes quite

1 a while for things like this to wind down. The numbers
2 of youth coming into the -- to the program are
3 significantly reduced, but they are in the program for
4 some time.

5 I would expect -- my expectation, just
6 with what I know, I mean, I certainly might learn more
7 between now and then, but I would expect that if it's not
8 -- if our funding isn't ended, it would certainly be
9 reduced at the end of this current commitment.

10 MS. CANDACE EVERARD: Thank you. Just
11 taking a moment to look at the theft experience and the
12 results of all of the initiatives that the Corporation
13 has taken. If we look at PUB/MPI-1-90. This is where
14 the Corporation was asked to provide a graph of claims
15 counts for auto theft and attempted theft over the last
16 ten (10) years.

17 And the Corporation has provided at page
18 numbered 1 the attachment, and we'll look at the -- the
19 total theft information, a graph which clearly shows a
20 major reduction in the auto theft experience, is that
21 right?

22 MR. DON PALMER: That's correct.

23 MS. CANDACE EVERARD: And it would be
24 fair to say that the success that's reflected here is a
25 result of the initiatives taken by the Corporation that

1 we've been speaking about for the last few years?

2 MR. DON PALMER: Absolutely.

3 MS. CANDACE EVERARD: It looks like here
4 from this graph that 2005 was sort of the height of the
5 problem. Would that be fair to say?

6 MR. DON PALMER: These are year ending,
7 so year ending February 28th, 2005, so that would be --
8 been the 2004/'05 fiscal year.

9 MS. CANDACE EVERARD: Thank you. And for
10 that year ending '04/'05 the actual number of theft
11 claims was ninety-seven hundred and ninety-five (9,795),
12 according to the chart below.

13 MR. DON PALMER: Yes.

14 MS. CANDACE EVERARD: And that reduced
15 for 2009/'10 to twenty-five hundred and forty-nine
16 (2,549).

17 MR. DON PALMER: Yes, that's correct.

18 MS. CANDACE EVERARD: Can you explain
19 what is meant under the column entitled "Theft frequency"
20 and what those numbers represent?

21 MR. DON PALMER: That's number of
22 vehicles per hundred registered that get stolen in a
23 given year. So if you were to take any of the theft
24 entire divided by the unit count, which is essentially
25 the number of vehicles, you will get the theft frequency

1 time -- multiplied by one hundred (100).

2 So that's -- those frequencies are
3 essentially a percentage of vehicles that are stolen in a
4 year.

5 MS. CANDACE EVERARD: And the
6 Corporation's broken that down into the most at risk and
7 the non-most at risk. We see under the most at risk list
8 that the -- again, the height of the theft frequency was
9 at a two point five six (2.56), which is down to a point
10 five six (.56), is that right?

11 MR. DON PALMER: That's correct, and
12 since the end of February, it has fallen further than
13 that. The -- really, all three (3) of those lines are --
14 are really converging to sort of one-half of 1 percent.

15 MS. CANDACE EVERARD: Thank you. Just
16 reversing that page, or going to the -- the flip side of
17 that page, we see the same style of graph and chart
18 relating to attempted thefts, whereas the ones we were
19 looking at were actual thefts; is that right?

20 MR. DON PALMER: That's correct.

21 MS. CANDACE EVERARD: We see, for
22 attempted thefts, looking at the graph, that the --
23 again, the height of the attempted theft issues seem to
24 be for year ending 2006/'07, so February '07 year end.

25 Is that fair to say?

1 methodology to include the BPR - or
2 Business Process Review - but not
3 implement the methodology until
4 following the 2011 GRA."

5 Is that right?

6 MR. DON PALMER: That's correct.

7 MS. CANDACE EVERARD: And the Corporation
8 has stated at SM.5.1 that:

9 "It completed the research into the
10 implementation of the new cost
11 allocation methodology, and has
12 incorporated the final methodology into
13 the applied-for rates, and that its
14 report outlining the research and final
15 results were filed at TI.6."

16 MR. DON PALMER: That's correct.

17 MS. CANDACE EVERARD: Okay. So if we
18 turn then to TI.6, which is in the book of documents at
19 Tab 2, we -- we find narrative provided by the
20 Corporation following on this excerpt that I read in from
21 last year's Order. And the Corporation states that --
22 under the heading of "Summary of Work Done," that:

23 "It completed work under the following
24 topics: 1) further research
25 undertaken; 2) BPR initiatives; 3)

1 allocation of 2010/'11 budget based on
2 Deloitte cost allocation methodology;
3 and 4) projection of 2010/'11 results
4 in 2011/'12 and subsequent years."

5 Is that right?

6 MR. DON PALMER: Yes, that's correct.

7 MS. CANDACE EVERARD: Now, we see under
8 the heading of "Further Research" - that appears there on
9 page 1, that's the first of the steps - that:

10 "The primary focus of the further
11 research was on the consistent
12 application of the Deloitte proposed
13 cost allocation methodology to the
14 2010/'11 budgeted amounts and
15 underlying operations."

16 Is that right?

17 MR. DON PALMER: Yes, that's correct.

18 MS. CANDACE EVERARD: And the Corporation
19 has advised that that research included three (3)
20 principal steps, and those are identified at page 1 at
21 the three (3) bullet points, is that right?

22 MR. DON PALMER: Yes.

23 MS. CANDACE EVERARD: And so, if we
24 continue on to page 2, to the conclusion, if you will, in
25 that section. The Corporation states -- this is at the

1 bottom of page 2, that:

2 "Three (3) significant changes were
3 identified through the year-over-year
4 analysis of accounting units and the --
5 these three (3) changes are identified
6 at the top of page 3, set out in the
7 three (3) bullet points."

8 Is that right?

9 MR. OTTMAR KRAMER: Yes, that's correct.

10 MS. CANDACE EVERARD: And the first one
11 (1) relates to a shift in driver licensing personnel from
12 dedicated DVL, or Driver Vehicle Licensing offices in
13 2009/10, to MPI service centres in 2010/11, as the
14 service centre initiative rolls out?

15 MR. OTTMAR KRAMER: That's correct.

16 MS. CANDACE EVERARD: The second was a
17 shift in identification and data integrity personnel from
18 the enhanced driver licencing BPR project in 2009/'10, to
19 normal operations in 2010/'11. Is that right?

20 MR. OTTMAR KRAMER: Yes, that's correct.

21 MS. CANDACE EVERARD: And the third was
22 the creation of a new accounting unit for business
23 analysts working on Basic insurance, thereby eliminating
24 the need for a purification entry for these personnel in
25 2010/'11.

1 Is that right?

2 MR. OTTMAR KRAMER: Yes, that's correct.

3 MS. CANDACE EVERARD: Now we see with
4 respect to that last bullet, and the -- the business
5 analyst working for Basic, a little bit further down the
6 page under the heading of, "Purification Adjustments," at
7 the first bullet shown there, that this related to six
8 (6) full-time equivalents that are now assigned to Basic.

9 Is that right?

10 MR. OTTMAR KRAMER: Yes, that's correct.
11 That -- by creating that new unit, purification was no
12 longer required.

13 MS. CANDACE EVERARD: And what do these
14 six (6) business analysts do?

15 MR. DON PALMER: They provide research
16 into various initiatives, improvement initiatives in the
17 Corporation.

18 MS. CANDACE EVERARD: Okay. And we see
19 at page 3 of TI.6, near the bottom, under the heading of,
20 "Allocators Utilized", that an analysis of the allocators
21 utilized was also undertaken.

22 That's right?

23 MR. OTTMAR KRAMER: Yes.

24 MS. CANDACE EVERARD: Turning to page 4
25 we see some further detail on that. And in particular,

1 the -- there's an -- a comparative analysis of the
2 specific allocators, which shows us some changes at the
3 Level C allocation step. Is that right?

4 MR. OTTMAR KRAMER: Yes.

5 MS. CANDACE EVERARD: And the change at
6 the Level C chart relates to the COB or Category of
7 Business salary ratio. Is that right?

8 MR. OTTMAR KRAMER: Yes, that's correct.

9 MS. CANDACE EVERARD: And that's a change
10 from '09/'10 of 87.2 percent in insurance, and twelve
11 point eight (12.8) in non-insurance to a little bit
12 different spilt of 85.6 percent in insurance and 14.4
13 percent in non-insurance for 2010/'11?

14 MR. OTTMAR KRAMER: Yes, that's correct.

15

16 (BRIEF PAUSE)

17

18 MS. CANDACE EVERARD: Also at the Level C
19 allocation chart we have reference to three (3) former
20 DVL departments. Those are driver records, vehicle
21 registration and identity verification and data
22 integrity.

23 Is that right?

24 MR. OTTMAR KRAMER: Yes, that's correct.

25 MS. CANDACE EVERARD: And there is no

1 change in the allocations proposed year-over-year for
2 those three (3). Is that right?

3 MR. OTTMAR KRAMER: Yes.

4 MS. CANDACE EVERARD: Now it's our
5 understanding that none of the costs relating to these
6 three (3) former DVL departments are currently allocated
7 for 2010/'11. Is that right?

8

9 (BRIEF PAUSE)

10

11 MR. OTTMAR KRAMER: That's correct.

12 MS. CANDACE EVERARD: And two (2) of the
13 departments, namely, Driver Records and Identity
14 Verification and Date Integrity are allocated on a 50/50
15 basis?

16 MR. OTTMAR KRAMER: Yes.

17 MS. CANDACE EVERARD: And we understand
18 that that is based on work effort. I'm looking at page 5
19 of TI.6, just sort of across the page from the Level C
20 chart. The Corporation has stated there that:

21 "The split is based on the fact that
22 each transaction generated by these
23 departments serves a dual purpose, that
24 there is equal benefit derived for both
25 the insurance and non-insurance lines

1 of business."

2 Is that right?

3 MR. OTTMAR KRAMER: Yes, that's correct.

4 MS. CANDACE EVERARD: Can you comment to
5 the Board about whether there are any benefits of that
6 50/50 split to Basic?

7 MR. DON PALMER: Yes. To -- in terms of
8 once you get into the level 'T' -- 'D' allocator, then
9 they're split according to premiums written, as per the
10 PUB Order.

11 I think from a insurance operation's
12 perspective, those two (2), the -- the driver records and
13 identification verifica -- identity verification,
14 certainly for the underwriting purposes in DSR, the
15 driver records are required to underwriting, or come up
16 with the DSR rating of each -- each policy. So certainly
17 from that standpoint, they're applicable to Basic
18 insurance.

19 On the identity verification perspective,
20 anyone that's even opened a bank account lately knows
21 that there's pretty restrictive identity requirements to
22 open a bank. The same with having an insurance policy.

23 So from that standpoint, all of the
24 personal lines that we write, Basic and -- and Extension,
25 would require that same identity verification.

1 MS. CANDACE EVERARD: Now, the third DVL
2 department that's reflected on the -- the level 'C'
3 chart, the vehicle registration, doesn't have a 50/50
4 split.

5 It has, for the purposes of this
6 discussion in round numbers, an 85/15 split, with eighty-
7 five (85) going -- or 85 percent going to non-insurance,
8 and fifteen (15) to insurance.

9 And I believe that the Corporation has put
10 on the record, and this is in one (1) of the IR replies,
11 that that is based simply on workflow.

12 Is that right?

13 MR. DON PALMER: Yes. We went through --
14 that was actually part of last year's cost allocation,
15 that we went and looked at the work effort of each staff,
16 and how much time was spent in accordance with those two
17 (2) operations, and that was the work effort split.

18 So it was an actual time-in-motion study,
19 so to speak.

20 MS. CANDACE EVERARD: And just for the
21 purposes of the record, that answer is at 1-50(a) posed
22 by the Board, which is at Tab 25 of the book of
23 documents, and the Corporation has also stated there and,
24 Mr. Palmer, if you want to go there, please -- please do.

25 The Corporation has also stated that

1 vehicle -- the vehicle registration department provides
2 not only registration services, but provides Basic
3 insurance renewals for some categories of vehicles that
4 cannot be renewed at brokers' offices, an example given
5 being taxis.

6 Is that right?

7 MR. DON PALMER: That's correct.

8 MS. CANDACE EVERARD: So looking back at
9 TI.6, what the Corporation is proposing in terms of cost
10 allocation is reflected at the -- and I'm talking just
11 about level 'C' for the moment, is reflected in the table
12 that we've been discussing on page 4.

13 MR. DON PALMER: Yes, that's correct.

14

15 (BRIEF PAUSE)

16

17 MS. CANDACE EVERARD: Now, has the
18 Corporation provided detailed operating costs and budgets
19 for these departments in order that the Board can have
20 some assurance that the cost allocation is appropriate?

21

22 (BRIEF PAUSE)

23

24 MS. MARILYN MCLAREN: With respect to an
25 IR on that topic, I think the answer was that we had

1 provided the same level of detail as -- as the other cost
2 components, but there was a detailed pre-ask on -- on the
3 specific components of those departments going back five
4 (5) years.

5 I don't believe we've filed that pre-ask
6 yet, have we? So that is in the works, and -- and you
7 will get that.

8 MS. CANDACE EVERARD: I think it might
9 have been one (1) of the pre-asks that was actually just
10 answered today, or I might be wrong. It was either
11 number 3 or number 4. Number 3 was answered today, and
12 number 4 -- yeah.

13 Yeah, you're right, Ms. McLaren, it's
14 number 4, and we don't have the answer yet, so we'll --
15 we'll just flag that for --

16 MS. MARILYN MCLAREN: Yeah, it'll be
17 coming.

18 MS. CANDACE EVERARD: -- some follow up
19 once that's filed, and we'll --

20 MS. MARILYN MCLAREN: Yeah. I think it's
21 --

22 MS. CANDACE EVERARD: -- deal with it
23 that way.

24 MS. MARILYN MCLAREN: We are working on
25 it. I mean, we certainly recognize that that's an -- an

1 important part of the information that the Board
2 requires, is understanding those underlying costs when
3 we're proposing to share the cost for the first time.

4 So much about under -- believing that the
5 Basic rates are appropriate has to come back to the cost
6 allocation methodologies. I don't expect we'll have it
7 filed today, but we'll certainly get it as soon as we
8 can.

9 MS. CANDACE EVERARD: No worries there.
10 Going back to page 4, we've spoken about -- and I'm now
11 back in TI.6, page 4. We've spoken about the level C
12 chart. I'd just like to speak about the -- the level D
13 chart a little bit.

14 We see here that the Corporation's
15 provided information on three (3) main level D
16 allocators. And I appreciate that there are four (4)
17 rows, but two (2) of them relate to the same. And we see
18 for the "Claims under management" line there's been a
19 slight change in the allocation to Basic, a slight
20 reduction from '09/'10 to '10/'11 that would -- that
21 would slightly reduce the amount of costs allocated.

22 Is that correct?

23 MR. OTTMAR KRAMER: Yes, that's correct,
24 a movement of point five (.5).

25 MS. CANDACE EVERARD: We also see that --

1 when I said that -- that two (2) of the rows sort of
2 relate to the same, we see for '09/'10, the very last
3 line of the table ref -- refer to net claims incurred,
4 which was the original proposal.

5 And then per the most recent Board Order
6 at last year's GRA we now have the third row, which
7 relates to gross premiums written and a particular
8 allocation split there among the three (3) lines; is that
9 right?

10 MR. OTTMAR KRAMER: Yes, that's correct.

11 MS. CANDACE EVERARD: And that gross
12 premiums written allocation split that we see is what is
13 being proposed or utilized in the Application.

14 MR. OTTMAR KRAMER: Yes, we -- we
15 utilized that for the '11/'12 year and onward.

16 MS. CANDACE EVERARD: And we see some
17 differences in the allocation percentages if we compare
18 those third and fourth rows. If we focus on the Basic
19 number under the Board Order, the allocation percentage
20 is 82.4 percent.

21 Under the net claims incurred approach, it
22 would have been 86.6 percent, is that right?

23 MR. OTTMAR KRAMER: Yes, that's correct.

24 MS. CANDACE EVERARD: Okay. If we look
25 at TI.6, page 6, we see a table. There are two (2)

1 tables on page 6, but I'm looking at the top table that
2 reflects the overall dollars and percentages of -- of
3 allocation.

4 I'd like you to look at that together with
5 1-50, which is at Tab 25 of the Board's book of
6 documents. Just the attachment at 1-50(b) has some
7 further detail with respect to the allocations, so, the
8 Board may find it helpful to look at the two (2)
9 together.

10 We see in both of the charts, that is the
11 one -- the top chart on page 6 and the chart at 1-50(b),
12 that the allocation to Basic is about 831.3 million; is
13 that right?

14 MR. OTTMAR KRAMER: Yes, that's correct.

15 MS. CANDACE EVERARD: And that represents
16 81.8 percent of the overall expenses, is that correct?

17 MR. OTTMAR KRAMER: Yes.

18 MS. CANDACE EVERARD: And just to frame
19 that information in a bit of a different way, Mr. Palmer,
20 you had given some evidence on this point in your direct
21 examination on the first day of the Hearing. The
22 reference is page 240 of the transcript.

23 But your evidence was that of the 831
24 million in total costs charged to Basic in current year's
25 budget, excluding BPR initiatives, about 142.5 million,

1 or 17 percent, were assigned as a result of an allocation
2 as opposed to a direct attribution.

3 MR. DON PALMER: That's correct.

4 MS. CANDACE EVERARD: Now, we see about
5 113.6 million, or 11.2 percent, being allocated to the
6 Extension line of business, is that right?

7 MR. OTTMAR KRAMER: Yes, that's correct.

8 MS. CANDACE EVERARD: And then for SRE,
9 Special Risk Extension, we see 44.3 million, or about 4.4
10 percent.

11 MR. OTTMAR KRAMER: That's correct.

12 MS. CANDACE EVERARD: And then, lastly,
13 27.2 million, or 2.6 percent, assigned to non-insurance,
14 otherwise known as DVL.

15 MR. OTTMAR KRAMER: Yeah, that's to the
16 non-insurance.

17 MS. CANDACE EVERARD: Now, pre-ask 3 was
18 answered this morning, and I do have some cross questions
19 -- or maybe it wasn't answered this morning. I -- I may
20 have my timing wrong, but I do have some questions with
21 respect to that. I just need to put my hands on that
22 exhibit. Just give me a moment.

23

24 (BRIEF PAUSE)

25

1 MS. CANDACE EVERARD: Yes, 3-3 was a pre-
2 ask that the Board posed, asking for:

3 "A schedule detailing the expenses that
4 underlie allocations to Basic from
5 other lines of business, including a
6 five (5) year historical analysis and a
7 three (3) year projection through
8 2010/'13, and to please provide
9 commentary on the changes."

10 And the Corporation has provided a short
11 narrative as well as a series of charts on page number 1
12 as schedule 1. Is that right?

13 MR. OTTMAR KRAMER: Yes, that's correct.

14

15 (BRIEF PAUSE)

16

17 MS. CANDACE EVERARD: Now we see that
18 from looking at the schedule that a portion of the
19 claim's expenses, loss prevention and road safety
20 expenses, operating expenses and regulatory and appeal
21 costs are allocated to Basic. Is that right?

22 MR. OTTMAR KRAMER: Some of those are
23 direct. Some of those are allocated, but those are the -
24 - the -- the Basics versus the corporates.

25 MS. CANDACE EVERARD: And the detail of

1 the Basic portion of the expenditures are provided at
2 TI.7. Is that right?

3 MR. OTTMAR KRAMER: They could be at TI.7
4 or various other TIs, yes.

5 MS. CANDACE EVERARD: It's my
6 understanding that we -- that the Board has not been
7 provided with the same level of detail in the TIs that
8 relate to Basic for the other lines of business. Is that
9 correct?

10 MR. OTTMAR KRAMER: Yes, that's correct.

11

12 (BRIEF PAUSE)

13

14 MR. OTTMAR KRAMER: We've provi -- for
15 the costs that are allocated, the -- the complete
16 expenses are shown. For the ones that are direct, we
17 haven't shown them.

18

19 (BRIEF PAUSE)

20

21 MS. CANDACE EVERARD: I'm just looking at
22 TI.7(a), which is at Tab 3 of the book of documents. It
23 reflects Basic operating and claims expenses over about
24 twelve (12) or fifteen (15) categories.

25 Have -- has the Board been provided with -

1 - with that or a document at that level of detail
2 relating to non-Basic, or for corporate wide?

3 MR. DON PALMER: No, you have not. But
4 the -- we have provided, or will provide, if we haven't,
5 the specific allocated departments, the three (3) that
6 you have mentioned. This -- those -- the level of detail
7 has been provided.

8 For the other departments that are
9 directly assigned to non-Basic insurance, we did not
10 provide that. And -- and really, because there's no
11 source of allocation there.

12 MS. CANDACE EVERARD: And the pre-ask
13 that Ms. McLaren and I were speaking about a moment ago,
14 number 4, relates to those three (3) DVL departments?

15 MR. DON PALMER: Yes, at this level of
16 detail, yes, that's correct.

17 MS. CANDACE EVERARD: Looking at schedule
18 1 in pre-ask number 3, we see that the total corporate
19 operating expenses for '05/'06 were some 53.2 million.

20 Is that right?

21 MR. OTTMAR KRAMER: Yes, that's correct.

22 MS. CANDACE EVERARD: And that is
23 projected to increase to about 115.5 million in the year
24 of the Application, or 115.4 million maybe in the year of
25 the Application, is that right?

1 MR. OTTMAR KRAMER: Yes, but you also
2 have to read the note, note 1 and note 2, that are
3 associated with our 2005/'06 and '11/'12.

4 MS. CANDACE EVERARD: The -- the note
5 that reflects that the total corporate amount, under note
6 1, is net of the \$21 million recovery from the province,
7 and note 2 reflects that it is not net of the \$21 million
8 recovery?

9 MR. OTTMAR KRAMER: Correct. So the 53
10 million that you had referenced is really \$74.3 million
11 without the 21 million netted out to make it comparable
12 to the 115.4 million in '11/'12.

13 MS. CANDACE EVERARD: Is -- is there a
14 particular reason that the schedule was prepared in that
15 way, with a note rather than including the dollar amount
16 and just having -- having it sort of more comparable on
17 its face?

18 MR. OTTMAR KRAMER: We -- we prepared
19 this for the asset liability allocation and to arrive at
20 the expense distribution ratio, which I've -- which we
21 thought that's what this was referencing for expense --
22 for -- for the asset liability allocation, which -- which
23 utilize --utilizes the expense distribution ratio. And
24 then these ratios are the expense distribution ratios
25 that are utilized in -- in the asset liability

1 allocation.

2 MS. CANDACE EVERARD: Okay. Looking at
3 the -- the span of years that we see on schedule 1 from
4 '05/'06 to -- to date and beyond, can you confirm that
5 all of the years reflected here were years wherein DVL
6 was a part of the Corporation? Was -- this is all --
7 these are all post-merger numbers?

8 MR. DON PALMER: Yes, that's correct.

9 MS. CANDACE EVERARD: And we see that in
10 '05/'06, going back to that line relating to operating
11 expenses -- and I appreciate your -- your comment, Mr.
12 Kramer, about the \$21 million adjustment, but without
13 that, the allocation to Basic was some 69 percent, is
14 that right?

15 MR. OTTMAR KRAMER: That's correct.

16

17 (BRIEF PAUSE)

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19 MS. CANDACE EVERARD: I -- I do have some
20 further questions on this, but I think it might be
21 helpful, if it's possible for the Corporation to do, to
22 rerun this schedule including the -- the 21 million in
23 the top half, just so we have comparative numbers,
24 because I -- I think it'll be a little bit cumbersome to
25 deal with on the record without that. Would that be

1 possible?

2 MR. OTTMAR KRAMER: Yes, we can, and --
3 and as I indicated, this was run for asset liability
4 expense allocation, because the reference to -- to PUB-2-
5 59(a) is related to asset liability allocation and the
6 expense distribution ratio. And I -- I think we're
7 intermingling it into the expense allocation, which has a
8 different purpose.

9

10 (BRIEF PAUSE)

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12 MS. CANDACE EVERARD: I -- I think I can
13 clarify from our end -- and I appreciate the reference to
14 2-59 and -- and why you would have seen it the way you
15 did, but I think, from our point of view, we were asking
16 for this on an expense allocation basis as opposed to
17 asset and liability allocation.

18 So if -- why don't we do this. Let us
19 consider this a little bit further, and then we'll
20 formulate in maybe a little bit of a different way what
21 it is that we're asking for because I think we -- we've
22 gotten our wires crossed a little bit and I don't --
23 yeah, let -- let's just sort this out off -- offline and
24 we'll come back to this line of questioning a little bit
25 later on. That's probably the best way.

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(BRIEF PAUSE)

MS. CANDACE EVERARD: Okay. If we go back to TI.6, page 5, there's a section that relates to BPR initiatives and the allocation of those costs. We see, as the Corporation has stated in the first sentence of that section, that the quantum of budgeted BPR initiatives has declined significantly in 2010/'11 from 2009/'10, that's right?

MR. OTTMAR KRAMER: That's correct.

MS. CANDACE EVERARD: And the Corporation has also stated in the third sentence that as the BPR projects are operationalized, the discussed allocation procedures are used to allocate the ongoing costs, right?

MR. OTTMAR KRAMER: Correct.

MS. CANDACE EVERARD: And an example that the Corporation gives, and we spoke about this earlier, is the mainframe decommissioning, which is the DVA department -- or Driver and Vehicle Administration initiative, and the expected costs of that are assigned directly to non-insurance category of business?

MR. OTTMAR KRAMER: Yes, that's correct.

MS. CANDACE EVERARD: Is it the case that the -- the mainframe that's being decommissioned is going

1 to be replaced with something new, a new mainframe?

2 MR. DON PALMER: Won't be a new
3 mainframe, but it will -- the functionality will be
4 replaced.

5 MS. CANDACE EVERARD: And I take it that
6 the costs, whatever costs are associated with that, would
7 be similarly allocated to the decommissioning, that is to
8 the -- to the non-insurance line of business?

9 MR. DON PALMER: Yes. And we've outlined
10 that in TI.6. The -- the decision was made when we were
11 doing the BPR projects, at that -- that time, that we
12 would have the mainframe decommissioned. It was
13 allocated completely to -- to the DVA operations, and
14 that's consistent with the purification entries that
15 we're now doing, so -- so it's consistent.

16 MS. MARILYN MCLAREN: But I think the --
17 the point about the mainframe decommission is that it was
18 decided initially that the costs would be allocated based
19 on who did the work, which was kind of the principle of
20 the old methodology. I think it's really important --
21 important that we discuss this a little bit more because
22 for a long time we've said mainframe decommissioning will
23 be -- you know, that'll be not paid by Basic.

24 Some of the questions last year through
25 the proceedings and some of the IRs this year, I think by

1 a couple of parties, really asked the question directly,
2 Will Basic benefit from the system that replaces the old
3 mainframe? And the answer is, absolutely.

4 So if we were to revisit the decision,
5 that we would allocate the cost of this project according
6 to the old methodology, where it was done by DVL so DVL
7 pays the cost, if we're to revisit that and jump with
8 both feet into the new cost allocation methodology the
9 Corporation is proposing, then the costs would be shared
10 by Basic because, as -- as well, it would be a shared
11 cost project because, absolutely, benefit gets -- Basic
12 gets a benefit of the mainframe decommissioning.

13 We can live with either. And we were the
14 ones that said that it really will be paid by Extension -
15 - or paid -- because it's DVA, it'll be paid through that
16 way. But if there's an intention to revisit that based
17 on some of the questions that have come forward, we would
18 be every bit as comfortable as adopting this new cost
19 allocation, expense allocation methodology completely for
20 projects that have not yet really even started. So that
21 would certainly be fair game if -- if there is a view to
22 want to do that.

23 You know, the -- the allocation of
24 expenses and is it a very important part of this process
25 -- and I know the Board has a significant role to play in

1 deciding. I mean, it -- it's -- we're -- we're not here
2 -- all the costs that are directly assigned to the non-
3 Basic lines of business, we -- we haven't shared them
4 with you because they're absolutely not relevant to
5 determining the costs for Basic, because they're purely
6 assigned. If they're allocated according to a -- a
7 formula and some of the costs are shared, we are trying
8 to be as completely open and transparent in sharing those
9 underlying costs as possible.

10 So all of this is really critical for us
11 to really make sure that we're not crossing our wires at
12 all, that we fully understand each other, and give the
13 Board what it needs to rule, because we believe we've
14 been very clear, once we give you that last pre-ask, that
15 we have shared as much information as we have about the
16 underlying costs, of which any are proposed to be fully
17 or partially funded by Basic.

18 And if we want to revisit this one (1)
19 issue of the mainframe, you know that -- that's fair, as
20 well. But it's a fundamental different basis. It was
21 going to be funded by DVA, because DVA did the work, even
22 though for the last thirty-eight years Basic has received
23 a benefit.

24 MS. CANDACE EVERARD: And I think, Ms.
25 McLaren, I -- I can't put my hands on the reference but I

1 -- I recall reading what you referred to a minute ago was
2 -- which is the shift in the Corporation's approach from
3 looking at cost allocation from the perspective of who is
4 doing the work to the perspective of who gets the benefit
5 of the work.

6 MS. MARILYN MCLAREN: Exactly. It's the
7 fundamental basis of the new methodology.

8 MS. CANDACE EVERARD: Can you tell me
9 whether there are any costs on any of the non-Basic
10 projects, and whether those are depreciation costs or
11 otherwise, that can flow back to Basic through the
12 proposed cost allocation methodology?

13 MR. DON PALMER: Specifically in the
14 three (3) departments that we talked about, there would
15 be some depreciation costs that would flow back on a --
16 on a 50/50 basis on those two (2) particular departments
17 that are shared 50/50, so that's one (1) example.

18

19 (BRIEF PAUSE)

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21 MR. DON PALMER: Specifically, project
22 costs. If there are costs in those departments, again
23 that benefit Basic on that 50/50 basis from those two (2)
24 departments, then those would be charged accordingly,
25 yes.

1 MR. OTTMAR KRAMER: But something like
2 mainframe decommissioning, which -- which is deemed to be
3 a DVA function would be purified out. That's what the
4 purification entries are for.

5 MS. MARILYN MCLAREN: And -- and further
6 to that, to sort of make the point of what I was trying
7 to -- to say a few minutes ago, if we leave things as is,
8 DVA funds the entire mainframe decommission project as --
9 as we have discussed here previously.

10 And if the Board approves the sharing of
11 costs for the driver records department on the basis the
12 Corporation is proposing, once the mainframe
13 decommissioning project is done and funded through DVA,
14 the costs of that department are going to decrease
15 significantly and Basic will get the benefit without
16 having to incur the costs of the project.

17 MS. CANDACE EVERARD: Okay. Ms. McLaren,
18 I just wanted to -- to follow up on a comment that you
19 had made on the second day of hearing, so it would have
20 been Wednesday of last week. This is at page 466 of the
21 transcript. You had given evidence to the effect that
22 the Corporation functions in an integrated way, that's
23 why it needs an allocation policy. And you referred to
24 it as a -- a vetted and approved allocation policy.

25 Vetted by who? Who did you mean when you

1 made that statement?

2 MS. MARILYN MCLAREN: The only external
3 forum where these policies matter significantly is this
4 forum. And the cost allocation policies that we've been
5 using up till now were vetted and approved by the PUB
6 back in the early to mid '90s. So that's what I was
7 referring to at that point.

8 MS. CANDACE EVERARD: That's what I
9 thought, but I wanted to clarify that. Thank you.

10

11 (BRIEF PAUSE)

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13 MS. CANDACE EVERARD: Just -- oh, go
14 ahead.

15 MS. MARILYN MCLAREN: Sorry, Ms. Everard.
16 Further to that, you know, at the time when I was -- I
17 would also say that this Board had very positive things
18 to say last year about the Deloitte study and was
19 certainly vetted, not formally approved for use, but
20 certainly vetted through that process as well. But we've
21 also, for many years, have had the audited financial
22 statements for the Basic Compulsory Program, and our
23 auditors would have vetted the use of those allocation
24 policies in the Bas -- the audited Basic financial
25 statement.

1 that.

2

3 --- UNDERTAKING NO. 16: MPI to supply KPMG review of
4 the allocation methodologies

5

6 CONTINUED BY MS. CANDACE EVERARD:

7 MS. CANDACE EVERARD: Just going back to
8 a question that I had posed a few minutes ago about costs
9 flowing back to Basic, I just wanted to clarify. Our
10 understanding is that there was some 90 million plus in
11 deferred business process review projects in the other
12 lines, not in the Basic line. And so what -- what we'd
13 like the panel to confirm, if it can, is that none of
14 those costs will be coming back to Basic when the
15 projects are completed, including depreciation costs.

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

17 THE CHAIRPERSON: Okay. Well, that's a
18 good day. We'll see you all tomorrow at nine o'clock.
19 Ms. Everard, can you remind us what is going to occur
20 tomorrow --

21 MS. CANDACE EVERARD: Sure.

22 THE CHAIRPERSON: -- or is planned to
23 occur I should say.

24 MS. CANDACE EVERARD: I think at 9:00,
25 when we reconvene, we'll have Mr. Olfert here from

1 Deloitte. I think Ms. Kalinowsky will have a direct exam
2 of him, and then he'll be put up for cross-examination by
3 me first, I believe, and then by the Intervenors.

4 We'll see how long his evidence takes. If
5 it takes the whole of the day, then so be it. If we have
6 time left at the end of the day, then I'll finish, or at
7 least try to finish my cross-examination of the panel. I
8 don't have a whole left, but we have a few items for
9 followup. And then maybe Mr. Williams will start his
10 cross tomorrow of the panel, I don't know.

11 And then the follow day, which is
12 Thursday, we have two (2) witnesses coming from KPMG, and
13 it'll be a similar approach. We'll -- Ms. Kalinowsky
14 will have a direct, the witnesses will be cross-examined,
15 and then if there's time at the end of the day, the --
16 the cross-examination of the MPI panel can continue.

17 THE CHAIRPERSON: Very good. Thank you.
18 See you all tomorrow.

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20 (PANEL RETIRES)

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22 --- Upon adjourning at 4:06 p.m.

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Certified Correct,

Cheryl Lavigne, Ms.