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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 20, 2010  
Pages 1923 to 2133

APPEARANCES

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

2

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

5 Ms. Kalinowsky, do you have any more  
6 exhibits, or...?

7 MS. KATHY KALINOWSKY: No.

8 THE CHAIRPERSON: Okay. Ms. Everard, are  
9 we set to commence?

10 MS. CANDACE EVERARD: I believe so, Mr.  
11 Chairman. I see Mr. Oakes has his witness, so perhaps we  
12 can turn the floor over to him and he can proceed.

13 THE CHAIRPERSON: Very good. Mr. Oakes,  
14 do you want to introduce your witness, Mr. Trudeau (sic).  
15 And welcome to Winnipeg.

16 MR. RAYMOND OAKES: Thank you, Mr.  
17 Chairman. Good morning. Our -- Mr. -- we're joined this  
18 morning by Mr. Nicolas Beaudoin of the actuarial firm of  
19 Dion Durrell & Associates Inc., and he's present this  
20 morning to summarize his testimony given in a report  
21 filed with this Board and subsequent interrogatories, and  
22 to make himself available for cross-examination, as  
23 scheduled with this Board.

24 THE CHAIRPERSON: Mr. Singh, do you want  
25 to swear in the witness.



1 CMMG PANEL:

2 NICOLAS BEAUDOIN, Sworn

3

4 THE CHAIRPERSON: Thank you. Do you want  
5 to start your direct?

6 MR. RAYMOND OAKES: Thank you, Mr.  
7 Chairman.

8

9 EXAMINATION-IN-CHIEF BY MR. RAYMOND OAKES:

10 MR. RAYMOND OAKES: Mr. Beaudoin, I  
11 understand that you're a member of the firm of Dion  
12 Durrell Actuaries and Consultants and that you are a  
13 fellow with the Actuarial Society itself.

14 MR. NICOLAS BEAUDOIN: That's correct.  
15 I'm a Fellow of the Casualty Inst -- Casualty Actuarial  
16 Society of the US, and a Fellow of the Institute of  
17 Actuaries in Canada as well. I've been with the firm of  
18 Dion Durrell & Associates since 2000, upon graduating  
19 from Lava University in Quebec City.

20 I've been working as a consultant for the  
21 last four (4) years, full consultant. I've been an  
22 actuarial analyst before that. I have -- I am an  
23 appointed actuary for one (1) insurance company in  
24 Ontario, and I do work -- similar work to the appointed  
25 actuary's work for multiple reciprocals, or insurers in

1 insurance companies across the country.

2 I have experience in professional  
3 liability lines, automobile, property, general liability  
4 lines as well, and in various fields: actuarial  
5 valuations, pricing, stochastic modelling, and capital  
6 adequacy testing.

7 Other members of the team that worked on  
8 the report are Michel Trudeau, and Cosimo Pantalao.  
9 Michel is also an FCIA and an F -- FCAS. Has been with  
10 the firm since April 2005. Since -- before that, he's --  
11 he was with Allianz Canada for -- for a ten (10) year  
12 career. Michel has a lot of experience in various fields  
13 again of actuarial science.

14 The other member of the team was Cosimo  
15 Pantalao, also an FCIA and FCAS. Joined the firm prior  
16 to 2000, and I'm not sure exactly the year; I think it  
17 was '90 -- '98 or '99. Was prior to that with Watson  
18 Wyatt, the consulting firm. Cosimo has extensive  
19 experience in -- in pricing of automobile across the  
20 different jurisdictions in -- in Canada. That's all.

21 MR. RAYMOND OAKES: Thank you for that,  
22 Mr. Beaudoin. Now, the report as compiled by the team  
23 and filed with this Board addresses one (1) particular  
24 issue, and that is, and I'm going to paraphrase it  
25 because certainly the report indicates what the purpose

1 of the report is, but it's to include wildlife in the  
2 claims costs attribution model for rate setting purposes,  
3 as that particular attribution model was developed  
4 pursuant to Board 97/05.

5 Is that correct?

6 MR. NICOLAS BEAUDOIN: That's correct.

7 MR. RAYMOND OAKES: And I understand that  
8 the report that you've prepared, and has been filed with  
9 this Board, is intended to be a part of a public record  
10 process in this proceeding, and that was the purpose to  
11 which that report was prepared?

12 MR. NICOLAS BEAUDOIN: That's correct.

13 MR. RAYMOND OAKES: And in making that  
14 report, I'd ask you to confirm as the report indicates at  
15 page 2 of the report, the documents used in your  
16 analysis, and in that respect, you received the binders  
17 on the 2011 MPI Rate Application.

18 Is that correct, sir?

19 MR. NICOLAS BEAUDOIN: That's correct.

20 And the CD, as well.

21 MR. RAYMOND OAKES: And you received the  
22 Board Order 161/09, as well as a previous Board order  
23 dealing with the claims costs attribution model, which  
24 was 97/05.

25 Is that correct, sir?

1 MR. NICOLAS BEAUDOIN: That's correct.

2 MR. RAYMOND OAKES: And then you received  
3 both Round 1 and Round 2 interrogatories that CMMG had  
4 posed to MPI, and their answers, and in addition you also  
5 received the pre-ask questions and answers.

6 Is that correct?

7 MR. NICOLAS BEAUDOIN: That's correct.

8 MR. RAYMOND OAKES: And then in the scope  
9 of your review, you reviewed the 2004 report on the  
10 impact of no-fault insurance on motorcycles in Manitoba  
11 that was prepared by your firm, and presented to the  
12 Public Utility Board in 2005.

13 Is that correct, sir?

14 MR. NICOLAS BEAUDOIN: Correct.

15 MR. RAYMOND OAKES: And when we get into  
16 the meat of your report, we talk at page 2 about the  
17 current claims cost attribution rules, and you review --  
18 reviewed the sections of the MPI Rate Application that  
19 are referenced in your report and the previous Board  
20 order, 97/05.

21 Is that correct, sir?

22 MR. NICOLAS BEAUDOIN: Correct.

23 MR. RAYMOND OAKES: And I believe that  
24 you've had some opportunity to have some limited  
25 discussions with the MPI actuarial staff in respect of

1 that?

2 MR. NICOLAS BEAUDOIN: We did, but our --  
3 our report is really based on our understanding through  
4 the readings of the PUB Order 97/05, and SM.1.4 of the  
5 2001 Rate Application.

6 MR. RAYMOND OAKES: And when we talk  
7 about the phenomenon of motorcyclists coming into  
8 collision with various hazards in the roadway, including  
9 pedestrians and cyclists, could you talk about the rate  
10 of involvement and the conclusions that follow from that,  
11 based on your report?

12 MR. NICOLAS BEAUDOIN: Well, we reviewed  
13 the PIPP accident benefits rules that are in 97/05, in  
14 PUB Order 97/05, and collision and comprehensive claims.  
15 So on its physical damages in section SM.4.4. -- .1.4,  
16 sorry, of the Rate Application, from reading those, our  
17 understanding is that in case of a -- single vehicle  
18 accidents involving wildlife and livestock, a hundred  
19 percent of the cost would be allocated to the vehicle  
20 involved, and that's for the -- both the PIPP costs and  
21 collision costs.

22 Based on observation and visualization of  
23 these type of accidents, we don't see what the difference  
24 would be between an SVA, single vehicle accident,  
25 involving livestock, or wildlife, or pedestrian, or

1 cyclists. To us, I mean, it's a body -- moving body -- a  
2 living body moving into a roadway and a collision ensues  
3 after that. Therefore, we don't see why the allocation  
4 would be different in the two (2) different cases of  
5 accidents.

6                   And if we go back to how pedestrians and  
7 cyclists are treated in such accidents, 50 percent of the  
8 costs would be allocated to the vehicle involved, whether  
9 it is a private passenger vehicle or a motorcycle, and 50  
10 percent of the remaining cost would be allocated to all  
11 vehicles in -- to -- to all vehicle categories for -- for  
12 rate making decisions and pricing methodology.

13                   MR. RAYMOND OAKES: In your opinion, Mr.  
14 Beaudoin, and your understanding, would a pedestrian or a  
15 cyclist be considered a ratepayer?

16                   MR. NICOLAS BEAUDOIN: From -- I mean,  
17 from our understanding of MPI's methodology, they do  
18 allocate their premiums to various vehicle groups, not to  
19 pedestrians or cyclists.

20                   MR. RAYMOND OAKES: And you would confirm  
21 your understanding is neither pedestrians or cyclists  
22 have an insurance plate on them?

23                   MR. NICOLAS BEAUDOIN: Correct.

24                   MR. RAYMOND OAKES: And the current  
25 system with respect to pedestrians and cyclists, how does

1 that treat motorcyclists at present?

2 MR. NICOLAS BEAUDOIN: Well, currently,  
3 based on the numbers that we've been provided through the  
4 -- MPI's 2011 Rate Application, for the period 2005 to  
5 2009 there's a total of \$40 million of costs that -- that  
6 are related to private passenger vehicles involved in  
7 SVAs with pedestrians and cyclists. On the other hand,  
8 for motorcycles that's only four thousand dollars  
9 (\$4,000), and, therefore, with the 50/50 allocation  
10 methodology, it's -- it's fairly easy to see that there's  
11 a transfer of costs from -- a net transfer of costs from  
12 private passenger to motorcycles in that case.

13 If you look at the \$40 million over five  
14 (5) years, that's an average of 8 million -- sorry, \$40  
15 million over five (5) years, that's an average of \$8  
16 million per year. Fifty percent of that would be  
17 allocated to all vehicle categories, which is -- that's  
18 \$4 million. One percent of that, which is roughly the  
19 percentage of vehicles, if you look at twelve thousand  
20 seven hundred (12,700) vehicles, motorcycles versus over  
21 nine hundred thousand (900,000) for private passenger,  
22 that's roughly 1 percent of all vehicles.

23 So 4 million times 1 percent, it's forty  
24 thousand dollars (\$40,000). You know, that's more than -  
25 - practically nothing if you look at the twenty-four

1 hundred dollars (\$2,400) over five (5) years. That's  
2 basically a couple hundred dollars.

3 So they do get allocated losses and they  
4 don't -- they don't do the same. They don't allocate  
5 losses from motorcycles to private passenger, so it's a  
6 net transfer from auto to -- private passenger to  
7 motorcycles.

8 MR. RAYMOND OAKES: With respect to the  
9 specifics of that topic that you were just speaking of,  
10 can I refer you to the second last paragraph at page 3 of  
11 your report.

12 MR. NICOLAS BEAUDOIN: Yes.

13 MR. RAYMOND OAKES: And could you  
14 summarize that information in light of the overall  
15 general information that you've just described?

16 MR. NICOLAS BEAUDOIN: You're referring  
17 to the -- the -- the second last paragraph to thirty-  
18 eight (38)? Yeah.

19 Yeah. This is what I was referring to.  
20 You basically -- without any allocation, you would have  
21 \$39 million over five (5) years for -- for automobile.  
22 You know, assuming that MPI uses an average of five (5)  
23 years, that's roughly \$8 million that would be tacked on  
24 the cost of -- to -- to private passenger auto.

25 With the allocation methodology, only 50



1 percent of that get tacked on their costs. That's \$4  
2 million of risk gets allocated to the rest, to the -- to  
3 all vehicles combined, based on -- our understanding is  
4 based on the number of vehicles per category, and given  
5 that motorcycles only account for roughly 1 percent of  
6 the population -- I'm -- I'm only focussing on PPA and  
7 motorcycles here. I know there's smaller categories on  
8 the sides, but I think those are the main categories.

9                   So 1 percent of that 4 million being  
10 allocated to all classes would be allocated to  
11 motorcycles; therefore, that's a forty thousand dollar  
12 (\$40,000) per year, based on the numbers that we were  
13 provided with. There's -- there's been low -- no losses,  
14 twenty-four hundred dollars (\$2,400) of losses over five  
15 (5) years for motorcycles; therefore, there is a net  
16 transfer to the motorcycle group.

17                   MR. RAYMOND OAKES: I wonder, sir, if you  
18 could read the last sentence of that paragraph.

19                   MR. NICOLAS BEAUDOIN: Per attribution  
20 Rule 1(a) outlined previously, which is -- I'll just read  
21 that to you. 1(a) is:

22                    "In any accident involving only MPI  
23                   insured vehicles, one (1) or more, and  
24                   no other injured party, total PIPP  
25                   costs are to be allocated equally per

1                   vehicle across the rating categories to  
2                   which those vehicles belong."

3                   So, per that rule, 50 percent of PIPP  
4 costs are to be allocated to all vehicles, all categories  
5 in this case. It is clear that this is currently  
6 penalizing motorcycles.

7                   MR. RAYMOND OAKES:    Just in respect of  
8 that last sentence, is there actuarial guidelines with  
9 respect to the issue of fairness?

10                  MR. NICOLAS BEAUDOIN:   There isn't any  
11 issue of fairness when we look at the way it's allocated  
12 currently, except for the fact that we don't see it as  
13 being consistent when we consider livestock and wildlife,  
14 because we consider those types of accidents to be, in  
15 our view, very similar, just -- just the same. I mean, I  
16 would assume that, predominantly, those accidents are  
17 involving, you know, for example, deers coming in the  
18 roadway, roughly the same weight as pedestrians and  
19 cyclists. It's a moving body coming in, darting in -- in  
20 traffic.

21                  So, from that point of view, we see that  
22 there's an inconsistency from treating pedestrians and  
23 cyclists versus livestock and wildlife.

24                  MR. RAYMOND OAKES:    What is your opinion,  
25 sir, concerning the change in a rate model or an

1 allocation and its effect on consumers? Is there any iss  
2 -- issue of consistency or fairness with respect to a  
3 change in a rate model?

4 MR. NICOLAS BEAUDOIN: Can you -- can you  
5 elaborate? What -- what change exactly?

6 MR. RAYMOND OAKES: If this Board or the  
7 Corporation develops a new way of doing things, such as  
8 an attribution model, and it's instituted, how should  
9 that affect all consumers when there is a change?

10 MR. NICOLAS BEAUDOIN: I think the Board  
11 is there to -- it's a matter of public policy. I think  
12 the -- the Board is there to ensure that consumers are  
13 treated fairly.

14 In -- in that -- in that sense, I think  
15 our report goes -- it goes in that way. Our conclusions  
16 go in that way, and, to be fair, we believe that these  
17 are the same types of accidents, whether involving  
18 pedestrians, cyclists or -- or wildlife, and -- and we  
19 believe that the Board will make the -- the right  
20 decision.

21 MR. RAYMOND OAKES: When we talk about  
22 the issue of consistency and fairness and whether a  
23 change involves a detrimental effect on a class of  
24 consumers, could -- in that context, can you talk about  
25 what the effect would be of the Board including or

1 ordering the wildlife livestock losses to be included in  
2 the allocation model that was instituted in terms of its  
3 effect on both motorcycles and private passenger rates  
4 going forward?

5 MR. NICOLAS BEAUDOIN: Well, given that  
6 the effect on rates to private passenger is -- is  
7 practically nil, it's -- it would be .2 percent from what  
8 has been projected by MPI and seeked (sic) for, and it  
9 would be, you know, a negative 9.4 percent for  
10 motorcycles.

11 I don't see how the consumers would see  
12 this as a neg -- a negative impact. It would be a  
13 positive impact and consistent with what's being done for  
14 other types of SVAs.

15 MR. RAYMOND OAKES: Mr. Beaudoin, I have  
16 in front of me the Board Order 97/05, and I'm just going  
17 to look at page 52 of that Board order. It talks about  
18 at page 52 as to testing the new model. And when it says  
19 "new model," it means this rate -- this fault allocation  
20 model that was developed and commenced in the 2007/08  
21 insurance year.

22 The Board Order reads:

23 "As to testing the new model against  
24 the Board's established criteria, the  
25 Board notes, Criteria 1, will a premium

1 system based on this claims cost  
2 approach be actuarially sound and  
3 statistically based."

4 I would ask you, sir, based on the  
5 conclusions expressed in your report, would the inclusion  
6 of wildlife and livestock losses in that claims cost  
7 allocation be actuarially sound, statistically based?

8 MR. NICOLAS BEAUDOIN: Absolutely.

9 MR. RAYMOND OAKES: I would ask -- the  
10 next criteria at the following page by the Board,  
11 Criteria 2:

12 "Is this model fair?"

13 Can you comment on that?

14 MR. NICOLAS BEAUDOIN: We think that  
15 including wildlife in Rule -- Rule 1(b) of Public Or --  
16 PUB Order number 97/05, you know, based on the -- what we  
17 perceive as being an inconsistency in treating those  
18 types of accidents, would definitely be a fair -- a fair  
19 cost allocation between the different types of vehicles.

20 MR. RAYMOND OAKES: And, Mr. Beaudoin,  
21 I'm sure learned counsel in this room will have some  
22 questions for you concerning the issue of inherent risk  
23 of driving vehicles. And, at Criteria 2 that we've just  
24 referred to, the Board talks about the inherent risk of  
25 driving vehicles, both in terms of damage suffered by and

1 damage inflicted on others.

2 The paragraph at the end of Criteria 2  
3 reads as follows.

4 "Size of the vehicle will no longer be  
5 the determining factor in allocating  
6 costs. The owners and operators of all  
7 vehicle types will be treated the same  
8 in a multi- vehicle accident no matter  
9 what type of vehicles are involved."

10 Can you comment on that in relation to the  
11 issue we've been discussing?

12 MR. NICOLAS BEAUDOIN: Well, it's han --  
13 it's hard for me to comment on how the decision was --  
14 you know, I -- I do have the PUB 97/05, but how exactly  
15 the Rule 1(b) came about and why was wildlife excluded  
16 from that rule. That being said, you know, reading that  
17 paragraph, I don't think that motorcycles should be  
18 discriminated against considering that they're driving --  
19 they're riding a smaller type of vehicle that may be  
20 hitting significantly, not more weight, but a significant  
21 body of weight on a roadway, such as a deer, compared to  
22 a car, for example.

23 MR. RAYMOND OAKES: Do you understand  
24 that loss transfer and the fault allocation system that  
25 this Board ordered deals with the concerns that very

1 large vehicles often have a detrimental effect on smaller  
2 vehicles. And the model that was introduced by this  
3 Board, as demonstrated by the paragraph I just read to  
4 you, deals with that issue in an attempt to -- to make  
5 things right?

6 MR. NICOLAS BEAUDOIN: Correct.

7 MR. RAYMOND OAKES: The next criteria may  
8 not -- well, I'll read it to you:

9 "Can this approach provide for fewer  
10 and less accidents?"

11 The Board responded:

12 "The bonus-malus system will continue  
13 to operate as the main mechanism by  
14 which to affect driver behaviour."

15 I don't think there's any comment on that

16 --

17 MR. NICOLAS BEAUDOIN: No.

18 MR. RAYMOND OAKES: -- in this.

19 Criteria 4:

20 "Is the system administratively  
21 feasible?"

22 The -- and I'll read the answer of the  
23 Board:

24 "The Board believes this approach  
25 limited at least initially to PIPP

1 benefits, will be as administratively  
2 feasible as a full loss transfer scheme  
3 would have been."

4 In brackets:

5 "MPI testified to this effect at the  
6 special hearing."

7 Can you advise whether the introduction of  
8 wildlife and livestock losses to the claims cost  
9 allocation model would be administratively feasible?

10 MR. NICOLAS BEAUDOIN: I think it would  
11 be feasible. Not only that, but MPI has already crunched  
12 all the numbers, so it just indicates that, in terms of  
13 the pricing methodology, the numbers are already there,  
14 so I don't -- I don't see -- my understanding is, I don't  
15 see that it would be anything difficult on the  
16 administrative side to include wildlife in that rule.

17 MR. RAYMOND OAKES: The next one is  
18 Criteria 5:

19 "Will the system be comparable to  
20 approaches in other jurisdictions?"

21 And the Board says:

22 "The Board believes this approach is  
23 not directly comparable to any other  
24 model in place in any other Canadian  
25 jurisdiction. It may be a unique,



1           made-in-Manitoba approach, but one  
2           which will hopefully address the  
3           inadequacies of not only MPI's current  
4           approach, but the weakness in models  
5           from other jurisdictions."

6           Can you comment on that?

7           MR. NICOLAS BEAUDOIN:    In terms of the  
8           single vehicle accident rule, if -- if we look at -- in  
9           Quebec, Quebec has a -- is the only other province that  
10          really has a true no-fault just like Manitoba has.  Very  
11          comparable.  And in terms of -- in terms of SVAs, we  
12          don't have any indications as to -- if they -- if they do  
13          allocate, you know, with a rule of 50 per -- 50/50, for  
14          example.  But we do -- we do know that what they do on a  
15          per-claim basis is any claim that's in excess of \$1  
16          million, the excess dollars, whether it's an accident  
17          involving one (1) vehicle or -- or multiple vehicles, the  
18          dollars get allocated to all vehicle categories on a pro  
19          rata basis.

20                 So what that does is, I mean, for example,  
21          if you have a \$2 million SVA involving a -- a motorcycle  
22          and -- and a deer, for example, the million dollar -- I  
23          should say 2.5 million, let's say, and the \$1.5 million  
24          in excess of 1 million would be allocated to -- pro rata  
25          to all vehicle categories.  Motorcycles retain only \$1

1 million per claim.

2                   Obviously, motorcycles are in a much  
3 larger number in the province of Quebec. I don't have  
4 the numbers in front of me, but I think it's over a  
5 hundred and fifty thousand (150,000) vehicles compared to  
6 twelve thousand (12,000) in Manitoba.

7                   So, in terms of other jurisdiction, a lot  
8 of the jurisdictions are -- are either running a -- a  
9 fault or a tort system. We talk about the Atlantic and -  
10 - and BC, for example.

11                   In Ontario, it's a -- it's a private  
12 system. They do have a loss transfer system in place,  
13 and I think you're all aware of that, when there's multi-  
14 vehicles -- for example, a motorcycle and a car involved  
15 in an accident. In terms of SVAs, you know, it's up to  
16 each -- each insurer to apply their own methodology.  
17 There's nothing to us -- to indicate to us that there's a  
18 rule applied for SVAs in Ontario, but there's definitely  
19 something -- in the most comparable jurisdiction of  
20 Quebec, there's something being done in that matter.

21                   MR. RAYMOND OAKES:   Just breaking down  
22 Criteria 5 a little further, if I might, with you, Mr.  
23 Beaudoin, would you agree that the fault allocation  
24 methodology that was ordered by the Board was a unique  
25 Manitoba -- made-in-Manitoba approach?

1 MR. NICOLAS BEAUDOIN: Yes.

2 MR. RAYMOND OAKES: And would you agree  
3 that it addressed inadequacies of MPI's approach prior to  
4 that time?

5 MR. NICOLAS BEAUDOIN: Yes. In large  
6 part, yeah.

7 MR. RAYMOND OAKES: Would you also agree  
8 it addressed weaknesses in models from other  
9 jurisdictions?

10 MR. NICOLAS BEAUDOIN: You know, I think  
11 -- I think each jurisdiction has its own system. It is  
12 unique in -- in Manitoba.

13 But, for example, in the tort system what  
14 -- what they have in the Atlantic regions, they do have  
15 some form of -- of a way to recover those costs, and what  
16 -- what happened when Manitoba moved to a no-fault, is  
17 there -- there was a move -- a movement of costs from  
18 private passenger auto to motorcycles, and I think the  
19 rules that have been put in place have, you know,  
20 corrected that to -- to a fairly significant extent.

21 In -- in other provinces, you don't have  
22 that issue, or they did -- they did pursue other methods,  
23 which are actuarially sound to us as well, such as in  
24 Quebec, the Quebec province.

25 MR. RAYMOND OAKES: Would the -- would a

1 Board order including wildlife and wild -- and livestock  
2 collision costs in the claims cost attribution model, in  
3 your opinion, deal with one (1) of the remaining  
4 inadequacies of the current approach?

5 MR. NICOLAS BEAUDOIN: Yes. Again, going  
6 back to our view and understanding of these types of  
7 accident, you know, we believe that they should have been  
8 considered in the first place in -- in the PUB 97/05, in  
9 Rule 1(b) for allocating PIPP costs, so in our view it  
10 would definitely address that -- that issue.

11 MR. RAYMOND OAKES: The next criteria is  
12 Criteria 6, at page 54.

13 "Will the approach be acceptable to the  
14 majority of MPI's policy holders?"

15 Can you comment -- can you comment on  
16 that, sir?

17 MR. NICOLAS BEAUDOIN: Yes. I think it  
18 goes back to my comment previously on how it would be  
19 perceived by -- by consumers and policyholders. Again,  
20 the impact on private passenger auto, the -- the main --  
21 the main -- by far the main category of vehicles is --  
22 is, you know, close to insignificant; it's .2 percent.

23 And then for motorcycles, you -- you have  
24 a positive impact there affecting a very small first --  
25 fairly small body of motorists.

1                   MR. RAYMOND OAKES:    And can you comment  
2 generally on what the actuarial guidelines would be when  
3 moving from a tort system to a no-fault system, and the  
4 affect on its ratepayers and consumers, generally.

5                   MR. NICOLAS BEAUDOIN:   If -- that has  
6 been documented quite in -- in length in our 2005 report  
7 on the effect of moving to a -- a no-fault system, and  
8 what was in place in other jurisdiction, for example in  
9 Ontario.  There's definitely a movement of -- of costs  
10 from private passenger auto to motorcycle when -- when  
11 that occurs.

12                   I don't know if you want me to; I could  
13 provide maybe an example.

14

15   (BRIEF PAUSE)

16

17                   MR. NICOLAS BEAUDOIN:   So, for example,  
18 if we assume it's an accident involving a motorcycle and  
19 a private passenger automobile, in which the PIPP costs  
20 incurred by the motorcyclist are five hundred thousand  
21 dollars (\$500,000), and the PIPP costs incurred by the  
22 automobile driver are two hundred and fifty dol --  
23 thousand dollars (\$250,000), then the motorcyclist is --  
24 is deemed to be, let's say, 35 percent responsible for  
25 the accident.

1 I'm saying 35 percent because MPI actually  
2 publishes on its website that on average, in multi-  
3 vehicle accidents, motorcycles are 31 percent  
4 responsible, so if we round it up to 35 percent, under  
5 tort a motorcyclist would be attributed, you know,  
6 roughly two hundred and sixty thousand dollars (\$260,000)  
7 of the seven hundred and fifty thousand dollars  
8 (\$750,000) of total PIPP costs or -- or four hundred and  
9 eighty -- eighty- seven thousand five hundred (487,500)  
10 would be attributed to the private passenger category.

11 Under the current allocation system MPI  
12 allocates losses on a 50/50 basis, so motorcycles would  
13 be allocated three seventy-five thousand (375,000), in  
14 automobile, three hundred seventy-five (375), so in -- in  
15 comparison, under tort, you go from two hundred and sixty  
16 thousand (260,000) to three hundred and seventy-five  
17 thousand (375,000) for motorcyclists.

18 So in -- in -- on average, if we look at  
19 the -- the movement from a tort system to a no fault,  
20 which is well documented in our 2004 report, sorry, I  
21 said 2005 earlier, but 2004 report that presented in 2005  
22 to the Public Utility Board, there is a movement from  
23 motorcy -- from private passenger vehicles to  
24 motorcyclists in terms of cost allocation.

25 MR. RAYMOND OAKES: And when a massive

1 change like that is made is there a requirement in public  
2 policy for fairness and consistency?

3 MR. NICOLAS BEAUDOIN: Well, to be fair,  
4 we believe that a movement -- a change in the system  
5 should not lead to a transfer of cost between different  
6 categories of vehicles and penalize one (1) while  
7 basically giving the other the majority of the benefits  
8 from a change in the system.

9 MR. RAYMOND OAKES: And is that in fact  
10 what is occurring with respect to the failure to have  
11 wildlife and livestock collision claims included in the  
12 claims allocation model?

13 MR. NICOLAS BEAUDOIN: The wildlife issue  
14 is -- you know, it's -- it's not really an issue of  
15 moving from a tort to a no-fault in our view. It's  
16 really a matter again of the -- the rule that was put in  
17 place by the Utility Board that we see as being  
18 inconsistent with the way pedestrians and cyclists are --  
19 are -- SVAs in -- involving those two (2) types of bodies  
20 are treated, so we think that there's an inconsistency  
21 there.

22 MR. RAYMOND OAKES: Thank you, Mr.  
23 Beaudoin. We've had some discussions relative to one (1)  
24 of the facts contained in AI.12.A which said that ten  
25 (10) motorcycle claims a year cause more than 50 percent

1 of the incurred losses. Are you familiar with that, sir?

2 MR. NICOLAS BEAUDOIN: Yes, I am.

3 MR. RAYMOND OAKES: And with respect to  
4 that phenomenon, would you expect that there could be  
5 various actuarially-sound methods of dealing with that  
6 issue?

7 MR. NICOLAS BEAUDOIN: Yes.

8 MR. RAYMOND OAKES: And can you elaborate  
9 on what some possible actuarially sound methodologies  
10 might involve?

11 MR. NICOLAS BEAUDOIN: Well, one (1) way  
12 is with -- I outlined in terms of the Quebec region, what  
13 they do is they do redistribute losses in excess of a  
14 million to all -- to all vehicles. My understanding of  
15 what MPI does, based on discussions with Mr. Palmer, is  
16 that losses in excess of five hundred thousand (500,000)  
17 are averaged out over ten (10) years. So, on average,  
18 motorcycles incur ten (10) claims per year and -- and  
19 that are large claims and that account for 50 percent of  
20 the losses.

21 You know, we believe that's a fair and  
22 reasonable way of -- of dealing with those losses over  
23 ten (10) years. We believe that it smooths out those  
24 losses. Now, there's a -- there's a decision that has to  
25 be made and -- and -- by the -- by the Board as to should



1 those losses be allocated to other -- other vehicle  
2 types.

3                   There's always some -- in -- in pricing  
4 auto insurance or other types of insurance there's  
5 usually a capping done at a certain level to diminish the  
6 impact of volatility of those large and infrequent  
7 losses. But other -- other methods would be to -- you  
8 know, to -- if you look at insurers that buy reinsurance,  
9 they will, you know, retain a million dollars of their  
10 losses, for example. By reinsurance on the excess they  
11 may redistribute that reinsurance cost to the various  
12 types of vehicles, or various insurance that they have in  
13 their pool.

14                   The other items that has to be considered,  
15 too, is in MPI's methodology. They -- they do use a  
16 credibility factor when they -- when they calculate the  
17 rate indication.

18                   So they calculate the rate indication  
19 based on the motorcycles. If we look at motorcycles  
20 only, for example, they calculate the rate indication  
21 based on the motorcycle's data, and they will credibility  
22 weight that indication with the overall indication.

23                   So they look at the overall vehicles --  
24 all vehicles combined indication, and the credibility  
25 method that they use is -- again, it's -- it's sound,

1 actuarially sound. It's been used in other -- in -- in  
2 other fields. It's extensively used in -- in auto. They  
3 basically use that -- they look at the number of vehicles  
4 in -- in each category, and they determine how  
5 significant would be the -- how -- how statistically  
6 significant would be the indication in each category.

7           And in reaching in -- in establishing the  
8 assumptions in the credibility formula, they target to  
9 have the rate indication for private passenger to be  
10 credibility weight, and 99 percent -- at least 99 percent  
11 based on its own indication, and 1 percent or less based  
12 on the overall indication.

13           And based on that, they determine what it  
14 would be for other classes. The result is 68 percent  
15 credibility factor for motorcyclists.

16           Again, we believe that both the formula  
17 and the assumptions over the formula are -- are valid,  
18 but there is definitely usually a method of allocating  
19 the -- the excess losses, which MPI does address  
20 reasonably well.

21           MR. RAYMOND OAKES:   How is it addressed  
22 in Quebec?

23           MR. NICOLAS BEAUDOIN:   In Quebec, again,  
24 in excess of \$1 million losses are allocated -- I'm  
25 talking about a per event here, so one (1) accident that

1 would have a total cost in excess of \$1 million would be  
2 allocated for pricing purposes to all vehicle categories  
3 on a pro rata basis. The losses less than \$1 million  
4 would be allocated to the motorcycle group,  
5 notwithstanding that if there's a multi-vehicle accident,  
6 they do allocate losses equally between the different  
7 groups.

8                   So under that \$1 million, it would be a  
9 50/50 allocation to different types of vehicles involved  
10 in the accident.

11                   They do have another cap in place of two  
12 hundred and fifty thousand dollars (\$250,000), which is  
13 subsequent to the per event and per type of vehicle --  
14 per major class of vehicle allocation.

15                   That second cap of two hundred and fifty  
16 thousand dollars (\$250,000) is used to determine the  
17 relativities -- different group relativities in place in  
18 the rating system to diminish again the impact of any one  
19 (1) claim on the -- on the relativities.

20                   MR. RAYMOND OAKES: Thank you. Mr.  
21 Chairman, that completes the direct examination. Mr.  
22 Beaudoin would be available for cross-examination in the  
23 ordinary course, and ask that, of course, the report be  
24 taken as read.

25                   THE CHAIRPERSON: Thank you, sir. Ms.

1 Kalinowsky, do you have cross-examination of this  
2 witness?

3 MS. KATHY KALINOWSKY: Yes, I do.

4

5 (BRIEF PAUSE)

6

7 CROSS-EXAMINATION BY MS. KATHY KALINOWSKY:

8 MS. KATHY KALINOWSKY: Good morning, Mr.  
9 Beaudoin. I'm Kathy Kalinowsky. I'm general counsel for  
10 Manitoba Public Insurance, and I have a number of  
11 questions for you this morning.

12 One (1) of the first questions we have is  
13 a bit of a matter of housekeeping, but in one (1) of the  
14 in -- Information Requests posed by the -- posed to CMMG,  
15 we had requested a copy of your engagement letter.

16 Can you produce one (1), please?

17 MR. NICOLAS BEAUDOIN: Yeah, it's -- we  
18 could -- we could definitely file one (1). At -- at the  
19 time, I was -- Michel wasn't in -- in town, so I want to  
20 discuss that matter with him before I -- I did send you  
21 the letter. But no problem, we'll do that, yeah.

22

23 --- UNDERTAKING NO. 35: Mr. Beaudoin to produce a  
24 copy of his engagement letter

25

1 CONTINUED BY MS. KATHY KALINOWSKY:

2 MS. KATHY KALINOWSKY: Thank you. And  
3 I'd like to turn to your report and, from your report,  
4 I'm going to try and focus on what -- what you were asked  
5 to do on behalf of CMMG.

6 But looking at the -- the report that's  
7 filed -- and you partially went over this with Mr. Oakes  
8 in the direct examination earlier on -- but you were to  
9 review the current loss allocation system used by MPI in  
10 regards to single vehicle accidents involving wildlife or  
11 livestock, is that correct?

12 MR. NICOLAS BEAUDOIN: Correct.

13 MS. KATHY KALINOWSKY: And looking at the  
14 various mechanism formulas in place in other  
15 jurisdictions?

16 MR. NICOLAS BEAUDOIN: That's correct.

17 MS. KATHY KALINOWSKY: And ultimately,  
18 was -- what was produced was this letter dated September  
19 16th, 2010?

20 MR. NICOLAS BEAUDOIN: Yes.

21 MS. KATHY KALINOWSKY: Now, I'd like to  
22 file an -- two (2) exhibits right now, if I could. They  
23 are the Actuarial Standards of Practice.

24

25 (BRIEF PAUSE)

1 MS. KATHY KALINOWSKY: And I believe  
2 yesterday the final exhibit marked from MPI was Exhibit  
3 Number 28, so I would recommend that the final Standards  
4 of Practice, General Standards, be marked as MPI Exhibit  
5 29, and the final, final Standards of Practice, specific  
6 standards for actuarial evidence, be marked as MPI  
7 Exhibit Number 30, if that's all right with the Board.

8 THE CHAIRPERSON: Yes, it is.

9

10 --- EXHIBIT NO. MPI-29: Final Standards of Practice:  
11 general standards

12

13 --- EXHIBIT NO. MPI-30: Final Standards of Practice:  
14 specific standards for  
15 actuarial evidence

16

17 MS. KATHY KALINOWSKY: And I would like  
18 to say that the Standards of Practice is actually fairly  
19 thick, and I took out the middle portion of it, because  
20 that wasn't particularly relevant to the direct -- or the  
21 cross-examination. I hope that's all right.

22

23 (BRIEF PAUSE)

24

25 CONTINUED BY MS. KATHY KALINOWSKY:

1 MS. KATHY KALINOWSKY: Mr. Beaudoin, as  
2 an actuary, you'd be familiar with these two (2)  
3 standards, of course?

4 MR. NICOLAS BEAUDOIN: Yes.

5 MS. KATHY KALINOWSKY: And is -- is --  
6 the report that you wrote on September 16th, 2010, is  
7 that a report as per the Actuarial Standards of Practice?

8 MR. NICOLAS BEAUDOIN: Yes.

9 MS. KATHY KALINOWSKY: And if I look at  
10 page 1006, item number -- or standard number 1110.42,  
11 you'd -- you'd see a definition of report there. Are you  
12 -- are you following that, sir?

13 MR. NICOLAS BEAUDOIN: Yes.

14 MS. KATHY KALINOWSKY: And report is an  
15 actuary's oral or written communication to users about  
16 his or her work.

17 Is that correct?

18 MR. NICOLAS BEAUDOIN: Correct.

19

20 (BRIEF PAUSE)

21

22 MS. KATHY KALINOWSKY: And if you flip  
23 forward in that report to the section under "reporting"  
24 which starts at page 1,070.

25 MR. NICOLAS BEAUDOIN: Sorry, 1,070?

1 Which page -- page number at the bottom?

2 MS. KATHY KALINOWSKY: It's page 1,070,  
3 Standard number 1810.01, "reporting."

4 MR. NICOLAS BEAUDOIN: Yes.

5 MS. KATHY KALINOWSKY: And that's a whole  
6 section on reporting. And if you look down to point zero  
7 five (.05) it says:

8 "There's a skeletal structure of  
9 standard reporting language."

10 Do you see that?

11 MR. NICOLAS BEAUDOIN: Correct.

12 MS. KATHY KALINOWSKY: And it says that,  
13 under the "scope" paragraph, which is -- describes the  
14 work and its purpose, and says that:

15 "The work is done in accordance with  
16 accepted actuarial practice in Canada  
17 in a usual situation."

18 Do you see that?

19 MR. NICOLAS BEAUDOIN: Yes.

20

21 (BRIEF PAUSE)

22

23 MS. KATHY KALINOWSKY: And if you flip  
24 the page over to eighteen twenty (1820), so that's page  
25 number 1,871 but Standard 1820.1.





1 don't specifically write it in our report, that's  
2 correct. It has been followed. We've been following  
3 generally accepted practice.

4 MS. KATHY KALINOWSKY: And if you look at  
5 the reporting requirements on page 1,070 under the  
6 "Standard Reporting Language" it says that there's an  
7 opinion paragraph which reports the actuary's opinion.

8 Is that correct?

9 MR. NICOLAS BEAUDOIN: Correct. If I may  
10 just add, you know, this -- this was not a report per se.  
11 It's an letter outlining our review of certain subjects,  
12 so in terms of having the exact sections of what's  
13 included in -- in a proper report, including an opinion,  
14 an opinion is generally only stated in -- put in  
15 actuary's report, for example, in valuations or -- or  
16 DCATs, dynamic capital adequacy testing. That's why  
17 you're not seeing exactly the same all -- all of the  
18 different items in our letter.

19 MS. KATHY KALINOWSKY: Well, maybe you  
20 can help me with this then, Mr. Beaudoin, as I work  
21 through the standards with which -- with -- you're much  
22 more familiar than I am. But if I look back on page  
23 1,007, there's an item there which is -- or def --  
24 defined term, which is "work". That's page 1,007.

25 MR. NICOLAS BEAUDOIN: Yes.

1 MS. KATHY KALINOWSKY: "Work" -- "work"  
2 means the actuaries work within the domain of actuarial  
3 practice.

4 Now, you've said that this is within the  
5 domain of actuarial practice, right?

6 MR. NICOLAS BEAUDOIN: Correct.

7 MS. KATHY KALINOWSKY: And usually  
8 includes -- and there's a number of things there, and one  
9 (1) of them is "reporting".

10 MR. NICOLAS BEAUDOIN: Correct.

11 MS. KATHY KALINOWSKY: And you've already  
12 dis -- said that this is a report which is an actuary's  
13 oral or written communication to users about his or her  
14 work?

15 MR. NICOLAS BEAUDOIN: Correct. In that  
16 sense, yeah.

17 MS. KATHY KALINOWSKY: So is it a report,  
18 or is it a letter?

19 MR. NICOLAS BEAUDOIN: I'd like to call  
20 it a "letter report," but it -- no, definitely we're  
21 reporting on something.

22 It is not a standard report in -- along  
23 the lines of what you would see in a valuation report, or  
24 in -- in a -- in a dynamic capital adequacy testing  
25 report, for example.

1 (BRIEF PAUSE)

2

3 MS. KATHY KALINOWSKY: Okay. Well, we --  
4 we left off when we were talking about the opinion.

5 Were you asked to provide an opinion? And  
6 -- and the reason I ask this is because in the scope of  
7 the work that was set out at the first page that we've  
8 already talked about, it states that you were asked to  
9 review and summarize the findings of the review.

10

11 (BRIEF PAUSE)

12

13 MR. NICOLAS BEAUDOIN: We were definitely  
14 asked to comment on the methodology used by MPI, and the  
15 rules that are in place for attributing loss costs  
16 between the different types of vehicles.

17 And this is exactly what we did, so.

18 MS. KATHY KALINOWSKY: Did you provide an  
19 opinion?

20 MR. NICOLAS BEAUDOIN: There was no  
21 standard opinion provided in the letter. We did -- we  
22 did provide our view of what was being done.

23 If you want to call it an opinion -- I  
24 don't want to call it an opinion just because there's a -  
25 - there's a difference between an opinion -- assigned

1 opinion in an actual report, and an opinion or  
2 recommendation that you would provide in another type of  
3 -- of report.

4 MS. KATHY KALINOWSKY: You -- you  
5 mentioned that it's a -- an opinion has to be signed.  
6 Well, you've signed this document, haven't you, Mr.  
7 Beaudoin?

8 And indeed you've signed it as Nicolas  
9 Beaudoin, a consulting actuary, on page 8.

10 MR. NICOLAS BEAUDOIN: Correct.

11

12 (BRIEF PAUSE)

13

14 MR. NICOLAS BEAUDOIN: I'm sorry, can you  
15 -- can --

16 MS. KATHY KALINOWSKY: So -- so it's not  
17 a -- so summarize then. Just help me along with this  
18 then.

19 It's not a report? It's not an opinion  
20 from an actuary?

21 MR. NICOLAS BEAUDOIN: You could -- yeah,  
22 you could call it a report, definitely. We drafted it as  
23 a letter with -- you know, there's no specific reco --  
24 recommendation. We're commenting on our view of how --  
25 how it's being treated at -- on MPI's side, and how it's

1 being treated in other jurisdiction.

2 This is certainly not a standard report,  
3 again, that you would see in a valuation, or dynamic  
4 capital adequacy testing. We're not providing an opinion  
5 for -- for the regulator, or on specific issues that are  
6 required by law, for example.

7 You know, you could call it an opinion if  
8 we say, "In our opinion, there's an inconsistency in  
9 treating pedestrian cyclists, and -- and wildlife."

10 You know, we don't -- we necessarily -- we  
11 don't necessarily have those sections that you outlined  
12 in -- in page -- on page 1820.01, page 1071 of the actual  
13 Standards of Practice.

14 I guess that's -- that's all I have to say  
15 about -- about this.

16 MS. KATHY KALINOWSKY: Okay. Well,  
17 getting to the opinion part still, if you look -- look  
18 forward to page 1075, under, "Opinion" there, point  
19 twenty-seven (.27).

20 Do you have that?

21

22 (BRIEF PAUSE)

23

24 MR. NICOLAS BEAUDOIN: Yes.

25 MS. KATHY KALINOWSKY: So it states

1 there:

2 "In giving an opinion, the actuary  
3 would be begin, [quote] 'in my  
4 opinion,' [closed quotes] which is a  
5 signal that he or she is giving a  
6 formal professional opinion on a manner  
7 within the domain of actuarial  
8 practice."

9 You don't have that in this document, do  
10 you?

11 MR. NICOLAS BEAUDOIN: No.

12 MS. KATHY KALINOWSKY: Now, just -- just  
13 a little bit of a curiosity here that maybe you can help  
14 me with, but you mention then -- on page 8 it's signed by  
15 yourself and a consulting actuary, but why no  
16 professional designation, initials, after the name?

17 I -- usually when say, for instance, Mr.  
18 Johnston in the back row signs something as an actuary,  
19 it has -- I think it's FCIA FCAS, as does Mr. Palmer.  
20 Yours doesn't have that, and...

21 MR. NICOLAS BEAUDOIN: Again, I -- again,  
22 that -- that's a question of how standard a report is.  
23 If we were writing a specific opinion, an opinionated  
24 valuation report, it would definitely be there. I -- I  
25 think I could have added those letters there. There's --

1 and I -- I don't have an answer for you as to why it's  
2 not there or why -- you know. My qualifications are --  
3 are known to this audience.

4

5

(BRIEF PAUSE)

6

7

MS. KATHY KALINOWSKY: And, of course, in  
8 the standards it says on page 1,076 that:

9

10

11

12

"For work in Canada, the actuary would  
usually identify himself or herself  
simply as Fellow Canadian Institute of  
Actuaries, FCIA."

13

14

15

Or in your case, also, "The actuary's  
other professional qualifications," which are, I believe,  
Fellow of the Casualty Actuarial Society.

16

Is that right?

17

MR. NICOLAS BEAUDOIN: Correct.

18

19

20

MS. KATHY KALINOWSKY: Can you give me an  
approximation as to how many hours were spent preparing  
this report, including the research that went into it?

21

22

23

24

25

MR. NICOLAS BEAUDOIN: We did spend quite  
a bit of time on this just because we had to review the  
binders, the CD, all the rounds of questions, reply to  
each of yous (sic) rounds of questions. In terms of man-  
time, it was prob -- at -- at -- over sixty (60) hours.



1 MS. KATHY KALINOWSKY: Looking at page 1  
2 of your report, and particularly the second paragraph,  
3 and it states:

4 "Our review focusses on the impact of  
5 the attribution models."

6 Is that correct?

7 And I've just kind of circled the word  
8 "impact".

9 MR. NICOLAS BEAUDOIN: Correct.

10 MS. KATHY KALINOWSKY: So would you say  
11 that it's result oriented?

12 MR. NICOLAS BEAUDOIN: In -- I guess in  
13 rereading that sentence, it isn't -- I don't think our  
14 report was -- if I reread it again, it's not result  
15 oriented.

16 We did -- you know, there's probably only  
17 a few, one (1) or two (2) paragraphs, that outline the  
18 impact of the current rules. For example, if you look on  
19 page 3, the last -- second last paragraph where we talk  
20 about the -- how it's dealt with in terms of injuries  
21 involving pedestrians and cyclists, the amounts there,  
22 you know, that -- that's one (1) part. The second part  
23 is on -- probably on page 4, we -- we outline the results  
24 of inv -- invol -- including wildlife in the same -- in  
25 the same rules for -- in -- in the same -- in the same

1 way as it's done for cyclists and pedestrians.

2 Our other views really were based on  
3 what's being done in other jurisdictions, and our view of  
4 -- you know, does it -- does it compare to accidents  
5 involving pedestrians and -- and cyclists, and should it  
6 have been dealt with in the same manner for wildlife.

7 MS. KATHY KALINOWSKY: Thank you for  
8 that. Are you here as an advocate for CMMG?

9 MR. NICOLAS BEAUDOIN: I'm here as -- as  
10 an expert testimony, independently reporting on the  
11 various items outlined in our report, whether pooling of  
12 single-vehicle accidents involving wildlife should be  
13 revised.

14 MS. KATHY KALINOWSKY: Do you have any  
15 experience in the rate making for motorcycle/wildlife  
16 claims?

17 MR. NICOLAS BEAUDOIN: I have experience  
18 in rate making for motorcycles in terms of wildlife, not  
19 specifically wildlife.

20 MS. KATHY KALINOWSKY: So you're not a  
21 specialist or an expert in wildlife claims?

22 MR. NICOLAS BEAUDOIN: No.

23 MS. KATHY KALINOWSKY: I'm going to run  
24 through a number of scenarios here on loss attribution,  
25 and -- but I'll ask you to perhaps agree that, with what

1 MPI is doing right now, as per Order 97/05 -- and I think  
2 you've already alluded to this in the direct examination  
3 -- that the loss attribution rule of assigning 50/50  
4 split between a car and a motorcycle, when they're in an  
5 MVA, that's what currently happens now?

6 MR. NICOLAS BEAUDOIN: You're talking  
7 about a multi-vehicle --

8 MS. KATHY KALINOWSKY: Yes.

9 MR. NICOLAS BEAUDOIN: -- accident?

10 MS. KATHY KALINOWSKY: A car hits a  
11 motorcycle, a motorcycle hits a car.

12 MR. NICOLAS BEAUDOIN: Correct. That's  
13 our understanding of the rule.

14 MS. KATHY KALINOWSKY: And -- and you're  
15 not seeking to change that rule?

16 MR. NICOLAS BEAUDOIN: No.

17 MS. KATHY KALINOWSKY: Thanks. And you'd  
18 agree that the current MPI treatment, as per 97/05 for  
19 cars in single-vehicle accidents, that the loss costs are  
20 to be attributed to that one (1) class of vehicle?

21 MR. NICOLAS BEAUDOIN: Can you repeat  
22 that, please?

23 MS. KATHY KALINOWSKY: Sure, of course.  
24 You'd agree that the current treatment of MPI, as per  
25 97/05, is that for cars involved in single-vehicle

1 accidents, the loss costs are to be attributed to that  
2 class of vehicle?

3 MR. NICOLAS BEAUDOIN: You're saying two  
4 (2) private passenger vehicles, or you're saying one (1)  
5 vehicle?

6 MS. KATHY KALINOWSKY: No. It's -- it's  
7 one (1) car in one (1) single-vehicle accident. All the  
8 loss costs get attributed to that one (1) car?

9 MR. NICOLAS BEAUDOIN: No. It's -- if  
10 you look at 1(b) on our page 2, one (1) or more MPI-  
11 insured vehicles.

12 MS. KATHY KALINOWSKY: And you're not  
13 seeking to change that?

14 MR. NICOLAS BEAUDOIN: We're not seeking  
15 to change that. We just feel that it's -- it's  
16 incomplete, and it should probably include wildlife and -  
17 - and livestock in the definition of Rule 1(b), yeah.

18 MS. KATHY KALINOWSKY: For a motorcycle  
19 that is involved in a single-vehicle accident -- so we're  
20 talking about the same motorcycle that loses control,  
21 unfortunately, and goes into the ditch and there's some  
22 PIPP injuries because of it. The current loss  
23 attribution rule of MPI is to attribute 100 percent of  
24 the loss cost to the motorcycle class, right?

25 MR. NICOLAS BEAUDOIN: Correct.

1 MS. KATHY KALINOWSKY: For a car that is  
2 involved in a single-vehicle accident with wildlife,  
3 then, the current MPI loss attribution rule is to assign  
4 100 percent of that loss cost to the car class?

5 MR. NICOLAS BEAUDOIN: That's our  
6 understanding, yeah.

7 MS. KATHY KALINOWSKY: And are you  
8 seeking to change that -- for cars, not for motorcycles?

9 MR. NICOLAS BEAUDOIN: If the rule was  
10 revised, then, yeah, it would -- it would affect all  
11 vehicles that -- that are part of an SVA involving  
12 wildlife or livestock.

13 MS. KATHY KALINOWSKY: Okay. I'm -- we  
14 weren't quite sure when we read through your evidence  
15 whether you're just seeking to change it for motorcycles,  
16 or whether you're seeking to change it across all classes  
17 of vehicles.

18 MR. NICOLAS BEAUDOIN: No. It -- it's  
19 really based on -- we think that wildlife has been  
20 omitted from -- from that rule. We don't see why it's  
21 not included.

22

23 (BRIEF PAUSE)

24

25 MS. KATHY KALINOWSKY: So maybe you can

1 help me with this, but what's -- what's the actual  
2 principle, keeping in mind the word "principle", behind  
3 the recommendation for splitting the single vehicle  
4 accident wildlife claims 50 percent to motorcycles, and  
5 50 percent across the fleet?

6 MR. NICOLAS BEAUDOIN: From a natural  
7 perspective, you know, both methods are -- are fair, and  
8 undiscriminatory. The -- the problem that we see is,  
9 again, we see those types of accidents as being the same  
10 as pedestrian and cyclists, and because there isn't a  
11 public policy to attribute claims 50/50, when SVA  
12 involving a vehicle and pedestrians and cyclists, we  
13 believe that it should also follow, based on our  
14 understanding, our visualization, of this type of  
15 accident, that it should be included.

16

17 (BRIEF PAUSE)

18

19 MS. KATHY KALINOWSKY: So maybe you can  
20 help me with this, too. But if pedestrians were to stay  
21 in the same class, then should motorcycles also stay in  
22 the same, or -- or -- sorry, or should the wildlife also  
23 stay in the same class?

24 MR. NICOLAS BEAUDOIN: I'm not sure what  
25 -- what do you mean by, "staying in the same class?"

1 (BRIEF PAUSE)

2

3 MS. KATHY KALINOWSKY: I'm sorry, I was  
4 rather inelegant, and I'll try and rephrase that then.

5 So if the pedestrian loss costs stay in  
6 the same class with the vehicle that was involved in that  
7 single vehicle accident between the pedestrian and the --  
8 and the car, in the wildlife -- why wouldn't the wildlife  
9 costs also stay in the same class?

10 If they stop spreading pedestrian classes  
11 acro -- or pedestrian loss costs across all classes.

12 MR. NICOLAS BEAUDOIN: I'm not -- again  
13 I'm not sure -- I'm not sure what the question is. Not  
14 spreading the pedestrian's losses across all classes.  
15 I'm not...

16

17 (BRIEF PAUSE)

18

19 MS. KATHY KALINOWSKY: I'll come back to  
20 that after a break in the -- in the morning then. I'm  
21 looking at page 6 of your report, and I believe a  
22 sentence was already referred to in the direct by Mr.  
23 Oakes of you early this mor -- this morning.

24 But it's the paragraph just past the  
25 halfway mark, and it says that:

1                   "The nature of motorcycling is such  
2                   that in a collision between a  
3                   motorcycle and wildlife or livestock,  
4                   the motorcyclists will, due to a much  
5                   level -- lower level of protection,  
6                   generally be injured more severely than  
7                   the driver of a car involved in a  
8                   similar accident."

9                   You wrote that?

10                  MR. NICOLAS BEAUDOIN:    Yep.

11                  MS. KATHY KALINOWSKY:    So it sounds  
12                  pretty much that you're saying that motorcycles, with  
13                  their lower level of protection, generally have -- or  
14                  generally have an element that's inherently risky?

15                  MR. NICOLAS BEAUDOIN:    Correct.

16                  MS. KATHY KALINOWSKY:    I'd like to move  
17                  to talk about some motor -- some particular mode --  
18                  motorcycle wildlife costs, and for that you'll need in  
19                  front of you CMMG-1-19 for PIPP costs.

20

21   (BRIEF PAUSE)

22

23

24                  MR. RAYMOND OAKES:    Was that 1-19?

25                  MS. KATHY KALINOWSKY:    Yes, it is.



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(BRIEF PAUSE)

MR. NICOLAS BEAUDOIN:    Yep, I got it.

CONTINUED BY MS. KATHY KALINOWSKY:

MS. KATHY KALINOWSKY:    And it's broken down into physical damage claims, and also injury claims in the two (2) different tables on each page, and which is again broken down per year?

MR. NICOLAS BEAUDOIN:    Yes.

MS. KATHY KALINOWSKY:    And, for instance, there on the page number 2, which is the first page of the attachment, it indicates there that deer have been the prevalent type of single-vehicle accident for motorcycles, with twelve (12) -- with twelve (12) out of the fourteen (14) incurred?

MR. NICOLAS BEAUDOIN:    Yes.

MS. KATHY KALINOWSKY:    And you see there that one (1) of the deer -- one (1) of the deer claims led to costs of -- or is leading to costs of five hundred thousand dollars (\$500,000)?

MR. NICOLAS BEAUDOIN:    Yes.

MS. KATHY KALINOWSKY:    Now, I flip over the page to page number 3, and that has an incident of a

1 rabbit. And the rabbit, for the PIPP costs, are twelve  
2 thousand six hundred and fourteen (12,614). Do you see  
3 that?

4 MR. NICOLAS BEAUDOIN: Yes.

5 MS. KATHY KALINOWSKY: And an additional  
6 six thousand dollars (\$6,000) for the physical damage for  
7 the rabbit --

8 MR. NICOLAS BEAUDOIN: Yes.

9 MS. KATHY KALINOWSKY: -- motorcycle --

10 MR. NICOLAS BEAUDOIN: Yes.

11 MS. KATHY KALINOWSKY: Do you think it'd  
12 be usual for a driver in a car to be injured in a  
13 collision with a rabbit as compared to a motorcyclist?

14 MR. NICOLAS BEAUDOIN: Probably not.

15 MS. KATHY KALINOWSKY: And on page number  
16 4, there's a bird in the column. So that would be a  
17 collision that a motorcyclist had with a bird, and that  
18 led -- there's actually two (2) of them in that  
19 particular year, but one (1) of them led to PIPP costs of  
20 ninety-two thousand dollars (\$92,000).

21 Do you see that?

22 MR. NICOLAS BEAUDOIN: Yes.

23 MS. KATHY KALINOWSKY: And again, would  
24 it be usual for a driver in a car to be injured in a  
25 collision with a beard -- with a bird, sorry -- as

1 compared -- we went through a lot about beer yesterday in  
2 Mr. Williams' cross, but, sorry, I'll start again.

3                   Would it be usual for a driver in a car to  
4 be injured in a collision with a bird as compared to a  
5 motorcyclist?

6                   MR. NICOLAS BEAUDOIN: I can't answer  
7 that. I don't know. I'm not an expert in wildlife and  
8 what the impact of -- I mean, if it hits a windshield or  
9 not.

10                  MS. KATHY KALINOWSKY: Do you think these  
11 loss costs just really underscore the inherent risk of  
12 motorcycles, and perhaps the uniqueness of their loss  
13 costs?

14                  MR. NICOLAS BEAUDOIN: Can you repeat the  
15 beginning of the question?

16                  MS. KATHY KALINOWSKY: Do you think these  
17 loss costs that we've just referred to here of these  
18 wildlife incidents just really underscore the inherent  
19 risk of motorcycles, and also the uniqueness of their  
20 loss costs?

21                  MR. NICOLAS BEAUDOIN: Probably, yeah.

22                  MS. KATHY KALINOWSKY: And I think you've  
23 agreed to this already, but if MPI distributes 50 percent  
24 of motorcycle wildlife PIPP claims to other classes, then  
25 the rates for those other classes would increase to

1 absorb those costs?

2 MR. NICOLAS BEAUDOIN: Slightly, yes.

3 MS. KATHY KALINOWSKY: And indeed --

4 MR. NICOLAS BEAUDOIN: In the same way  
5 the pedestrians and cyclist accidents have increased the  
6 cost for motorcycles.

7 MS. KATHY KALINOWSKY: And indeed, the  
8 financial effect would be a .2 percent increase to all  
9 other cars, trucks, et cetera, in the fleet?

10 MR. NICOLAS BEAUDOIN: To private  
11 passenger auto only.

12 MS. KATHY KALINOWSKY: So given that the  
13 average premium is just under a thousand dollars  
14 (\$1,000), would that be tantamount to asking the other  
15 ratepayers in the province if they really wanted to  
16 donate two dollars (\$2) to a motorcycle wildlife  
17 collision claims fund?

18 MR. NICOLAS BEAUDOIN: I presume not.

19 MS. KATHY KALINOWSKY: Why not?

20 MR. NICOLAS BEAUDOIN: If it would be too  
21 much to ask? Can you repeat the question?

22 MS. KATHY KALINOWSKY: Sorry about that.  
23 I apologize now. The word was "tantamount". But given  
24 that the average premium is just under a thousand dollars  
25 (\$1,000), that would be equivalent to asking -- I used

1 the word "tantamount" before, but equivalent to asking  
2 other ratepayers in the province if they really wanted to  
3 donate two dollars (\$2) to a motorcycle wildlife  
4 collision fund?

5 MR. NICOLAS BEAUDOIN: A collision  
6 wildlife fund?

7 MS. KATHY KALINOWSKY: Okay. To -- I'll  
8 ask the question again. And given that the average  
9 premium is just under a thousand dollars, that would be  
10 equivalent to asking other ratepayers in the province to  
11 donate two dollars (\$2) to absorb the cost of motorcycle  
12 wildlife collisions even though they're not  
13 motorcyclists.

14 MR. NICOLAS BEAUDOIN: It's -- it's -- it  
15 would be a pool, so it would be losses coming from --  
16 also from cars hitting deers and -- and so on. So it is  
17 a pool, so it's not just because of motorcycles. The  
18 pooling would be inclusive of all types of vehicles.  
19 Fifty percent of all losses would be allocated to all  
20 vehicles.

21 MS. KATHY KALINOWSKY: So it's -- given  
22 that the average premium then is about a thou -- just  
23 under a thousand dollars, it's two dollars (\$2) then that  
24 would go into this pool.

25 MR. NICOLAS BEAUDOIN: For a private

1 passenger, the impact of -- including motorcyc --  
2 motorcyc -- sorry, live -- livestock and -- and wildlife  
3 in Rule 1(b) of 97/05, in the case of SVAs, yes, it would  
4 have an impact of a dollar or two (2), like you were  
5 saying, or plus .2 percent on the cost for PPA. I'm not  
6 talking about the overall cost here. Overall costs  
7 obviously would stay the same.

8                   The allocation to motorcycles would be a  
9 minus 9.7 percent.

10                   MS. KATHY KALINOWSKY: So under your  
11 proposed treatment for motorcyclists and others involved  
12 in wildlife claims, some other class has to pay for those  
13 50 percent claims costs that are pooled.

14                   Is that a cross subsidy? Just "yes" or  
15 "no".

16 OBJ               MR. RAYMOND OAKES: I'd object to that  
17 limitation, certainly. My Learned Friend knows better  
18 than that.

19  
20 CONTINUED BY MS. KATHY KALINOWSKY:

21                   MS. KATHY KALINOWSKY: Is that a cross  
22 subsidy?

23                   MR. NICOLAS BEAUDOIN: I mean, it -- it  
24 might be a cross subsidy to the same extent as SVAs  
25 involving pedestrians and cyclists are cross subsidy with

1 a net cost to the motorcyclists.

2 MS. KATHY KALINOWSKY: So that I'm clear  
3 in understanding that you believe wildlife claims costs  
4 should be spread amongst all classes solely because that  
5 is how this jurisdiction has done so in 97/05 to treat  
6 pedestrian and cyclist claims, is that --

7 MR. NICOLAS BEAUDOIN: Correct.

8 MS. KATHY KALINOWSKY: Yeah?

9 MR. NICOLAS BEAUDOIN: Correct.

10 MS. KATHY KALINOWSKY: So then does it  
11 follow from that if the practice of spreading pedestrian  
12 and cyclist claims was to end, then you would not be  
13 arguing to spread wildlife claims across all classes?

14 MR. NICOLAS BEAUDOIN: Again, yeah, it's  
15 -- it's a matter of public policy. We're following what  
16 was done five (5) years ago or four (4) years ago. If --  
17 I -- I don't think we would have an argument. Again, it  
18 -- once a public policy establishes rules to allocate  
19 losses, the actuarial work is done based on that and make  
20 sure that the transfer of -- that -- that the -- the re -  
21 - the transfer of a risk is -- the cost associated with  
22 transfer of risk is fully reflected in the rates, so,  
23 yes.

24 MS. KATHY KALINOWSKY: So really what  
25 you're arguing now is that there was an omission in Board

1 Order 07/05 and perhaps that entire hearing process, and  
2 you're seeking to rectify that omission today.

3 MR. NICOLAS BEAUDOIN: Yeah, I'm -- I'm  
4 assuming it was not even considered based on -- again, on  
5 our view of this type of accidents. We see them as be --  
6 as being similar to -- to hits with pedestrians and --  
7 and cyclists.

8 MS. KATHY KALINOWSKY: Would you agree  
9 that under PIPP, on an overall basis the motorcyclists  
10 get to have far better coverage than under tort on an  
11 overall?

12 MR. NICOLAS BEAUDOIN: That might be  
13 true. I did -- I didn't spend the hours reviewing how --  
14 how it would -- how it would benefit more than other  
15 classes.

16 MS. KATHY KALINOWSKY: Okay. Well, let's  
17 just go through this quickly then. But, on an overall  
18 basis, you've seen that -- in the documentation that 50  
19 percent of motor veh -- motorcycle accidents are single  
20 vehicle accidents. You'd agree with that?

21 MR. NICOLAS BEAUDOIN: That's what the  
22 MPI is reporting. I think it was 45 percent, or close  
23 to, yeah.

24 MS. KATHY KALINOWSKY: Okay, well, and of  
25 -- work with 50 percent then. And of the remaining 50



1 percent, 15 per -- so that would be multi-vehicle  
2 collisions, 15 percent are at fault for the motorcyclist  
3 and 35 percent are at fault for the other driver?

4 MR. NICOLAS BEAUDOIN: I -- if you point  
5 me to the -- the exhibit, I can double-check that, but  
6 I'm...

7 MS. KATHY KALINOWSKY: You'd agree with  
8 that subject to check, and maybe at the break one (1) of  
9 our actuaries can speak to you on that, and --

10 MR. NICOLAS BEAUDOIN: Sure.

11 MS. KATHY KALINOWSKY: So adding together  
12 the 50 percent single vehicle accidents for  
13 motorcyclists, and the 15 percent of motorcyclists that  
14 are at fault, you get 65 percent of motorcyclists which  
15 would receive better benefits then.

16 You would agree? Under PIPP.

17 MR. NICOLAS BEAUDOIN: Again, if I -- if  
18 I can confirm that they do receive better benefits  
19 overall, yeah, that would be true. Yeah.

20 Again, I -- I can't confirm that they are  
21 receiving better benefits unless I -- I do review the...

22

23 (BRIEF PAUSE)

24

25 MS. KATHY KALINOWSKY: Well, I think it's

1 fairly basic without going through AI.3, which indicates  
2 what the tort benefits -- what the tort benefits were  
3 replaced with by PIPP benefits, but in any single-vehicle  
4 accident under a tort system, the accident benefits would  
5 be fairly minimal compared to a comprehensive system of  
6 no-fault.

7 That's all I'm trying to get you to agree  
8 with.

9 MR. NICOLAS BEAUDOIN: Okay. That's  
10 correct, yeah.

11 MS. KATHY KALINOWSKY: Thank you for  
12 that. And are you aware that 85 percent of motorcycle  
13 claims costs are PIPP costs, not physical damage, in  
14 Manitoba?

15 MR. NICOLAS BEAUDOIN: Yes.

16 MS. KATHY KALINOWSKY: And would that be  
17 somewhat similar in Quebec?

18 MR. NICOLAS BEAUDOIN: I -- I don't have  
19 the numbers in Quebec. The -- the problem with Quebec is  
20 the -- the physical damage is a -- is a private part, and  
21 the AB, the accident benefits, are really a public  
22 matter, so.

23 MS. KATHY KALINOWSKY: Yeah, it slipped  
24 my mind.

25 MR. NICOLAS BEAUDOIN: I -- I think -- I

1 think the data would be available if we combine the two  
2 (2), and find out through a -- the -- the Cumar de  
3 Assureur, for example, which is the body that collects  
4 all the statistics for -- for Quebec, but I don't have  
5 the --

6 MS. KATHY KALINOWSKY: Yeah, it just  
7 slipped my mind -- mind for a moment that the SAQ was  
8 only bodily injury there, but thanks for correcting me on  
9 that.

10 It -- in general, would you agree that  
11 with better benefits come higher premiums? I.e., someone  
12 has --

13 MR. NICOLAS BEAUDOIN: Yeah. Yeah,  
14 absolutely.

15 MS. KATHY KALINOWSKY: So if motorcycle  
16 premiums may have increased under no-fault, perhaps some  
17 of that is because they receive better benefits?

18 MR. NICOLAS BEAUDOIN: Part of that,  
19 yeah, maybe.

20 MS. KATHY KALINOWSKY: And because of  
21 this increase in benefits for motorcyclists, you're now  
22 recommending that 50 percent of motorcycle wildlife  
23 claims be attributed to the overall fleet pool?

24 MR. NICOLAS BEAUDOIN: Yes, and the 50  
25 percent of private passenger vehicle SVAs with wildlife

1 should be attributed to the entire pool as well. And  
2 other types of vehicles: commercials, and trucks, and  
3 others.

4 MS. KATHY KALINOWSKY: Okay. I'm going  
5 to speak just briefly about loss transfer, which is an  
6 area that you have much, much more expertise than I would  
7 every hope to achieve.

8 But loss transfer, on a very basic level,  
9 is the concept that if two (2) insured vehicles collide,  
10 then their loss costs are shared, or apportioned in some  
11 manner?

12 MR. NICOLAS BEAUDOIN: Correct.

13 MS. KATHY KALINOWSKY: But for wildlife,  
14 deer don't care -- carry insurance, do they?

15 MR. NICOLAS BEAUDOIN: As far as I know,  
16 they don't carry no insurance. They might be protected  
17 by the province, but...

18 MS. KATHY KALINOWSKY: And deer don't get  
19 any benefits under PIPP, do they?

20 MR. NICOLAS BEAUDOIN: Probably not,  
21 unless the deer is injured on the road, and receives care  
22 right after. I know a small -- I can't -- no, but proper  
23 benefits under PIPP, no, they don't receive a -- a cheque  
24 in the mail.

25 MS. KATHY KALINOWSKY: PIPP is expansive,

1 but it is only for persons, not for animals.

2 So the concept then of loss transfer, and  
3 the sharing of loss cost kind of breaks down a little bit  
4 under a motor vehicle accident with -- involving a  
5 wildlife, right?

6 MR. NICOLAS BEAUDOIN: Can you repeat  
7 that question?

8 MS. KATHY KALINOWSKY: The concept of  
9 loss transfer kind of breaks down then for deer involved  
10 in a --

11 MR. NICOLAS BEAUDOIN: Loss transfer,  
12 yeah, in Ontario applies when the other party is at  
13 fault, and the -- the apportionment is made according to  
14 fault, so it wouldn't apply to SVAs.

15 MS. KATHY KALINOWSKY: So really, this  
16 isn't loss transfer in the actuarial sense that we're  
17 talking about today, but instead is kind of the  
18 offloading of costs from one (1) pool to all other  
19 motorists, is that right?

20 MR. NICOLAS BEAUDOIN: Correct. It's --  
21 it's -- it's -- again, it's a matter of public policy  
22 that was decided by the Public Utility Board to allocate  
23 these losses 50/50 in multi-vehicles, and the 50/50 one  
24 includes pedestrians, cyclists, and unknown motorists --  
25 in hit-and-runs, for example.

1 (BRIEF PAUSE)

2

3 MS. KATHY KALINOWSKY: You keep  
4 mentioning the one (1) phrase, and it's replete  
5 throughout the report, and it's also replete throughout  
6 the information requests, and it's:

7 "In our view, single-vehicle accidents  
8 involving pedestrians or cyclists are  
9 fundamentally the same in nature as  
10 single-vehicle accidents involving  
11 wildlife or livestock."

12 Is that correct?

13 MR. NICOLAS BEAUDOIN: Correct.

14 MS. KATHY KALINOWSKY: I want to explore  
15 this a little bit, but -- and I'll give you a number of  
16 scenarios again. A car hits a pedestrian. Now, 100  
17 percent of PIPP costs payable to the pedestrian are borne  
18 by the car, is that correct?

19 MR. NICOLAS BEAUDOIN: Correct.

20

21 (BRIEF PAUSE)

22

23 MR. NICOLAS BEAUDOIN: Pardon me. It  
24 splits 50 percent/50 percent. It's an -- it's a single-  
25 vehicle accident, so it's Rule 1(b) that applies here.

1 MS. KATHY KALINOWSKY: Thank you.

2

3 (BRIEF PAUSE)

4

5 MS. KATHY KALINOWSKY: Okay. And you  
6 would agree in that scenario that I just described, with  
7 the car hitting the pedestrian, overall likelihood is  
8 that most of the PIPP costs would indeed be because the  
9 pedestrian was injured, not likely so much as the driver,  
10 on an overall basis?

11 MR. NICOLAS BEAUDOIN: I don't have that  
12 split of costs. I don't have the -- I don't have that  
13 data, and that's --

14 MS. KATHY KALINOWSKY: Just -- just  
15 commonsense.

16 MR. NICOLAS BEAUDOIN: Commonsense,  
17 probably attributable to the pass -- the pedestrian,  
18 sorry.

19 MS. KATHY KALINOWSKY: Okay. Now, I'm  
20 going to slightly change the scenario, but a car hits  
21 either a tree or hits a rock. Now, would 100 percent of  
22 PIPP payable to the driver be borne by the car class in  
23 that instance?

24 MR. NICOLAS BEAUDOIN: Yes.

25 MS. KATHY KALINOWSKY: And there's no

1 PIPP payable to the tree or rock, obviously, so in that  
2 case, 100 percent of the loss costs from that single-  
3 vehicle accident would be attributed to the car, right?

4 MR. NICOLAS BEAUDOIN: Right.

5 MS. KATHY KALINOWSKY: Now, a car hits a  
6 deer, and 100 percent of PIPP payable to the driver is  
7 borne by the car class in that case?

8 MR. NICOLAS BEAUDOIN: Correct.

9 MS. KATHY KALINOWSKY: And again, since  
10 no PIPP is payable to the deer, then 100 percent of the  
11 loss costs for that single-vehicle accident are  
12 attributed to the car class, right?

13 MR. NICOLAS BEAUDOIN: Correct.

14 MS. KATHY KALINOWSKY: So if most of the  
15 PIPP costs in the car-pedestrian motor vehicle accident  
16 scenario above are for the pedestrian, and we're an  
17 insurance company, then how are single-vehicle accidents  
18 for pedestrians hit by cars fundamentally the same as --  
19 in nature as single-vehicle accidents with wildlife?

20 MR. NICOLAS BEAUDOIN: Well, again, in --  
21 in our view, we were, you know, looking at it from the  
22 perspective of the driver or the rider of a motorcycle.  
23 If there's something jumping in front of him that's a  
24 live body, we see this as being a similar accident for  
25 both pedestrians, cyclists or -- or wildlife.



1 MS. KATHY KALINOWSKY: So what you're  
2 looking at is the event of the -- the precipitating event  
3 for the accident. You're not looking at the costs in  
4 this instance as being similar?

5 MR. NICOLAS BEAUDOIN: I mean, whether  
6 the costs are similar they could be similar when a car  
7 hits a pedestrian, or a car hits a deer.

8 Whether the costs are related to the --  
9 the pedestrians, or the -- the driver of the car when  
10 they hit a deer, I don't have that data. I can't -- I  
11 can't say if when they hit a pedestrian it's at 20  
12 kilometres an hour versus most time the deer is at 80  
13 kilometres an hour, therefore impacting more the -- the  
14 driver. So, in total, the costs, I don't have that  
15 information.

16 MS. KATHY KALINOWSKY: Just relying on  
17 common sense, and that's actually a word that's taken out  
18 somewhere from the actuarial standards of practice  
19 actually, is the word "common sense".

20 But you'd agree that, on an overall basis,  
21 most of loss costs in -- in an incident when a car hits a  
22 pedestrian, the overall likelihood of that is that the  
23 most of the la -- loss costs will be attributed, or will  
24 -- sorry -- will be because the pedestrian is injured.

25 MR. NICOLAS BEAUDOIN: If you have a

1 specific example, I -- I don't -- I don't -- I don't know  
2 specifics of accidents, or the -- in general with  
3 animals. Are they at high speed, are they at lower  
4 speed.

5 If you don't give me any specifics of  
6 accidents, I can't answer that question.

7

8 (BRIEF PAUSE)

9

10 MR. NICOLAS BEAUDOIN: If you tell me an  
11 accident at 50 kilometres an hour hitting a pedestrian  
12 versus an accident at the same speed hitting a deer.

13 MS. KATHY KALINOWSKY: Okay. Well, we'll  
14 work with that scenario then. Accident 50 kilometres an  
15 hour, everything else being equal, deer is injured and  
16 dies, the driver might sustain injuries, let's say, of  
17 some soft tissue injuries, three thousand dollars  
18 (\$3,000), let's say.

19 Fifty (50) kilometres -- work on the other  
20 -- the other scenario then, 50 kilometres an hour,  
21 everything else being equal, the driver still sustains  
22 three thousand dollars (\$3,000) worth of soft tissue  
23 injuries, and the poor pedestrian suffers a massive brain  
24 injury, which in excess of \$1 million.

25 Work with me on that scenario. How are

1 those fundamentally the same?

2 MR. NICOLAS BEAUDOIN: Again from a  
3 perspective of the -- the type of accident, I -- you  
4 know, I agree with you when you're looking at costs  
5 involves are probably different. The same would be true  
6 for motorcyclists hitting pedestrians.

7 In that case though, the Public Utility  
8 Board decided to go the other way, so we're not sure why  
9 they're treating one (1) in -- in one (1) manner, and the  
10 other in the other.

11 The motorcycle costs, when they hit  
12 pedestrians and cyclists are basically zero over the last  
13 five (5) years. But you're arguing the other -- on the  
14 other side, so I think it has -- if you argue it that  
15 way, it has to be argued on both sides.

16 But in that specific example, yeah. I  
17 mean definitely the -- the -- hitting the pedestrian is  
18 going to have a higher total cost.

19 MS. KATHY KALINOWSKY: So in the scenario  
20 that we just talked about then, the difference to the  
21 increase of the loss cost, all else being equal, is that  
22 the pedestrian will collect the higher PIPP benefits than  
23 either the deer, or the tree.

24 And that's a pretty big difference, isn't  
25 it?

1 MR. NICOLAS BEAUDOIN: Yes.

2 MS. KATHY KALINOWSKY: I just wanted to  
3 talk about the -- Quebec's situation of the capping of  
4 the \$1 million there.

5 Could you confirm, subject to check, that  
6 Manitoba, there are no motorcycle wildlife collisions  
7 that are in excess of \$1 million? In the last five (5)  
8 years, sorry.

9 MR. NICOLAS BEAUDOIN: If you let me -- I  
10 can look -- I can have a look at the exhibit book. I  
11 don't have that on the top of my head.

12 MS. KATHY KALINOWSKY: Sure. It was just  
13 the exhibit that you had looked at previously, but CMMG-  
14 1-19.

15

16 (BRIEF PAUSE)

17

18 MS. KATHY KALINOWSKY: And there's two  
19 (2) large serious losses there; one's for a cow for seven  
20 hundred thousand (700,000), another's for a horse for  
21 seven hundred thousand dollars (\$700,000).

22

23 (BRIEF PAUSE)

24

25 MR. NICOLAS BEAUDOIN: That's correct,

1 there's no losses in excess of a million dollars.

2 MS. KATHY KALINOWSKY: And you used the  
3 example in your direct of -- in Quebec there -- I believe  
4 you said there had been a motorcycle collision with  
5 wildlife, \$2.5 million loss cost in that one, I believe.

6 MR. NICOLAS BEAUDOIN: Correct.

7 MS. KATHY KALINOWSKY: So would be the  
8 effect of that in Manitoba to motorcyclists under your  
9 scenario of splitting 50/50?

10 MR. NICOLAS BEAUDOIN: And applying that  
11 same rule?

12 MS. KATHY KALINOWSKY: Yes, correct.  
13 And, sorry, not the same in rule in Quebec, but just  
14 applying the 50/50 split.

15 MR. NICOLAS BEAUDOIN: Just applying the  
16 50/50. Basically, you will take the 2.5 million, 50  
17 percent would go to the vehicle involved and 50 percent  
18 of the remaining costs would be allocated to all vehicle  
19 categories.

20 MS. KATHY KALINOWSKY: So that would be  
21 \$1.25 million assigned to the motorcycle pool of twelve  
22 thousand (12,000)?

23 MR. NICOLAS BEAUDOIN: One point two five  
24 (1.25) -- the way I understand the rule is the 50 percent  
25 remaining applies to all categories, including the -- the

1 category involved, and that -- that's my understanding.  
2 If -- so if it does -- if it does apply -- if the excess  
3 or the 50 percent pooled amount applies to all vehicles,  
4 it'll be one point twenty-five (1.25) plus 1 percent of  
5 the excess; 1 percent being the -- approximately the  
6 number of motorcycles compared to the total vehicles for  
7 MPI.

8 MS. KATHY KALINOWSKY: And then that 1.25  
9 million plus the other residual amount, that would --  
10 under MPI, that would be spread over -- or smoothed, so  
11 to speak, over a ten (10) year period?

12 MR. NICOLAS BEAUDOIN: Correct.

13 MS. KATHY KALINOWSKY: I'm just going to  
14 talk briefly about other jurisdictions, and then we could  
15 take the morning break. If I could advise that just to  
16 say where I'm going on this.

17 But you mentioned, very briefly, some of  
18 the other jurisdictions, but Ontario, I think you said  
19 that no special rules exist since this is a tort  
20 jurisdiction and it's competitive, in that there's many  
21 different insurers, unlike Quebec or Manitoba.

22 MR. NICOLAS BEAUDOIN: I'm not aware of a  
23 rule that's followed by, you know, a majority of  
24 companies, or -- yeah.

25 MS. KATHY KALINOWSKY: And since it's a

1 tort jurisdiction then there's no recovery from the deer,  
2 so the motorcyclist would just receive minor accident  
3 benefits as per the statute?

4 MR. NICOLAS BEAUDOIN: Correct.

5 MS. KATHY KALINOWSKY: And you've already  
6 spoken about Quebec, but let's -- let's talk about  
7 Saskatchewan there.

8 What happens in Saskatchewan, with SGI?

9 MR. NICOLAS BEAUDOIN: Based on what we  
10 know, and this is a research that base -- when we did the  
11 2004 report, is that we don't have an indication that  
12 they do spread those losses.

13 MS. KATHY KALINOWSKY: So then for the  
14 incident of a motor vehicle, single-vehicle accident  
15 involving wildlife then, all loss costs then are signed  
16 to that motorcycle?

17 MR. NICOLAS BEAUDOIN: Correct.

18 MS. KATHY KALINOWSKY: And, similarly, if  
19 it was a car involved in a single-vehicle accident with  
20 wildlife, all loss costs would be assigned to that car  
21 class?

22 MR. NICOLAS BEAUDOIN: Correct. That's  
23 our assumption. That's what we gathered from our -- our  
24 research.

25 MS. KATHY KALINOWSKY: And then BC would

1 be fairly similar to Ontario then, since it's a tort  
2 jurisdiction also?

3 MR. NICOLAS BEAUDOIN: Correct.

4 MS. KATHY KALINOWSKY: Have you found any  
5 other Canadian jurisdiction --

6 MR. NICOLAS BEAUDOIN: I -- I would just  
7 add, Ontario is -- is a -- it has a no-fault portion.  
8 It's not -- it's not completely tort, so the -- there are  
9 some benefits there. You know, I haven't completed the  
10 analysis whether Ontario benefits are lower than Manitoba  
11 benefits, in -- in terms of specific instances that  
12 you've outlined.

13 But there is a possibility of going  
14 through the tort system in certain circumstances where  
15 injuries exceed a certain verbal threshold. So a  
16 definition of specific injuries, again, that wouldn't  
17 apply for single vehicle accidents. You don't have any -  
18 - anybody else to go against, but there is a no-fault por  
19 -- no fault portion, definitely.

20 MS. KATHY KALINOWSKY: And have you found  
21 any other Canadian jurisdiction that pools wildlife  
22 accidents in the manner in which you are recommending?

23 MR. NICOLAS BEAUDOIN: No, not exactly.  
24 I mean, I've said before, what Manitoba did overall, it's  
25 unique to Manitoba.



1 MS. KATHY KALINOWSKY: Thank you. I'd  
2 like to take a break now, and then come back with a few  
3 questions following up from the direct. I've got notes  
4 all over the place that I just need to organize slightly  
5 on that. Thank you very much.

6 THE CHAIRPERSON: Sounds reasonable.  
7 Okay. We'll come back -- would eleven o'clock be all  
8 right?

9 MS. KATHY KALINOWSKY: Yes.

10 THE CHAIRPERSON: Okay. Thank you.

11

12 --- Upon recessing at 10:44 a.m.

13 --- Upon resuming at 11:06 a.m.

14

15 THE CHAIRPERSON: Okay. Let's get back  
16 at it. Ms. Kalinowsky...?

17 MS. KATHY KALINOWSKY: Thank you. After  
18 a review of my notes, and discussions with my colleagues,  
19 I have no further questions of Mr. Beaudoin, but would  
20 like to thank him very much for his response, and thank  
21 him for coming to Winnipeg.

22 THE CHAIRPERSON: Thank --

23 MR. NICOLAS BEAUDOIN: Thank you.

24 THE CHAIRPERSON: -- thank you. Ms.

25 Everard...?

1 MS. CANDACE EVERARD: Thank you, Mr.  
2 Chairman.

3 MR. BYRON WILLIAMS: Mr. -- Mr. Chairman,  
4 I'm not sure of the appropriate order, but some -- I have  
5 about six minutes of questions. So again I'm not sure  
6 the appropriate order, but some time today we'll be --  
7 have a -- a few minutes of questions as well.

8 MS. CANDACE EVERARD: Sure, and I'll just  
9 comment on that. In accordance with the procedural  
10 outline that we circulated at the outset, the cross-  
11 examination is intended to flow from MPI counsel to Board  
12 counsel, and then to other Intervenors.

13 So I will definitely make sure that Mr.  
14 Williams gets -- gets his opportunity, I'm sure.

15 THE CHAIRPERSON: Thank you.

16

17 CROSS-EXAMINATION BY MS. CANDACE EVERARD:

18 MS. CANDACE EVERARD: Mr. Beaudoin, I'm  
19 Candace Everard, the counsel for the Board, and I just  
20 have a few questions for you with respect to your  
21 evidence.

22 Is it fair to say that what you're  
23 suggesting to the Board is a -- an amendment to the  
24 methodology that it ordered in -- in 97/05?

25 MR. NICOLAS BEAUDOIN: Yes, I think that

1 would be the -- I guess the easiest way to put it, yeah.  
2 It would be to add to the -- the Rule 1(b).

3 MS. CANDACE EVERARD: Now, what -- I'd  
4 like to go through with you some of the answers that were  
5 given to the IRs that the Board pose -- posed of CMMG,  
6 and your office.

7 MR. NICOLAS BEAUDOIN: Yes.

8

9 (BRIEF PAUSE)

10

11 MS. CANDACE EVERARD: Okay. So Mr.  
12 Beaudoin, I'd ask you firstly to look at IR number 3.  
13 This was a question that we asked. We referred you to  
14 page 3 of your report.

15 MR. NICOLAS BEAUDOIN: Yes.

16 MS. CANDACE EVERARD: And in particular,  
17 the -- the same paragraph that you've already looked at  
18 today, either through Mr. Oakes or through Ms.  
19 Kalinowsky, the -- the paragraph that begins:

20 "It's important to note that..."

21 And you were asked then a three (3) part  
22 question following that in number 3. The first one was  
23 to provide the calculations to support the assertion, and  
24 in -- in the reply that we received, we got a -- a  
25 narrative answer, but it -- we don't see specific

1 calculations.

2 Are you in a position to provide those  
3 today?

4 MR. NICOLAS BEAUDOIN: Yes. I'm write --  
5 written, or orally, or...?

6 MS. CANDACE EVERARD: I don't know how  
7 extensive they are, so if -- if you can give them orally  
8 that would be fine, or if you have a document that  
9 reflects them, we'd take that as well.

10 MR. NICOLAS BEAUDOIN: I don't have a  
11 document. I did speak orally already when answering the  
12 first round of -- of questions, but I -- I can go -- I  
13 can go over it again, if you'd like.

14 MS. CANDACE EVERARD: Yes, please.

15 MR. NICOLAS BEAUDOIN: Yes. So basically  
16 what we're -- we're saying here is costs that are coming  
17 from single-vehicle accidents with pedestrians and  
18 cyclists where it's an automobile involved, the MPI lists  
19 the costs for the last five (5) years -- the total cost  
20 for the last five (5) years to be 39 -- roughly \$39  
21 million. Let's work with \$40 million just to be -- to  
22 work with round numbers.

23 If we take an average of -- over five (5)  
24 years, that's about \$8 million for the private passenger  
25 group of vehicle. If we do the same exercise for

1 motorcycles, it's two thousand four hundred dollars  
2 (\$2,400), if we divide by five (5). So let's round it to  
3 two hundred dollar (\$200) -- twenty-five hundred dollars  
4 (\$2,500). That's five hundred dollars (\$500) per year.

5           If -- if we take 50 percent of each, so  
6 the first bucket being the PPA, private passenger auto,  
7 \$4 million would be allocated directly to private  
8 passenger auto. For motorcycles, that's five hundred  
9 (500) times 50 percent. That's two hundred and fifty  
10 dollars (\$250).

11           And the excess, the second bucket, so the  
12 50 percent allocated to all vehicle categories, so the  
13 other \$4 million for private passenger auto and the other  
14 two fifty (250), would be allocated, based on our  
15 understanding, pro rata to the number of vehicles.

16           So based on the numbers that we have,  
17 motorcycles are roughly 1 percent of the population. One  
18 percent of \$4 million will go to -- to be applied to  
19 motorcycles in the pricing of their premium. One percent  
20 of 4 million, being roughly forty thousand dollars  
21 (\$40,000).

22           And 1 percent -- sorry, 99 percent of the  
23 two hundred and fifty dollars (\$250) remaining for  
24 motorcycles would go to private passengers or, you know,  
25 basically nothing. So there is a transfer of -- of --

1 and that transfer to motorcycles in that sense.

2 MS. CANDACE EVERARD: Now -- thank you,  
3 Mr. Beaudoin -- Beaudoin. At 3-B the Board asked the  
4 question whether from an actuarial perspective this clo -  
5 - claims cost atri -- attribution rule conflicted with  
6 any actuarial principles or other relevant guidance. And  
7 you stated in the reply to that at the second paragraph  
8 that you did not feel that the -- this particular claims  
9 cost attribution rule necessarily conflicted with any  
10 actuarial principles or other relevant guidance.

11 And then you say:

12 "However, we note that in any actuarial  
13 assessment one needs to balance the  
14 homogeneity of the experience estimates  
15 are based on what the reliability or  
16 credibility of the data."

17 Is that right?

18 MR. NICOLAS BEAUDOIN: Can you point me  
19 again to the -- the reference. What -- what number?

20 MS. CANDACE EVERARD: And at your reply  
21 to 1-3, posed by the Board.

22 MR. NICOLAS BEAUDOIN: 1-3, sorry. Yeah.

23 MS. CANDACE EVERARD: This was in a  
24 letter to Mr. Oakes, dated October 4th.

25 MR. NICOLAS BEAUDOIN: Right.

1 MS. CANDACE EVERARD: So the -- the  
2 response to 1-3 starts at the bottom of the first page,  
3 and then it continues on to the top of the second page.  
4 So what I just read in was that second paragraph that  
5 reads:

6 "We do not feel that this particular  
7 claims costs..."

8 At the bottom of page 2 onto to the top of  
9 page 3. Are you with me?

10 MR. NICOLAS BEAUDOIN: That's correct,  
11 yeah.

12 MS. CANDACE EVERARD: What -- what I'd  
13 ask you to do now is explain, if you would, in a little  
14 bit further detail the -- the second part of that  
15 response where you -- you say initially you do not think  
16 there's a conflict with actuarial principles, but then  
17 you say:

18 "However, we note that in an actuarial  
19 assessment one needs to balance [et  
20 cetera]."

21 Can you just give us a little bit more  
22 information about that -- that part, please?

23 MR. NICOLAS BEAUDOIN: What we're trying  
24 to say here is simply that once the -- that PUB has  
25 established rules to allocate losses, the actuary needs

1 to take into account all of the factors that are, you  
2 know, stated in our statement of principles of the  
3 property and casualty insurance rate making, credibility  
4 of data, homogeneity, and so on. So the actual -- the  
5 actuarial standards kick in at that point.

6 You know, whether the PUB decides to  
7 allocate things a different way, I think it's a matter of  
8 -- of public policy, and from that the actuary just needs  
9 to make sure that the -- the insurance premium reflects  
10 the -- the costs of the risk transfer.

11 MS. CANDACE EVERARD: Now, at question  
12 3(c), speaking about the policy, the Board asked you  
13 whether from a public policy perspective, this particular  
14 claims cost attri -- attribution rule was in any way  
15 unjust, unreasonable, or unfairly discriminatory, and  
16 asked you to explain.

17 And so you've provided that last paragraph  
18 at the reply to number three (3) that speaks to that.

19 Can you explain that answer to the Board?  
20

21 (BRIEF PAUSE)  
22

23 MR. NICOLAS BEAUDOIN: The second part or  
24 --

25 MS. CANDACE EVERARD: The answer that I



1 would say goes to 3(c) is that last paragraph in the  
2 answer to number 3, because it begins with "From a public  
3 policy perspective," and that goes to question 3(c). So  
4 I -- I'd like you to explain to the Board the comments  
5 that you made in that particular paragraph.

6 MR. NICOLAS BEAUDOIN: Yeah. I mean,  
7 from a public policy perspective, you know, if I remove  
8 my actuary hat, because that's what the question was  
9 alluding to, we don't see it as being unjust,  
10 unreasonable, or unfairly discriminatory. Again, that  
11 kind of goes to, you know, our common sense.

12 How -- however, we feel, from our view of  
13 looking at claims involving pedestrians and cyclists  
14 versus claims involving wildlife, you know, we see that  
15 there's something that maybe has been not considered in  
16 the past, and -- and we -- we see those two (2) types of  
17 claims as being similar. And so our -- our -- our -- our  
18 conclusion or that -- in that sense, it may be even  
19 fairer to include those in -- in the Rule 1(b), and it  
20 would lead to -- again, we state in our response, they  
21 would lead to a 9.4 percent decrease from the projected  
22 rates for 2011 for motorcycles, based on MPI's  
23 calculation.

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(BRIEF PAUSE)

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MS. CANDACE EVERARD: Okay. Mr. Beaudoin, just following on that, I -- I know you said, in beginning to give that answer, that you were going to take off your actuary's hat, and then we -- we've spoken about public policy as well.

Can you just clarify the basis of the opinion that you're providing to the Board, whether it's actuarial, whether it's public policy or some other basis, so we understand that?

MR. NICOLAS BEAUDOIN: Well, there's nothing in the principles, the actual science, that -- that would indicate that one (1) way or another of allocating claims would be more proper than another. Once that is done by the Public Utility Board (sic), as actuaries, we're asked to take those rules into account to reflect the true costs of the risk transfer.

What we mean here -- what I meant by removing my hat of -- we're talking about public policy here, so it's not -- it's really not an actuarial decision, working with the data we have to come up with a rate and decide ourselves with how things are going to be allocated. That's been decided by the -- the PUB.

So our -- our letter, from that sense, we're just making an observation and concluding that, in

1 our view, there's an inconsistency in -- in the rule.

2

3

(BRIEF PAUSE)

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5

MS. CANDACE EVERARD: It would be fair to  
6 say that the suggestion and the view that you're sharing  
7 with the Board is -- is an observation on your part or --  
8 and the part of your firm with respect to this issue?

9

MR. NICOLAS BEAUDOIN: It -- it's our  
10 conclusion based on, yeah, our review of -- of the rules  
11 in place, yeah.

12

13

(BRIEF PAUSE)

14

15

MS. CANDACE EVERARD: Just one (1)  
16 moment, Mr. Chairman.

17

18

(BRIEF PAUSE)

19

20 CONTINUED BY MS. CANDACE EVERARD:

21

MS. CANDACE EVERARD: Mr. Beaudoin, I  
22 just wanted to follow up on a statement that you made in  
23 your evidence earlier today. It was something to the  
24 effect that a change in the insurance system from the  
25 tort system to a no-fault system should not change the

1 allocation of costs.

2 Can you just explain the -- where you're  
3 coming from with that, or the basis for that assertion on  
4 your part?

5 MR. NICOLAS BEAUDOIN: Again, I think  
6 that's from actual judgment. When -- if we do make  
7 changes, there's a point where we need to consider the  
8 impact of the changes, and I think it's part of actual  
9 judgment to make sure that those changes are reasonable,  
10 and the impact are reasonable, as well.

11 I -- the objective of a change to no-  
12 fault, I don't think, was to move costs from one (1)  
13 category to another. It was really to take advantage of  
14 less litigation, probably less costs involved, in the  
15 courts, for example. And we -- we think that this would  
16 have been -- that should have been a benefit to -- to all  
17 classes of -- of vehicles, not just one (1) particular  
18 class.

19

20 (BRIEF PAUSE)

21

22 MS. CANDACE EVERARD: Mr. Beaudoin, you  
23 said just now in res -- in that response that that was  
24 from an actuarial basis, or from an actuarial  
25 perspective.

1                   Can you just explain a little bit of what  
2 that actuarial basis is?

3                   MR. NICOLAS BEAUDOIN:   Basically what we  
4 did in 2004 is we did perform an actuarial analysis that  
5 would compare the impact of the change, given that the  
6 change was substantial. I don't have the numbers exactly  
7 in front of me, but I think it was something like plus 32  
8 percent increase for motorcycles versus a slight negative  
9 for private passenger auto.

10                   I mean, the actual part comes from there.  
11 Whether that's acceptable or not, it's actuarial  
12 judgment. I could -- I could bring five (5) actuaries in  
13 front of you right now, and they'd probably have five (5)  
14 different answers, but there's different methodologies to  
15 be used, and there's different judgment -- conclusions  
16 from different actuaries.

17                   But we believe that, with the objective --  
18 we thought the objective would have been to decrease  
19 costs for all classes. That it should not impact one (1)  
20 class adversely compared to another.

21

22   (BRIEF PAUSE)

23

24                   MS. CANDACE EVERARD:   Thank you, Mr.  
25 Chairman. Those are our questions for Mr. Beaudoin.

1 THE CHAIRPERSON: Thank you. Mr.  
2 Williams?

3 MR. BYRON WILLIAMS: Just -- just a few,  
4 and -- excuse me.

5

6 CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

7 MR. BYRON WILLIAMS: To the witness, just  
8 as I understand it, and you -- I think you've been fairly  
9 careful about this today, but you're bringing here today  
10 your expertise as an actuary.

11 Would that be fair?

12 MR. NICOLAS BEAUDOIN: Correct.

13 MR. BYRON WILLIAMS: And you've -- quite  
14 a few times this morning the word, "public policy," has  
15 come up in terms of -- of this debate.

16 You -- you recall the word occurring from  
17 time to time in the discussion this morning?

18 MR. NICOLAS BEAUDOIN: Correct.

19 MR. BYRON WILLIAMS: And you do not  
20 purport to be an expert on matters of public policy.

21 That would be fair?

22 MR. NICOLAS BEAUDOIN: No.

23 MR. BYRON WILLIAMS: So to the extent  
24 that you comment on matters of public policy, you would  
25 be stepping beyond the boundaries of your professional

1 expertise, correct?

2 MR. NICOLAS BEAUDOIN: I mean, I'm not  
3 sure to what extent I have to be an expert in public  
4 policy to make the comments that I have made. But a lot  
5 of the comments -- if I elude to public policy, a lot of  
6 comments are going back to common sense if -- in my  
7 judgment that I've acquired throughout the years as being  
8 an actuary, and -- and working in that field of  
9 insurance.

10 MR. BYRON WILLIAMS: Being an actuary  
11 doesn't make you an expert in public policy.

12 MR. NICOLAS BEAUDOIN: If you can define  
13 "public policy," to be exact.

14 MR. BYRON WILLIAMS: You're the one (1)  
15 who's been using the word, sir. As you define public  
16 policy being an actuary does not make you an expert in  
17 public policy.

18 MR. NICOLAS BEAUDOIN: I would guess not.

19 MR. BYRON WILLIAMS: And I -- I think  
20 you've stated this a couple of times, but just to make  
21 sure, it's your view that, in a collision between a  
22 motorcycle and wildlife or livestock, the motorcyclist  
23 will, due to the much lower level of protection,  
24 generally be injured more seriously than the driver of a  
25 car involved in a similar accident? That would be fair?

1 MR. NICOLAS BEAUDOIN: Again, yeah, from  
2 commonsense, yeah, most likely.

3 MR. BYRON WILLIAMS: Accepting, for the  
4 purposes of argument, that single-vehicle accidents  
5 involving pedestrians are fundamentally the same in  
6 nature as single-vehicle accidents involving wildlife or  
7 livestock, would it be fair to say that allocating 100  
8 percent of all single-vehicle accident claims to the  
9 class in which the single-vehicle accident involved in  
10 this accident belongs -- would it be fair to say that  
11 that would not conflict with actuarial principles and  
12 other relevant guidelines?

13 MR. NICOLAS BEAUDOIN: Correct.

14 MR. BYRON WILLIAMS: I have no further  
15 questions, Mr. Chairman.

16 THE CHAIRPERSON: Thank you, Mr.  
17 Williams.

18 Mr. Dawson...?

19 MR. ROBERT DAWSON: If I can just take a  
20 moment, Mr. Chairman, I have some very brief questions  
21 for the witness.

22

23 CROSS-EXAMINATION BY MR. ROBERT DAWSON:

24 MR. ROBERT DAWSON: Mr. Beaudoin, the  
25 lawyer for MPI tried to make much of comparing your



1 submission in to the Standards of Practice that's put out  
2 by the Actuarial Standards Board. Do you remember that  
3 right?

4 MR. NICOLAS BEAUDOIN: Can you repeat the  
5 beginning of the question?

6 MR. ROBERT DAWSON: Sure. I'm just --  
7 just -- you remember earlier, you were asked questions by  
8 the lawyer for MPI.

9 MR. NICOLAS BEAUDOIN: Yeah.

10 MR. ROBERT DAWSON: And she was comparing  
11 your report, or your letter, to the Standards of Practice  
12 that she entered into evidence as an exhibit, and that  
13 those standards are put out by the Actuarial Standards  
14 Board.

15 You remember that, right?

16 MR. NICOLAS BEAUDOIN: Correct.

17 MR. ROBERT DAWSON: And would you agree  
18 with me that, pursuant to those standards, they define a  
19 standard as the accepted actuarial practice?

20 MR. NICOLAS BEAUDOIN: Correct.

21 MR. ROBERT DAWSON: Now, I'm not an  
22 actuary, so let me ask this question: Mr. Beaudoin,  
23 should I floss every day?

24 MR. NICOLAS BEAUDOIN: I think you  
25 should.

1 MR. ROBERT DAWSON: Now let me ask a  
2 different kind of question: Mr. Beaudoin, must I floss  
3 every day?

4 MR. NICOLAS BEAUDOIN: If I ask my  
5 dentist, I -- I must, yes.

6 MR. ROBERT DAWSON: Happily, your dentist  
7 isn't here. You are here. What -- what's your view?  
8 Must I floss every day?

9 MR. NICOLAS BEAUDOIN: I'm not sure what  
10 the --

11 THE CHAIRPERSON: I think he's -- I think  
12 the distinction's between --

13 MR. NICOLAS BEAUDOIN: Should and must?

14 THE CHAIRPERSON: Yes.

15 MR. NICOLAS BEAUDOIN: Yeah. I think you  
16 should.

17

18 CONTINUED BY MR. ROBERT DAWSON:

19 MR. ROBERT DAWSON: You should, but not  
20 must is what you're saying.

21 MR. NICOLAS BEAUDOIN: Correct.

22 MR. ROBERT DAWSON: Now, when I used the  
23 phrase "must I floss," presumably you were somewhat --  
24 somewhat flummoxed, first of all, having never looked  
25 into my mouth. But, secondly, you also thought using the

1 word "must" implies some sort of compulsion. Something  
2 bad will happen, a penalty will befall you. That's what  
3 "must" does -- generally means, doesn't it?

4 MR. NICOLAS BEAUDOIN: That's right.

5 MR. ROBERT DAWSON: Whereas, in contrast,  
6 when I posed the first version -- "Should I floss?" --  
7 "should" means it's a suggested recommendation. It's --  
8 unless maybe judgment or circumstances require otherwise,  
9 isn't that right?

10 MR. NICOLAS BEAUDOIN: That's correct.

11 MR. ROBERT DAWSON: Now, if we look at  
12 the Standards of Practice that My Learned Friend  
13 submitted to -- into evidence, she had you refer to page  
14 1070 of those. Could you just turn to that quickly for  
15 me, please?

16 MR. NICOLAS BEAUDOIN: Yes.

17 MR. ROBERT DAWSON: Could you read the  
18 first sentence up to the semi-colon of paragraph 4.

19 MR. NICOLAS BEAUDOIN: For example?

20 MR. ROBERT DAWSON: No, up to. So start  
21 from the beginning of that paragraph up to "for example."

22 MR. NICOLAS BEAUDOIN: Okay.

23 "The standard reporting language may  
24 comprise a complete report."

25 MR. ROBERT DAWSON: Sure. And the use of

1 the auxiliary verb "may," does that imply to you that you  
2 must use that standard reporting language or that you  
3 should use that reporting language?

4 MR. NICOLAS BEAUDOIN: I should

5 MR. ROBERT DAWSON: And if you could turn  
6 now to page 1,075. And if you would again read and  
7 indulge me by reading the first clause -- first, yes,  
8 clause of paragraph 27 up to the end of the quotation,  
9 "in my opinion."

10 MR. NICOLAS BEAUDOIN: "In giving an  
11 opinion, the actuary would begin with" would.

12 MR. ROBERT DAWSON: Right. And, again,  
13 there's the use of the word "would not, shall not, must,"  
14 is that correct?

15 MR. NICOLAS BEAUDOIN: Correct.

16 MR. ROBERT DAWSON: Let's ask the obvious  
17 question. As a result of writing the letter or  
18 submission that's currently before the Public Utilities  
19 Board, you're not the subject of any complaint or  
20 investigation by the actu -- or the Canadian Institute of  
21 Actuaries, are you?

22 MR. NICOLAS BEAUDOIN: No.

23 MR. ROBERT DAWSON: And your choice of  
24 writing the submission in the way you did reflected your  
25 best judgment given the circumstances and the nature of

1 the submission, wou -- didn't it?

2 MR. NICOLAS BEAUDOIN: Correct.

3 MR. ROBERT DAWSON: Thank you, Mr.

4 Chairman. I have no further questions for this witness.

5 THE CHAIRPERSON: Thank you, Mr. Dawson.

6 Ms. Peters, do you have any?

7 MS. LIZ PETERS: No questions, thank you.

8 THE CHAIRPERSON: Thank you. Do you have  
9 any re-direct for your witness?

10 MR. RAYMOND OAKES: I think it's been  
11 done for me. Thank you, Mr. Chairman.

12 THE CHAIRPERSON: Well, thank you very  
13 much, Mr. Beaudoin, for your attending and giving your  
14 evidence. I appreciate it.

15 MR. NICOLAS BEAUDOIN: Thank you, Mr.  
16 Chairman.

17

18 (PANEL STANDS DOWN)

19

20 THE CHAIRPERSON: We'll turn back now, if  
21 I have the roster correct, Ms. Everard, to Mr. Williams,  
22 correct?

23 MS. CANDACE EVERARD: I -- I believe so.  
24 I'm assuming that he's prepared to continue at this  
25 point, after he gets his water.

1 THE CHAIRPERSON: He is nodding that he  
2 is in good voice and ready to go.

3 MR. BYRON WILLIAMS: Yes. And certainly  
4 thank you to all parties for their courtesy yesterday.

5

6 MPI PANEL 1:

7 MARILYN MCLAREN, Resumed

8 DON PALMER, Resumed

9 OTTMAR KRAMER, Resumed

10

11 CONTINUED CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

12 MR. BYRON WILLIAMS: I think -- excuse  
13 me.

14

15 (BRIEF PAUSE)

16

17 MR. BYRON WILLIAMS: I think when I left  
18 off yesterday I was proposing to move to cost allocation,  
19 but before I get there, I -- I have just a few cleanup  
20 questions to Mr. Palmer in terms of a discussion he had  
21 with My Learned Friend, Ms. Everard, on the concept -- or  
22 the issues relating to family transfers.

23 And, Mr. Palmer, obviously the Corporation  
24 has spent some time examining the issue of family  
25 transfers for the purposes of this Hearing, that would be

1 fair?

2 MR. DON PALMER: Yes, that would be fair.

3 MR. BYRON WILLIAMS: And, at a very high  
4 level or rough level, can -- can you provide any estimate  
5 of how much time the Corporation has expended on that  
6 effort? I'm not looking for numerical precision, just a  
7 sense.

8

9 (BRIEF PAUSE)

10

11 MS. MARILYN MCLAREN: Staying away from  
12 the numerical, I would say quite a lot, lots of  
13 conversations, lots of discussion, lots of discussions  
14 and -- and leading up to the approval of sort of the  
15 specifications for the research that was done. Certainly  
16 nothing -- the scope of, you know, preparing for the DSR  
17 Application, or something like that. But in terms of the  
18 effort into many of the recommendations, this would  
19 certainly be one (1) of the most substantive.

20 MR. BYRON WILLIAMS: And in terms of the  
21 conclusions that the MPI drew, and to -- to you, Mr.  
22 Palmer, I'm going to try and break them -- them down. So  
23 one (1) of your conclusions, if I have your -- your  
24 evidence correct, is that family transfers for the -- for  
25 the purpose of avoiding DSR penalties or continuing to

1 enjoy DSR benefits is, in the Corporation's view, not a  
2 particularly prevalent practice.

3 Would that be fair?

4 MR. DON PALMER: That would be fair.

5 MR. BYRON WILLIAMS: And again, another  
6 conclusion flowing from that -- that inference is that it  
7 is currently not a sig -- significant potential impact,  
8 or sor -- excuse me -- is not currently a significant  
9 impact on the bottom line of the Corporation.

10 Would that be accurate?

11 MR. DON PALMER: That would be accurate.

12 MR. BYRON WILLIAMS: And the concern I  
13 heard the Corporation express would be that in -- in  
14 attempting to correct the issue, or -- there might be a  
15 risk of breaking something else within the -- within the  
16 system.

17 Would that be fair?

18 MR. DON PALMER: I think that's fair,  
19 yes.

20 MR. BYRON WILLIAMS: Accepting the  
21 Corporation's evidence that today it's -- the, kind of,  
22 the gaming of the system is not currently a frequent  
23 practice with material financial impacts.

24 Would -- would the Corporation accept that  
25 if the practice of family transfers to avoid DSR impacts



1 increased, there could be increased pressure on the  
2 Corporation's fin -- fin -- bottom line financial  
3 results?

4 MR. DON PALMER: There's -- there's a  
5 couple of ways of -- of looking at that. One (1,)   
6 particularly, is with regard to DSR, the new system, and  
7 the increasing of surcharges.

8 Part of that design is -- is to get at the  
9 individual driver, so I -- whether it became more of a  
10 common practice or not, in -- in your words, if it became  
11 more and more common then I suppose there could be some  
12 financial implication.

13 Certainly the benefits derived from --  
14 from that practice are less under DSR than they were  
15 under the --the former program. So from that standpoint,  
16 I would be very surprised if the practice increased  
17 because there's not the benefit now that there used to  
18 be.

19 MR. BYRON WILLIAMS: Assuming people are  
20 rational, economic animals, which may be a -- a leap --

21 MR. DON PALMER: I think that's a  
22 stretch, but go ahead.

23 MR. BYRON WILLIAMS: I think our society  
24 functions on that assumption to a large degree. Assuming  
25 we're rational economic actors, your evidence is that

1 given that the benefits that may flow from DSR from --  
2 are less, your expecta -- you don't see a material risk  
3 that the gaming of the system would increase?

4 MR. DON PALMER: That would be correct.

5 MR. BYRON WILLIAMS: How if at all does  
6 the Corporation propose to monitor the family transfer  
7 issue going forward?

8 MR. DON PALMER: The query that we ran,  
9 underlying this analysis, we haven't thrown away. So we  
10 can continue to -- to do that query. We will continue to  
11 do that query to monitor that.

12 MR. BYRON WILLIAMS: So in terms of the  
13 heavy lifting, in terms of addressing this  
14 recommendation, much of that has already been done.

15 MR. DON PALMER: Yes.

16 MR. BYRON WILLIAMS: And it would not be  
17 a particularly onerous task to monitor the issue on an  
18 annual basis for the purposes of the rate setting pro --  
19 process.

20 MR. DON PALMER: To -- to come up with  
21 the raw data underlying this, it would not be an onerous  
22 task.

23 MR. BYRON WILLIAMS: Thank you for that.  
24 We'll -- we'll move to cost allocation, and it'll be my  
25 guess twenty (20) -- twenty (20) minutes or so, maybe

1 perhaps a bit longer, so that should take us to the -- to  
2 the lunch break.

3 And again, I'm not trying to duplicate the  
4 --the efforts of My Learned Friend, but from time to time  
5 we will pop over the same -- same ground.

6 And -- but, Mr. Palmer, you'll confirm,  
7 and as we've confirmed earlier in this hearing, that the  
8 Corporation is proposing new cost allocation methodology  
9 be adopted for the 2011/12 year, correct?

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

11 MR. BYRON WILLIAMS: And obviously the  
12 rate -- the application for the rate and the pro forma  
13 financial statements incorporate this new methodology,  
14 correct?

15 MR. DON PALMER: Yes, they do.

16 MR. BYRON WILLIAMS: And going back a  
17 little bit into history, my understanding is that the  
18 philosophy under the old cost allocation method --  
19 methodology was to allocate costs based upon which  
20 organization did the work, fair enough?

21 MR. DON PALMER: Yes, particularly when  
22 allocating between the insurance business and non-  
23 insurance business.

24 MR. BYRON WILLIAMS: Thank you, and thank  
25 you for that precision. In that same context, the new

1 Deloitte-supported methodology considers for whose  
2 benefit it is -- the work is being done, correct?

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

4 MR. BYRON WILLIAMS: And there's been  
5 some discussion in the course of this hearing regarding  
6 BPR projects, BPR being Business Process Review. And am  
7 I correct in suggesting to you that BPR projects were  
8 allocated using the old methodology, correct?

9 MR. DON PALMER: There were specific  
10 direct -- direct costs attributed to BPR projects. So in  
11 some cases, it wasn't an allocation at all, so it didn't  
12 use an allocation methodology. It was a direct  
13 assignment of costs.

14 MR. BYRON WILLIAMS: And would that  
15 assignment be done on the concept of which organization  
16 did the work?

17 MR. DON PALMER: Yes.

18 MR. BYRON WILLIAMS: Thank you for that  
19 clarification again. I want to turn, and if you want to  
20 direct -- direct your attention to it, an information  
21 response, CAC/MSOS/MPI, First Round 1-11. If you could  
22 turn there.

23

24

(BRIEF PAUSE)

25

1 MR. DON PALMER: I have it.

2 MR. BYRON WILLIAMS: Turning your  
3 attention -- I'll just make sure everyone else has it as  
4 well. Turning your attention to your response to 1-  
5 11(b), the second sentence in that response states:

6 "Because compulsory insurance is  
7 inextricably linked to driver vehicle -  
8 - [or, excuse me] linked to vehicle  
9 registration and driver licensing, by  
10 definition, Basic customers also  
11 benefited from DVL-related service  
12 improvements such as the new driver  
13 licensing system for which Basic did  
14 not share in the costs."

15 Do you see that reference, sir?

16 MR. DON PALMER: Yes, I do.

17 MR. BYRON WILLIAMS: And my -- just in  
18 terms of that statement, the -- the Corporation's point,  
19 as I understand it, is -- is twofold, the first being  
20 that there was a benefit to Basic from the new driver  
21 licensing system, is that correct?

22 MR. DON PALMER: Could you repeat that  
23 question, please?

24 MR. BYRON WILLIAMS: It's the  
25 Corporation's position that there was a benefit to Basic

1 from the new drivers licensing system?

2 MR. DON PALMER: The reference says  
3 benefit to Basic customers, so there is a -- a  
4 distinction there.

5 MR. BYRON WILLIAMS: There was a benefit  
6 to Basic customers from the new driver licensing system,  
7 sir?

8 MR. DON PALMER: Yes.

9 MR. BYRON WILLIAMS: But as I understand  
10 it, the allocation methodology did not allocate any of  
11 the costs to the Basic program, correct?

12 MR. DON PALMER: That's correct.

13 MR. BYRON WILLIAMS: Now, apart from the  
14 new driver licensing system, are there any other serv --  
15 DVL-related service improvements -- or let me restate  
16 that.

17 Apart from the new driver licensing  
18 system, are there any other BPR-related service  
19 improvements from which Basic customers benefited but for  
20 which no costs were allocated to Basic?

21 MR. DON PALMER: Service centres would be  
22 -- would be the major one. And the mainframe  
23 decommission, which hasn't actually occurred yet,  
24 certainly would be in that category as well.

25 MR. BYRON WILLIAMS: So there are -- are

1 two (2) additional lines of BPR-related service  
2 improvement initiatives which, in the Corporation's view,  
3 have ba -- benefited Basic customers but for which no  
4 additional costs have been allocated to Basic.

5 MR. DON PALMER: One (1) has benefited  
6 and one (1) will benefit since mainframe decommission  
7 hasn't occurred yet.

8 MR. BYRON WILLIAMS: Thank you for that.

9

10 (BRIEF PAUSE)

11

12 MR. BYRON WILLIAMS: And just remind me,  
13 in terms of service centres, the costs were allocated  
14 where?

15 MR. DON PALMER: To the DVA line of  
16 business.

17 MR. BYRON WILLIAMS: And mainframe  
18 decommissioning, likewise?

19 MR. DON PALMER: Mainframe will be  
20 allocated to the DVA line of business, yes.

21 MR. BYRON WILLIAMS: Moving forward into  
22 the 2 -- 2011/2012 year, I'm correct in suggesting to you  
23 that BPR costs related to DVA will be expensed as  
24 incurred under the DVA line of business regardless of  
25 whether Basic customers benefits -- benefit, is that

1 correct?

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

3 MR. BYRON WILLIAMS: And that's because  
4 all BPR projects will be allocated according to the --  
5 the old methodology, correct?

6 MR. DON PALMER: Yes.

7 MR. BYRON WILLIAMS: So effective March  
8 1st, 2011, assuming the Corporation's cost allocation  
9 proposals are accepted, it would be fair to say that the  
10 Corporation proposes to use two (2) cost allocation  
11 methodologies: the old one for BPR-related initiatives,  
12 and the new Deloitte methodology for otherwise.

13 Would that be fair?

14 MR. DON PALMER: Not quite, because I  
15 think their distinction is between allocation and  
16 assignment. So the mainframe decommissioning project,  
17 which we have now named as DART, so if -- if I slip into  
18 DART, you'll know what I mean, that's mainframe  
19 decommissioning, that that will be directly assigned and  
20 directly expensed on the DVA line of business.

21 And, further, we did have an appropriation  
22 of funds out of retained earnings, as outlined in the  
23 annual report, called the Extension Development Fund.  
24 That still has -- has a balance in it and that those  
25 funds will be used to pay for the mainframe



1 decommissioning.

2 MR. BYRON WILLIAMS: You said, "not  
3 quite." Let -- let me just make sure I understand this.  
4 Going forward there will be some ex -- expenses directly  
5 assigned to DVA related to BPR projects which, in the  
6 Corporation's views, Basic customers will benefit from.

7 MR. DON PALMER: Yes, that's fair.

8 MS. MARILYN MCLAREN: Mr. Williams, if I  
9 could. The -- the only reason we intend to proceed that  
10 way is because in this forum the -- the BPR-related  
11 projects that would be fully funded by DVA were stated  
12 here long ago, before we even did the Deloitte cost  
13 allocation study, so as not to go back on that is the  
14 only reason we're proceeding this way.

15 Clearly there's a case to be made that  
16 Basic should fund part of the mainframe decommission.  
17 But because of we said years before we came up with the  
18 new cost allocation approach, we're just sticking to that  
19 approach, that's all.

20

21 (BRIEF PAUSE)

22

23 MR. BYRON WILLIAMS: And thank you for  
24 that, Ms. McLaren, but you certainly see, analytically,  
25 that there's a bit of a -- a disconnect.

1 MS. MARILYN MCLAREN: No argument. Yeah,  
2 in -- in any other context, Basic would be funding part  
3 of the mainframe decommissioned, for sure.

4 It's just because we put that on the  
5 record before, said that they were DVL BPR-related, and  
6 that the EDF would fund it, and we're just sticking with  
7 that. That's all.

8 MR. BYRON WILLIAMS: So we've got  
9 mainframe, and I understand that going forward, as well,  
10 there will be expenses related to the new -- new service  
11 centre initiative, as well, that will be -- that will  
12 benefit Basic consumers, but which DVA is picking up the  
13 costs for.

14 Is that correct, or not?

15 MS. MARILYN MCLAREN: No. The service  
16 centre project is like 99 percent complete, so there's  
17 nothing else there. There are no other projects yet to  
18 be begun under the BPR umbrella that we would intend to  
19 allocate the old way.

20 EV -- the -- the mainframe decommission is  
21 the last residual one (1) through that earlier list of --  
22 of projects.

23 MR. BYRON WILLIAMS: And this is a source  
24 of some confusion to our analysts, so I'll -- I'll just  
25 pursue it.

1                   Is it the Corporation's evidence then, in  
2 terms of the new service centres, that there will be no -  
3 - no costs related to those improvements in the 2011/12  
4 year -- I have a --

5                   MR. DON PALMER:     Okay.  I think I  
6 understand the question.

7                   MR. BYRON WILLIAMS:   Even before I finish  
8 it, you can understand the question.  Thank you for that.

9                   MR. DON PALMER:     Yes.  Now, those -- the  
10 service centre project would be the process into  
11 conversion of the claims centres to service centres,  
12 which had some ex -- expenses, essentially moving the  
13 driver and vehicle licensing operations into existing  
14 claims centres.

15                   So that conversion had some costs.  Those  
16 were project costs.  The oper -- now that those -- that  
17 project has been operationalized, it becomes operating  
18 cost, of which there is a methodology in the cost  
19 allocation to allocate the cost of the service centres to  
20 the various lines of business.

21                   So that's not project costs, that's  
22 operating costs, and yes, there is an allocation policy  
23 within the Deloitte methodology to handle that.

24                   MR. BYRON WILLIAMS:   And that will be  
25 based upon the new methodology?

1 MR. DON PALMER: Absolutely.

2 MR. BYRON WILLIAMS: That makes things a  
3 lot simpler, Mr. Chairman.

4 Just in terms of sticking exclusively then  
5 with mainframe decommissioning, if you could just remind  
6 my clients what the value of that project is?

7 MS. MARILYN MCLAREN: Right now, that  
8 does really hold the gold copy of the driver licence  
9 record. That's where changes to the driver record still  
10 have to be applied relatively manually at this point by  
11 staff.

12 So anything related to demerit point  
13 premiums, accidents, at fault accidents, will affect DSR  
14 on the driver record, it happens through the mainframe.

15 The -- the exchange of records from people  
16 moving to and leaving Manitoba into other jurisdictions  
17 happens through the mainframe, and all of the other, for  
18 the most part -- well, I think probably exclusively,  
19 governmental organizations, like other branches of  
20 government, and the police who have the ability to access  
21 driver licence information, do so from the mainframe.

22 Basic's interest in the gold copy of the  
23 driver record is, of course, the accidents, and -- and  
24 the demerits, and so on.

25 MR. BYRON WILLIAMS: And the cost?

1 MS. MARILYN MCLAREN: At this point,  
2 we're expecting, potentially, between 20 and \$30 million,  
3 but the numbers are rough at this point, to -- to replace  
4 the mainframe.

5 What it costs us today -- it costs us just  
6 in terms of system char -- external charges to keep the  
7 mainframe running is about a million or so dollars a  
8 year. But through the project we'll also be able to  
9 really refine our internal staffing resources taken to  
10 administer, which is a -- still a largely manual system.

11 MR. BYRON WILLIAMS: So there'll be costs  
12 flowing from this project, but also substantial benefits  
13 the Corporation expects to realize.

14 MS. MARILYN MCLAREN: Yes. Earlier, we  
15 were talking with Ms. Everard about the fact that the --  
16 one (1) of the departments that we're proposing to share  
17 is the Driver Records Department, which will see  
18 significant staffing reductions through the project.

19 MR. BYRON WILLIAMS: Okay. Mr. Chairman.  
20 Those answers were very helpful. I think I'll reflect on  
21 them over lunch, if -- if I may?

22 THE CHAIRPERSON: Very good. Okay.  
23 Well, let's come back -- is one o'clock okay with  
24 everyone? Mr. Williams, is one o'clock okay with you?

25 MR. BYRON WILLIAMS: It certainly is, Mr.

1 Chairman.

2 THE CHAIRPERSON: Mr. Dawson...?

3 MR. ROBERT DAWSON: It seems so. And I  
4 was just speaking to Mr. Williams, who tells me that it's  
5 -- it seems likely that he will take the afternoon, so  
6 Ms. Everard's original estimate that I would be up on  
7 Monday, subject to comments from the Board, seems to be  
8 about right.

9 THE CHAIRPERSON: Very good. Ms. Peters,  
10 do you have anything at this point? Okay.

11 MR. BYRON WILLIAMS: Mr. Chairman, just  
12 if I might. I'm sorry to interrupt. It's -- it's touch  
13 and go whether I'll take the whole afternoon. I  
14 certainly will take an hour and a half. Whether I take  
15 the whole afternoon, it's -- I'm -- I'm just not quite  
16 certain right now.

17 THE CHAIRPERSON: Well, an hour and a  
18 half won't be the whole afternoon.

19 MR. ROBERT DAWSON: I can easily sit  
20 here, Mr. Chairman. I'm at the disposal of the Board.  
21 That's fine.

22 THE CHAIRPERSON: Are you able to be  
23 contacted if Mr. Williams looks like he's going to  
24 finish?

25 MR. ROBERT DAWSON: I think it would be

1 easier for everyone if I simply remain here.

2 THE CHAIRPERSON: Okay. Fine. Thank  
3 you. We'll see you back at one o'clock.

4

5 --- Upon recessing at 11:56 a.m.

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

7

8 THE CHAIRPERSON: Okay. Welcome back.  
9 Mr. Williams...?

10 MS. KATHY KALINOWSKY: If we could just  
11 start very -- prior to Mr. Williams, Mr. Palmer has three  
12 undertakings: Undertakings number 23, 32, and 33, which  
13 you could just respond to on the record --

14 THE CHAIRPERSON: Very --

15 MS. KATHY KALINOWSKY: -- that would be  
16 appreciated.

17 THE CHAIRPERSON: -- very good. Mr.  
18 Palmer?

19 MR. DON PALMER: Yes, Undertaking 23, the  
20 Board had asked us, of motorcycle owners, two (2)  
21 questions on that. How many have pa -- private passenger  
22 vehicles, at least one (1), and that would be 89 percent  
23 of motorcycle owners have at least one (1) private  
24 passenger vehicle. That would include cars and light  
25 trucks.

1                   It was also asked of motorcycle owner --  
2 owners, how many are multiple motorcycle -- have multiple  
3 motorcycles. Ms. McLaren had responded in -- in round  
4 numbers, and she was -- as -- as always, she was very,  
5 very close.

6                   Of the motorcycle owners who have -- 92.7  
7 percent of those owners have one (1) motorcycle insured,  
8 and 99.1 percent have two (2) or less motorcycles  
9 insured.

10                  THE CHAIRPERSON:    So it's not like gun  
11 collections in the US then.

12                  MR. DON PALMER:    I can confirm that there  
13 is one (1) customer who has forty-three (43) motorcycles.

14                  On -- this morning, Mr. Oakes had ask --  
15 or yesterday, I guess, Mr. Oakes had asked me about the  
16 percent increase of motorcycles rate -- rates over the  
17 last ten (10) years, and that was, two (2) forms of the  
18 same question were in Undertaking 32 and 33.

19                  I can tell you from 2001/02 to the 11/12  
20 applied for rates, the average rate back in 2001/02 for  
21 the motorcycle major class was four hundred and ninety  
22 dollars (\$490). We're applying for an average rate of  
23 one thousand and seventy-eight dollars (\$1,078).

24                  Both of -- the four hundred and ninety  
25 dollars (\$490) was adjusted to take into account the



1 seasonal rating that changed a few years ago. So from an  
2 apples to apples comparison. That's an increase of 120  
3 percent over that eleven (11) years or an average annual  
4 change of 7.43 percent.

5

6 (BRIEF PAUSE)

7

8 CONTINUED BY MR. BYRON WILLIAMS:

9 MR. BYRON WILLIAMS: Yes, good afternoon,  
10 Mr. Chairman and Dr. Evans. I'm going ask the MPI panel  
11 to start by turning to PUB Exhibit number 13, which is a  
12 document from the superintendent -- or an excerpt from a  
13 report of the superintendent of insurance.

14

15 (BRIEF PAUSE)

16

17 MR. DON PALMER: I have it.

18 MR. BYRON WILLIAMS: Thank you, Mr.  
19 Palmer. Just in -- you'll recall the MPI panel  
20 discussing this exhibit with Ms. Everard, I believe it  
21 was last week, but at some po -- point in time during the  
22 course of the Hearing, correct?

23 MR. DON PALMER: Yes, I recall.

24 MR. BYRON WILLIAMS: And just to refresh  
25 our memories, this -- it's your understanding that this

1 is an excerpt from an annual report of the superintendent  
2 of insurance.

3 MR. DON PALMER: Superintendent of  
4 insurance of Manitoba, yes.

5 MR. BYRON WILLIAMS: And it's an exercise  
6 that the superintendent conducts annually, looking at the  
7 premiums and losses related to the automobile insurance  
8 industry in Manitoba, would that be fair?

9 MR. DON PALMER: Yes, that's fair.

10 MR. BYRON WILLIAMS: And the Corporation  
11 has discussed the results of these reports with the  
12 Public Utilities Board both in this Hearing and in  
13 previous hearings.

14 MR. DON PALMER: Yes, we have.

15 MR. BYRON WILLIAMS: So the reports  
16 themselves are of a format that the Corporation is -- has  
17 some familiarity with, correct?

18 MR. DON PALMER: Yes.

19 MR. BYRON WILLIAMS: And although the  
20 numbers may vary somewhat from the MPI's own data, you  
21 would consider them to be reasonably reliable?

22 MR. DON PALMER: They're fairly close.  
23 We haven't tried to do a real reconciliation. Part of  
24 the issue is, I understand, this is calendar year. All  
25 of our records are on our fiscal year, but they're not

1 far off.

2 MR. BYRON WILLIAMS: And in the case of  
3 Manitoba Public Insurance in terms of the information on  
4 this particular exhibit, the results for the MPIC Auto  
5 Insurance Division include: Basic, Extension, and Special  
6 Risk.

7 Would that be fair?

8 MR. DON PALMER: Yes, that's fair.  
9 That's what it says in the note.

10 MR. BYRON WILLIAMS: And that's your  
11 understanding, sir?

12 MR. DON PALMER: Yes.

13 MR. BYRON WILLIAMS: Ms. McLaren, I'm --  
14 I'm going to come back to Mr. Palmer in just a second,  
15 but you did have a discussion, I believe, with the  
16 Chairperson in the last few days, I can't even tell you  
17 which day yet anymore, I believe it was Monday, but in  
18 the context of commissions for brokers. And I wrote down  
19 notes of your testimony. I believe you stated something  
20 like there was -- that the S -- streamline renewal  
21 process posed some risks to other lines of business, such  
22 as Extension.

23 MS. MARILYN MCLAREN: Yes.

24 MR. BYRON WILLIAMS: And certainly, as  
25 you went on with that dialogue with the Chairperson, my

1 understanding was the thrust of your evidence was that  
2 you did not wish for the Extension market served by non-  
3 MPI businesses to grow bigger, would that be fair, from a  
4 business perspective?

5 MS. MARILYN MCLAREN: We -- we certainly  
6 would not be looking to lose market share.

7 MR. BYRON WILLIAMS: Thank you for that.  
8 And, Mr. Palmer, back to you probably, but certainly  
9 whoever from the MPI panel wishes to respond is more than  
10 welcome.

11 In the course of your discussion with My  
12 Learned Friend, Ms. Everard, you indicated that your  
13 understanding was that the superintendent of insurance  
14 report was out now for the 2009 year. Do you remember  
15 that?

16 MR. DON PALMER: Yes, I recall.

17 MR. BYRON WILLIAMS: And I -- I'd like to  
18 share with you an excerpt from that report. I -- I've  
19 taken the liberty, Mr. Chairman, of suggesting that it be  
20 marked as CAC Exhibit Number 9, and I wonder if I could  
21 ask Mr. Singh to distribute that.

22 CAC number 9, for the court reporter.

23

24 --- EXHIBIT NO. CAC/MSOS-9:

25 Excerpt of 2009, Superintendent of

1 Insurance Report

2

3 CONTINUED BY MR. BYRON WILLIAMS:

4 MR. BYRON WILLIAMS: And, Mr. Palmer,  
5 I'll just give you a second to look at it. My question  
6 on this will not be extensive.

7

8 (BRIEF PAUSE)

9

10 MR. DON PALMER: Yes, it's very similar  
11 to the previous one.

12 MR. BYRON WILLIAMS: And just on that,  
13 Mr. Palmer, I just want to chat without going to the same  
14 level of detail as My Friend Ms. Everard.

15 In terms of the total premiums in the 2009  
16 year, the superintendent of insurance, Manitoba, is  
17 reporting total premiums of about \$927.2 million.

18 Would that be fair?

19 MR. DON PALMER: That's correct.

20 MR. BYRON WILLIAMS: And MPI, including  
21 universal compulsory automobile insurance extension and  
22 special risk coverage, accounts for about \$917.4 million  
23 of that nine hundred and twenty-seven point two (927.2)  
24 total, fair enough?

25 MR. DON PALMER: And again, give or take,

1 because we haven't checked or reconciled these numbers,  
2 but it's ballpark for sure.

3 MR. BYRON WILLIAMS: And in that general  
4 range, M -- MPI, while you may quibble in recognizing  
5 that it's on a calendar year as opposed to the MPI fiscal  
6 year, we can have some confidence in those figures,  
7 correct?

8 MR. DON PALMER: Yes.

9 MR. BYRON WILLIAMS: Mr. Palmer, again,  
10 this will be relatively brief. But certainly for my  
11 client's benefit, we -- I'd like to test these results  
12 over time as compared to when the MPI Basic monopoly  
13 began to have rates set for them at the Public Utilities  
14 Board in the late 1980s.

15 So I'm going to ask Mr. Singh to  
16 distribute an exhibit which I've, subject to the  
17 instruction of the Chair, marked as CAC number 10, which  
18 I am representing to you as excerpts of the reports of  
19 the superintendent of insurance, Manitoba, covering the -  
20 - the calendar years 1988 through 2007.

21 THE CHAIRPERSON: That's fine.

22 MR. BYRON WILLIAMS: Okay. And, Mr.  
23 Chairman, just for the -- I'd -- I'd suggest that the  
24 first -- the first report, which relates to the 1988 and  
25 '89 year, be marked as CAC-10-1 -- CAC/MSOS-10-1 -- MSOS

1 will never forgive me if I don't include them as well --  
2 and, as we move forward, that each separate year be 10-2,  
3 et cetera, with the last being the 06/07 year, being CAC-  
4 10-18.

5 THE CHAIRPERSON: Very good.

6

7 --- EXHIBIT NO. CAC/MSOS-10-1: Automobile adjustment  
8 expenses included in  
9 net losses incurred for  
10 1988/89

11

12 --- EXHIBIT NO. CAC/MSOS-10-2: Automobile adjustment  
13 expenses included in  
14 net losses incurred for  
15 1989/90

16

17 --- EXHIBIT NO. CAC/MSOS-10-3: Automobile adjustment  
18 expenses included in  
19 net losses incurred for  
20 1990/91

21

22 --- EXHIBIT NO. CAC/MSOS-10-4: Automobile adjustment  
23 expenses included in  
24 net losses incurred for  
25 1991/92

1 --- EXHIBIT NO. CAC/MSOS-10-5: Automobile adjustment  
2 expenses included in  
3 net losses incurred for  
4 1992/93  
5  
6 --- EXHIBIT NO. CAC/MSOS-10-6: Automobile adjustment  
7 expenses included in  
8 net losses incurred for  
9 1993/94  
10  
11 --- EXHIBIT NO. CAC/MSOS-10-7: Automobile adjustment  
12 expenses included in  
13 net losses incurred for  
14 1994/95  
15  
16 --- EXHIBIT NO. CAC/MSOS-10-8: Automobile adjustment  
17 expenses included in  
18 net losses incurred for  
19 1995/96  
20  
21 --- EXHIBIT NO. CAC/MSOS-10-9: Automobile adjustment  
22 expenses included in  
23 net losses incurred for  
24 1996/97  
25



1 --- EXHIBIT NO. CAC/MSOS-10-10: Automobile adjustment  
2 expenses included in  
3 net losses incurred for  
4 1997/98  
5  
6 --- EXHIBIT NO. CAC/MSOS-10-11: Automobile adjustment  
7 expenses included in  
8 net losses incurred for  
9 1998/99  
10  
11 --- EXHIBIT NO. CAC/MSOS-10-12: Automobile adjustment  
12 expenses included in  
13 net losses incurred for  
14 1999/00  
15  
16 --- EXHIBIT NO. CAC/MSOS-10-13: Automobile adjustment  
17 expenses included in  
18 net losses incurred for  
19 2000/01  
20  
21 --- EXHIBIT NO. CAC/MSOS-10-14: Automobile adjustment  
22 expenses included in  
23 net losses incurred for  
24 2001/02  
25

1 --- EXHIBIT NO. CAC/MSOS-10-15: Automobile adjustment  
2 expenses included in  
3 net losses incurred for  
4 2002/03

5  
6 --- EXHIBIT NO. CAC/MSOS-10-16: Automobile adjustment  
7 expenses included in  
8 net losses incurred for  
9 2004/05

10  
11 --- EXHIBIT NO. CAC/MSOS-10-17: Automobile adjustment  
12 expenses included in  
13 net losses incurred for  
14 2005/06

15  
16 --- EXHIBIT NO. CAC/MSOS-10-18: Automobile adjustment  
17 expenses included in  
18 net losses incurred for  
19 2006/07

20  
21 CONTINUED BY MR. BYRON WILLIAMS:

22 MR. BYRON WILLIAMS: Mr. Palmer, I'll  
23 just give you -- I -- I only intend to look at -- at  
24 three (3) reports, being the 1988 report at this point in  
25 time, the 1998 report, and the 2003 report. So I'll give

1 you just a couple of seconds, if you want, to take a  
2 quick look at those three (3), being 199 -- 1988, 1998  
3 and 2003.

4

5 (BRIEF PAUSE)

6

7 MS. MARILYN MCLAREN: Could you just  
8 repeat the years one (1) more time, Mr. Williams?

9 MR. BYRON WILLIAMS: Yes, and I apologize  
10 for that; 1988, 1998, and 2003.

11

12 (BRIEF PAUSE)

13

14 MR. DON PALMER: Yes, I've taken a quick  
15 look.

16 MR. BYRON WILLIAMS: You've memorized  
17 them no doubt, Mr. Palmer? Just teasing.

18 In -- in terms of 1988, and certainly out  
19 of fairness to the Corporation I -- I want to just make  
20 sure I draw your attention to page 26 first of all, and  
21 you'll see a reference, about eight (8) lines down, to  
22 Manitoba Pubic Insurance Corporation, which presumably is  
23 the non-Basic part of the -- the program.

24 Do you see that, Mr. Palmer?

25 MR. DON PALMER: Yes. On page 27, under

1 -- it identifies Manitoba Public Insurance Corporation  
2 Act, and then Compulsory insurance, so yes, that would be  
3 Basic AutoPac. And the other lines on page 26, I  
4 presume, would be Extension and Special Risk Extension.

5 MR. BYRON WILLIAMS: And as we work our  
6 way through the math, I just want to make sure that we --  
7 we don't undercount MPI.

8 Again, focussing exclusively on premiums  
9 you'll see that the superintendent for the 1988 year is  
10 reporting, at page 27 of CAC/MSOS-18-1, premium totals of  
11 approximately three hundred and ten point (310.) -- 310.7  
12 million.

13 Would that be fair?

14 MR. DON PALMER: Yes, that's fair.

15 MR. BYRON WILLIAMS: Okay. And of that,  
16 we see Basic, or Manitoba Public Insurance Corporation at  
17 Compulsory Insurance, accounting for two hundred and  
18 fifty-eight (258), and I'm going to suggest to you it's  
19 either a point seven (.7) or a point -- or excuse me, a  
20 point six (.6) or a point eight (.8), 258.6 million, out  
21 of an abundance of caution.

22 MR. DON PALMER: I think it's a six (6),  
23 but that's okay.

24 MR. BYRON WILLIAMS: And it's a lower  
25 number by a -- so we'll -- we'll chose that, two hundred

1 and fifty-eight point six (258.6).

2 As well, on page 26 we see premiums  
3 reported for the non-Basic portions of Manitoba Public  
4 Insurance is about 45 million. Would that be fair?

5 MR. DON PALMER: Yes, for a total of  
6 three hundred and three point six (303.6).

7 MR. BYRON WILLIAMS: Thank you for that.  
8 So the remainder would amount to roughly \$7 million.  
9 Would that be fair?

10 MR. DON PALMER: Yes.

11

12 (BRIEF PAUSE)

13

14 MR. BYRON WILLIAMS: I'm going to --  
15 while I write down a note, I'm going to ask you to turn  
16 to the 1998 figures.

17

18 (BRIEF PAUSE)

19

20 MR. BYRON WILLIAMS: That should be --  
21 I'm -- and in particular I'm referring you, Mr. Palmer,  
22 to CAC/MSOS-10-11. Do you have that?

23 MR. DON PALMER: Are you looking at the  
24 1998 year specifically?

25 MR. BYRON WILLIAMS: Yes. And I -- I

1 presume that, Mr. Palmer, you may be looking at CAC-10-  
2 10.

3 MR. DON PALMER: Yes, I am.

4 MR. BYRON WILLIAMS: The results are the

5 --

6 MR. DON PALMER: The results are the  
7 same.

8 MR. BYRON WILLIAMS: -- results are the  
9 same.

10 MR. DON PALMER: Yes.

11 MR. BYRON WILLIAMS: If I could get you  
12 to turn to 10-11, just that's where my -- my notes are,  
13 sir. Do you have that now?

14 MR. DON PALMER: Yes, I do.

15 MR. BYRON WILLIAMS: And specifically, in  
16 terms of -- going to page 22, we'll see a total premiums  
17 reported of 527 million.

18 You'll see that, sir, correct?

19 MR. DON PALMER: Yes, I do.

20 MR. BYRON WILLIAMS: And you see, for the  
21 purposes of this report, there's no longer the division  
22 between Basic and other for Manitoba Public Insurance,  
23 and you'll agree that universal compulsory automobile  
24 insurance Extension and Special Risk coverage are  
25 reported on the second last line of this report, this

1 excerpt?

2 MR. DON PALMER: Yes, that's what it  
3 says.

4 MR. BYRON WILLIAMS: And you'll see the  
5 total for the MPIC Auto Insurance be -- Division being  
6 roughly 515.7 million.

7 Would that be fair?

8 MR. DON PALMER: Yes.

9 MR. BYRON WILLIAMS: So in -- in terms of  
10 the remainder, would it be fair to say that it's roughly  
11 11.3 million?

12 MR. DON PALMER: Roughly, yes.

13 MR. BYRON WILLIAMS: Turning to the 2003  
14 year, and, in particular, CAC/MSOS -- just one (1)  
15 second, please, Mr. Palmer.

16

17 (BRIEF PAUSE)

18

19 MR. BYRON WILLIAMS: CAC/MSOS-10-15, if  
20 you would.

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

22 MR. BYRON WILLIAMS: Again we see the  
23 total as reported by the superintendent for the calendar  
24 2003 year being 678 million?

25 Would that be fair? Point -- point --

1 678.1 million.

2 MR. DON PALMER: No, that's the losses.

3 MR. BYRON WILLIAMS: Isn't that

4 hilarious, Mr. Palmer? Sorry, about that.

5 We'll see the total being 700.7 million.

6 Thank you for that correction.

7 MR. DON PALMER: See, I am paying

8 attention.

9 MR. BYRON WILLIAMS: And did you confirm  
10 the number being seven hundred point seven (700.7)?

11 MR. DON PALMER: Yes.

12 MR. BYRON WILLIAMS: So now I'm paying  
13 attention. That's good.

14 And for MPIC, in -- including universal  
15 compulsory extension, and Special Risk Extension we see  
16 the figure being 690 million -- 690.2 million.

17 Would that be fair?

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

19 MR. BYRON WILLIAMS: So a difference of  
20 about 10.4 million, roughly?

21 MR. DON PALMER: Yes.

22 MR. BYRON WILLIAMS: I'll leave this to  
23 you, Mr. Palmer, if you choose to answer this. But  
24 you'll -- you'll agree with me, first of all, that the  
25 superintendent in the report, as we track through time



1 from 1988 through -- up to PU -- or CAC number 9, 2009,  
2 they track the companies other than Manitoba Public  
3 Insurance who are -- operate in the Manitoba marketplace?

4 MR. DON PALMER: Yes.

5 MR. BYRON WILLIAMS: And lea -- do you  
6 have any observations in terms of the number of companies  
7 currently operating in the marketplace, as represented by  
8 the 2009 report, versus, for example, the 1988 report?

9

10 (BRIEF PAUSE)

11

12 MR. DON PALMER: I haven't counted. I  
13 will say that 1988 has two (2) and a bit pages that looks  
14 like it's double-spaced. The 2009 report has one (1)  
15 page that looks like it's single-spaced. We can count,  
16 but...

17 MR. BYRON WILLIAMS: I'm -- I'm not sure  
18 I'm going to put the Corporation's actuary through that.  
19 Okay, thank you very much.

20 MR. DON PALMER: It's been established I  
21 can't count anyway.

22 MR. BYRON WILLIAMS: As long as you can  
23 forecast, Mr. Palmer.

24 Do you have any comments on that ability?

25 MR. DON PALMER: I'm sure we'll get to

1 that.

2

3

(BRIEF PAUSE)

4

5 MR. BYRON WILLIAMS: I'd like to turn to  
6 a different area of discussion, being PIPP and the PIPP  
7 BPR -- or the PIPP infrastructure initiative. And I'm  
8 not sure which particular witness I'll be directing these  
9 questions to, but I'm sure someone from the MPI panel  
10 will volunteer, but it looks like it's Ms. McLaren.

11 Ms. McLaren, based on your discussion with  
12 My Learnered Friend Ms. Everard last week, my  
13 understanding is that the PIPP infrastructure project is  
14 complete and was up and running as of roughly September  
15 2010?

16 MS. MARILYN MCLAREN: Yes.

17 MR. BYRON WILLIAMS: And the  
18 Corporation's response to this -- this particular  
19 question was, I believe, set out in an information  
20 request of last year, CAC/MSOS-1-75, which I'm -- I'm not  
21 asking you to turn to, but it would be fair to say that  
22 the original business case for the PIPP infrastructure  
23 project suggested that, over a seven (7) year period,  
24 costs would be about \$27 million.

25 Fair enough?

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

2 MR. BYRON WILLIAMS: And the  
3 Corporation's expectation was that benefits over that  
4 period would amount to around \$42 million?

5 MS. MARILYN MCLAREN: Yes.

6 MR. BYRON WILLIAMS: And in broad terms,  
7 the Corporation's general expectation, would it be fair  
8 to say, remains unchanged?

9 MS. MARILYN MCLAREN: Yes.

10 MR. BYRON WILLIAMS: And it also would be  
11 fair to say that, in terms of its forecasting process,  
12 the Corporation anticipates, or has built in modest  
13 savings from the program in the current year, which are  
14 built into the forecast for 2010/'11?

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

16 MR. BYRON WILLIAMS: And that the  
17 Corporation anticipates somewhat larger savings from the  
18 program in the next fiscal year, which are built into the  
19 projection for 2011/12?

20 MS. MARILYN MCLAREN: Right.

21 MR. BYRON WILLIAMS: And again, that it  
22 anticipates somewhat larger savings from the program in  
23 the 2012/13 year, correct?

24 MS. MARILYN MCLAREN: Yes.

25 MR. BYRON WILLIAMS: And I wonder if you

1 could, by way of undertaking, if it's not on the record -  
2 - and -- and I haven't been able to -- to see it --  
3 provide me with the derivation or calculation of the  
4 proposed savings related to the PIPP infrastructure  
5 program for 2010/11, 2011/12, and 2012/13?

6 MS. MARILYN MCLAREN: Yeah, we can do  
7 that.

8

9 --- UNDERTAKING NO. 36: MPI to provide the derivation  
10 or calculation of the  
11 proposed savings related to  
12 the PIPP infrastructure  
13 program for 2010/11, 2011/12,  
14 and 2012/13

15

16 CONTINUED BY MR. BYRON WILLIAMS:

17 MR. BYRON WILLIAMS: And the Corporation,  
18 in terms of the original business case, was courteous  
19 enough to put it on the record last year and the  
20 calculation underlying it, but I wonder if -- if it could  
21 check to see if that information's easily at hand.

22 And what I'm referring to, Ms. McLaren,  
23 just for purposes of clarity, is the estimate of -- of  
24 costs of 27 million roughly, versus benefits of 42  
25 million, kind of the rollout of that over that seven (7)

1 -- seven (7) year period.

2                   Would you look at it, and -- and if it's  
3 available, be prepared to file that as an undertaking?

4                   MS. MARILYN MCLAREN:    Yeah.  I can tell  
5 you that they will not have changed.

6                   And the reference you had to an IR from  
7 last year earlier, is that where these numbers were?

8                   MR. BYRON WILLIAMS:    The -- and I guess  
9 I'll be giving evidence now, Ms. McLaren, just for the  
10 purposes of assisting the Witness.

11                   The overall estimate was set out in  
12 CAC/MSOS-1-75.  I believe that the Corporation  
13 subsequently in the proceeding did a derivation of how  
14 they saw those numbers rolling out.  And I apologize for  
15 not having that other reference at hand.

16                   MS. MARILYN MCLAREN:    Thank you.

17

18   (BRIEF PAUSE)

19

20                   MR. BYRON WILLIAMS:    I'm confident the  
21 Corporation and their learned CEO will not need the  
22 reference, but if you're looking for this next question,  
23 it's AI.11, page 3.

24                   My understanding is that the inception  
25 phase of the PIPP infra -- infrastructure project

1 involved confirmation of the baseline for performance  
2 management and benchmarking.

3 Would that be fair?

4 MS. MARILYN MCLAREN: I'll take that as  
5 what it says in AI.3.

6 MR. BYRON WILLIAMS: And would it be fair  
7 to say that the baseline for performance management and  
8 benchmarking was unchanged when the program went live?

9 MS. MARILYN MCLAREN: Yes, that would be  
10 fair.

11 MR. BYRON WILLIAMS: And I wonder if you  
12 can explain what the Corporation means by a baseline for  
13 performance management and benchmarking within the con --  
14 context of the PIPP infrastructure project?

15 Ms. McLaren, if you are looking for a  
16 reference, if that would help you, it again was at AI.11,  
17 page 3, I believe.

18

19 (BRIEF PAUSE)

20

21 MS. MARILYN MCLAREN: That was long  
22 enough ago that I really wouldn't want to speak off the  
23 top of my head on this, but we can come back with  
24 something on the record with respect to that question.

25 MR. BYRON WILLIAMS: And what I'd like,

1 Ms. McLaren, just -- you'll -- you'll speak to it, and I  
2 appreciate that, if -- I'm presuming, and -- that the  
3 Corporation has a baseline for performance management at  
4 benchmarking, with regard to the PIPP program, and what  
5 I'm hoping the Corporation can provide is that -- that  
6 baseline.

7 MS. MARILYN MCLAREN: I know at about this  
8 time we did file a framework for benchmarking. This may  
9 be what this refers to, but I -- I will look into it, and  
10 give you as much as I can on that topic.

11

12 --- UNDERTAKING NO. 37: MPI to provide baseline for  
13 performance management at  
14 benchmarking, with regard to  
15 the PIPP program

16

17 CONTINUED BY MR. BYRON WILLIAMS:

18 MR. BYRON WILLIAMS: Would I be correct  
19 in suggesting that among the completed, or largely  
20 completed BPR projects that the Corporation suggests will  
21 benefit Basic are driver safety rating, streamline  
22 renewal, enterprise data warehouse, the new driver's  
23 licence, and PIPP infrastructure.

24

Would those be the five (5)?

25

MS. MARILYN MCLAREN: Those certainly all

1 benefit Basic, yes.

2 MR. BYRON WILLIAMS: And my understanding  
3 is that the Corporation is committed to conducting post-  
4 operational reviews of these projects, correct?

5 MS. MARILYN MCLAREN: Yes.

6 MR. BYRON WILLIAMS: And I would be  
7 correct in suggesting to you that the post-operational  
8 reviews are -- are not yet completed.

9 Would that be right?

10 MS. MARILYN MCLAREN: That's right.

11 MR. BYRON WILLIAMS: Can you indicate  
12 with regard to at least these five (5) projects, when the  
13 Corporation anticipates completing these reviews?

14 MS. MARILYN MCLAREN: Probably by about  
15 this time next year. You know, the -- the DSR and  
16 streamline renewals, the last customers will be migrated  
17 to that system next February. And with PIPP just having  
18 gone live about a month ago, you know, we really let the  
19 projects be fully implemented and settle in before we  
20 actually start the post-implementation review.

21 So I would expect that they would all be  
22 done by about this time next year. It might be earlier,  
23 I'm just not sure how much earlier.

24 MR. BYRON WILLIAMS: And is the post-  
25 operational review an internal exercise, or an ex --



1 external exercise?

2 MS. MARILYN MCLAREN: Generally it's  
3 internal.

4 MR. BYRON WILLIAMS: And would it be your  
5 intent to file these post-implementation reviews with  
6 the -- with the Board, and with Intervenors, as part of -  
7 - of the next General Rate Application, or during the  
8 hearing process?

9 MS. MARILYN MCLAREN: I -- I think that  
10 could reasonably be expected to happen.

11

12 (BRIEF PAUSE)

13

14 MR. BYRON WILLIAMS: I have a few  
15 questions for someone I've sadly neglected during this  
16 hearing, Mr. Kramer. And I -- I think he and I have had  
17 a discussion on this topic both last year and a -- a  
18 little bit off the record this year, so I'm not expecting  
19 he'll agree with me.

20 But Mr. Kramer, you -- you may want to  
21 have TI.5 near at hand for our discussion.

22 MR. OTTMAR KRAMER: I've got it.

23 MR. BYRON WILLIAMS: And Mr. Kramer, the  
24 Corporation's evidence in this hearing, and it's set out  
25 at SM.2.5 page 9 if you're looking for a reference, is

1 that it continues to monitor trends and key indicators  
2 for insurance companies operating in other jurisdictions.  
3 Would that be fair?

4 MR. OTTMAR KRAMER: I'll take that as  
5 what we filed.

6 MR. BYRON WILLIAMS: And a comparison  
7 among insurance companies is, of course, set out in the  
8 trend ama -- analysis in Section TI.5.

9 Would that be fair?

10 MR. OTTMAR KRAMER: Yes, it's -- it's a  
11 trend of some of the financial indicators.

12 MR. BYRON WILLIAMS: In terms of this mo  
13 -- monitoring of trends, I'm curious as whether this is  
14 something the -- the Corporation does for its own  
15 purposes or whether to please or placate the -- the  
16 regulator.

17

18 (BRIEF PAUSE)

19

20 MS. MARILYN MCLAREN: I think, Mr.  
21 Williams, that that schedule's been showing up these  
22 proceedings long, long before Mr. Kramer started showing  
23 up at these proceedings. And, quite frankly, I don't  
24 honestly remember whether the Corporation ever did it for  
25 its own internal purposes other than to file as part of

1 the proceedings. But I know for the last many, many  
2 years that it has provided virtually no value internally.

3           When we did look at it, we would spend as  
4 much time trying to understand the differences and  
5 explain the differences, that it was really nothing that  
6 you could -- the concept of that kind of a trend  
7 analysis, to my way of thinking, really means that, you  
8 know, you can look at it to readily identify issues that  
9 you might want to look further at and identify, important  
10 differences that are worth pursuing. And, in my  
11 experience, that particular trend report has never really  
12 done that for us.

13           MR. BYRON WILLIAMS: That's a helpful  
14 answer. And, as always, the MPI panel, I may direct a  
15 question at some -- some person, and I'm indifferent to --  
16 - to who responds. And I thank you, Ms. McLaren, for  
17 that very helpful answer.

18           And I'll come at this in a couple of ways,  
19 but leaving aside using indicators such as this to  
20 compare to other Crown corporations, does the Corporation  
21 see some value in looking at these key indicators or  
22 indicators of its -- in terms of its -- its own internal  
23 changes over time?

24           MS. MARILYN MCLAREN: They would  
25 certainly have more value for that, definitely. And I

1 think that's something that we need to understand, what  
2 causes our own numbers or -- or, you know, to -- to  
3 change through time, for sure.

4 MR. BYRON WILLIAMS: And -- and if I  
5 could, and I thank again you, Ms. McLaren, for that  
6 answer, I -- I'd like to turn to some of these indicators  
7 and, if possible, gain some insight from the Corporation  
8 in terms of what they may tell us. Again, representing  
9 we're -- recognizing that we're -- we're just starting to  
10 -- to chat. And I don't -- I'm going to direct my ques -  
11 - questions to Mr. Kramer, but, Ms. McLaren, if you want  
12 to answer, that's fine with me as well. It's TI.5. And  
13 I'll let you get there.

14

15 (BRIEF PAUSE)

16

17 MR. BYRON WILLIAMS: And, Mr. Kramer,  
18 I'll start with you, and certainly anyone will chip in.  
19 Going to Basic interner -- internal indicators, that  
20 column and line 6, you see the heading, "Claims expenses  
21 per claims?" Do you see that, sir?

22 MR. OTTMAR KRAMER: Yes, I do.

23 MR. BYRON WILLIAMS: And if I were to  
24 suggest to you that that measure -- or purports to  
25 measure, the claims expense per claims dollar value may

1 measure or offer some insight into the cost efficiency or  
2 -- or activity cost of adjudicating a claim in any  
3 particular year.

4                   Would that be a fair statement?

5                   MR. OTTMAR KRAMER:    Yes, it could do  
6 that, depending on what's happened with the claims or the  
7 expenses and underlie -- understand the underlying  
8 factors.

9                   MR. BYRON WILLIAMS:    Okay.  And moving  
10 down to claims per claims employee, would it be fair to  
11 suggest that the claims per claims employee number has  
12 the potential to measure the number of claims a -- a  
13 claims employee can handle, or the number of claims  
14 employees are required to manage -- excuse me.  Let me  
15 try it in two (2) ways.

16                   Would it be fair to say that that may be  
17 used to measure the number of claims that a claims  
18 employee can handle?

19                   MR. OTTMAR KRAMER:    Can handle or has  
20 handled.

21                   MR. BYRON WILLIAMS:    Could it also be  
22 used to provide insight into the number of claims  
23 employees require to manage claims effectively and  
24 efficiently?

25                   MR. OTTMAR KRAMER:    It could be a basis

1 that you could start looking at, realizing there --  
2 there's other factors that drive it, such as -- and I'll  
3 just bring one (1), for example: change in -- in the  
4 automobiles and the complication behind repairing them  
5 and -- and estimating, et cetera. So there's going to be  
6 other factors that will drive into that.

7 MR. BYRON WILLIAMS: So it's something  
8 that -- that may provide a starting point, recognizing  
9 that -- that one would -- would have to be -- look at any  
10 changes in the context of changes in the -- in the  
11 industry?

12 MR. OTTMAR KRAMER: That's fair.

13 MR. BYRON WILLIAMS: Would it be fair to  
14 say that the claims expense ratio -- and let me back up.  
15 Would it -- would it be fair to say that the ratio of  
16 claims expense to net premiums earned is intended to  
17 measure the Corporation's efficiency in adjudicating  
18 claims?

19 MR. OTTMAR KRAMER: Could -- could you  
20 repeat that, please?

21 MR. BYRON WILLIAMS: I think I actually  
22 can. Would it be fair to say that the ratio of the  
23 claims expense to net premiums earned is intended to  
24 measure the company's efficiency in adjudicating claims  
25 in a -- in a broad way?

1 MR. OTTMAR KRAMER: I'm struggling with  
2 that one in that, to the extent that you have revenue  
3 decreases, which we've applied for rate decreases, all  
4 things being equal, if nothing changed throughout the  
5 year, you would get changes to that ratio which would  
6 have no basis other than net premiums perhaps decreased,  
7 which doesn't impact any efficiency.

8 MR. BYRON WILLIAMS: So, Mr. -- so, Mr.  
9 Kramer -- and -- and thank you for that helpful answer.  
10 So with two (2) of the three (3) being claims expense per  
11 claims and claims per claims employee, you've seen some  
12 potential. You're -- you're more cynical about the  
13 claims expense ratio?

14

15 (BRIEF PAUSE)

16

17 MR. OTTMAR KRAMER: Yes, I'm more cynical  
18 about that last one, but, you know, while we're -- we're  
19 talking about claims expenses to -- to claims, that  
20 number six (6), which you had indicated earlier, col --  
21 or row 6, that one, if -- if we're talking specifically  
22 about that one -- or I'll talk specifically about that  
23 one -- you'll look at that ratio or the -- the claims  
24 expense to -- to claims increased significantly, starting  
25 increasing in the '06/'07 year, and that is driven by the

1 immobilizer initiative.

2                   So there -- there is a real increase to  
3 that, and, you know, what -- if one looks at it just at a  
4 real high level, one can say that the claims expenses  
5 increased dramatically. However, that is a reason for  
6 that increase.

7                   MR. BYRON WILLIAMS:   And -- and, Mr.  
8 Kramer, don't -- I may get to claims expense and  
9 stripping out the immobilizers later, but at this point  
10 in time -- and I -- I understand totally the -- the  
11 Corporation's caution -- I'm starting from a situation --  
12 let's say if we were starting anew, moving forward, is  
13 there some value in using some of these tools for moving  
14 -- moving forward?

15                   So I understand, going backwards, there  
16 may be all explanations, and we have to read this  
17 information carefully, but can you work with me on that  
18 premise going forward?

19                   MR. OTTMAR KRAMER:   Yes, I can work with  
20 you.

21                   MR. BYRON WILLIAMS:   And I totally  
22 understand your caution, because that sounds like  
23 something I would do in other circumstances.

24                   Let's go to policies per -- per support  
25 employee. Would it be fair to say that the policies per



1 support employee number could provide some insight into  
2 the number of policies a support employee can handle?

3

4 (BRIEF PAUSE)

5

6 MR. OTTMAR KRAMER: I -- I'm not sure if  
7 I would define it as that because support employees don't  
8 handle policies per se. I'm -- I would be a support  
9 employee, but I do not handle policies.

10 MR. BYRON WILLIAMS: Would it be  
11 reflective, or offer some insight into the number of  
12 support employees required to manage claims effectively  
13 and efficiently?

14 MR. OTTMAR KRAMER: Again, I -- it's not  
15 claims effectively and efficiently, it -- because these -  
16 - these are policies.

17 MR. BYRON WILLIAMS: The number of  
18 support employees required to manage policies effectively  
19 and efficiently?

20 MR. OTTMAR KRAMER: Yeah. Yes.

21

22 (BRIEF PAUSE)

23

24 MR. BYRON WILLIAMS: And going forward,  
25 is that type of information, recognizing that type of

1 criteria, does that offer some potential for looking at  
2 the overall efficiency of the Corporation?

3 MR. OTTMAR KRAMER: Yes, it would have  
4 potential.

5 MR. BYRON WILLIAMS: Operating expense  
6 policy. Would -- would it be fair to say that that  
7 ratio, the operating expense per policy dollar, may offer  
8 some insight into the activity cost of issuing a policy?

9 MR. OTTMAR KRAMER: Again, I would  
10 caution that when -- when you're talking policy dollars,  
11 because there can be rate increases or decreases which  
12 will -- will impact the denominator, but the -- the  
13 numerator won't change, so the ratio would change based  
14 on that, but -- but it really wouldn't be a meaningful  
15 change.

16 MR. BYRON WILLIAMS: How about the  
17 operating -- and thank you for that answer. How -- how  
18 about the operating expense ratio?

19 Would it -- would that offer some value in  
20 -- in terms of the ratio of operating expenses to net  
21 premiums in terms of measuring -- measuring the  
22 Corporation's operation efficiency in underwriting its  
23 book of business?

24 MR. OTTMAR KRAMER: Operating expenses to  
25 -- to policy, or to policy numbers, would be better, not

1 policy dollars, or -- or premium dollars, but more to  
2 policy would be a better indicator.

3 MR. BYRON WILLIAMS: Mr. Kramer, just to  
4 make sure I have that right, could you repeat that  
5 answer?

6 MR. OTTMAR KRAMER: Operating expense to  
7 a number of policies.

8

9 (BRIEF PAUSE)

10

11 MR. BYRON WILLIAMS: And this question  
12 can go either to Ms. McLaren, or -- or Mr. Kramer. To  
13 start with, I'm going to use the term baseline  
14 productivity indicator process -- complicated word. To -  
15 - to define it as a process by which the Corporation, its  
16 regulators, and Intervenors, engage in discussions  
17 through the regulatory process to identify key indicators  
18 relating to the efficiency of the company, reasonably  
19 related to the setting of just and reasonable rates.  
20 Then establish the input, or elements, for each indicator  
21 and forward-looking targets to be considered within the  
22 rate setting process.

23 Do you want me to repeat that, Ms. -- Ms.  
24 McLaren?

25 MS. MARILYN MCLAREN: No, I think I have

1 the conceptual framework, anyway.

2 MR. BYRON WILLIAMS: In essence, and just  
3 if you don't, I'm going to just try and repeat it in  
4 simpler words.

5 For the purposes of regulatory targets --  
6 regulatory process identifying, mutually, some key  
7 indicators for efficiency, and setting targets in terms  
8 of expected development by which we can, after the fact,  
9 analyse.

10 That -- that's kind of -- we're on the  
11 same page, Ms. McLaren?

12 MS. MARILYN MCLAREN: Sure.

13 MR. BYRON WILLIAMS: And I'm going to  
14 suggest to you that there may be some value in doing --  
15 engaging in such a process. I'm going to give you three  
16 (3) reasons why, and I'll let you comment upon them, if  
17 you would. First, it would set the exple -- expectations  
18 and clarify for all parties the inputs for these  
19 indicators.

20 Secondly, should there be a difference  
21 between the target and the actual or -- or projected in -  
22 - indicator, then the regulator and parties would have a  
23 common base of understanding in which to discuss the  
24 changes.

25 And, third, potentially, having agreed

1 upon productivity indicators, there may be an added level  
2 of efficiency to the regulatory process by not having to  
3 review -- re -- go over the same ground each year.

4 General comments are fine, Ms. McLaren.

5 MS. MARILYN MCLAREN: I understand the  
6 concept, and I think it's a matter of really, you know,  
7 for the Board, as -- as we talked about when we were  
8 talking about sort of obtaining a comfort level of the  
9 costs underlying through the allocation process, how does  
10 the Board choose to use its time and how much time does  
11 it want to spend.

12 You know, I think everything -- how much  
13 of a level of detail do you really want to get into? I  
14 understand the concept. Maybe that makes some sense.  
15 The way I think about our business is that we would never  
16 focus solely on productivity, or -- or, you know,  
17 efficiency, or cost containment.

18 There's multi -- multi-components to the  
19 value that we bring to Manitobans. That's why we have a  
20 very elaborate and comprehensive framework for customer  
21 service standards, so two (2) sides of the same coin. I  
22 think we really would need to focus on things like we do,  
23 return far more the premium dollar than -- than would be  
24 in place in other systems. I think there are other  
25 readily available measures like we use in the

1 Corporation's, you know, strategic planning process and  
2 the -- the corporate goals that we report on in the  
3 annual report and elsewhere.

4                   You know, if your rates are overall less  
5 costly, if your coverage is by far more comprehensive,  
6 that means there must be some reasonable level of  
7 efficiency going on somewhere. So, I mean, I think you  
8 really need to think about what exactly would you hope to  
9 achieve by embarking on such a process that hasn't been  
10 part of these proceedings up until this point. And are  
11 there readily available higher level benchmarks, so to  
12 say, that would give very much the same information.

13

14                   (BRIEF PAUSE)

15

16                   MR. BYRON WILLIAMS: You wouldn't  
17 disagree that there may be some value, from a regulatory  
18 perspective, in having a series of commonly defined  
19 indicators that offer some insight into the relative  
20 efficiency of the Corporation, recognizing that there are  
21 other measures, broader measures.

22                   MS. MARILYN MCLAREN: No, I -- I think  
23 that's fair. And I think, you know, the conversation  
24 might be about what should the measures be and are they  
25 broad enough, other than just efficiency.

1                   MR. BYRON WILLIAMS:   Or, alternatively,  
2   it might be a package of efficiency in -- in some of  
3   those other broader measures.

4                   MS. MARILYN MCLAREN:   Or a rate  
5   comparison.

6                   MR. BYRON WILLIAMS:   Now, I -- I want to  
7   turn to a bit of a different area.   And this will  
8   probably go to you, Mr. Palmer.   For some reason, today I  
9   want to call you Dr. Palmer.   I don't know if it's all  
10  those academic cracks your boss was making about you the  
11  other day.

12                   First of all, there is a -- there was an -  
13  - I don't know if you can update us.   There was an  
14  undertaking by KPMG, I believe, and maybe it's -- this is  
15  better direct -- in terms of providing some for -- some  
16  additional information in terms of Mr. Christie's  
17  selected claims liabilities that were at or above the  
18  KPMG level -- range of reasonableness.

19                   Are -- are those -- or is that response  
20  available yet or are you aware of the status of that?

21

22                   (BRIEF PAUSE)

23

24                   MR. DON PALMER:   It's not available.   We  
25  actually have just received something from Mr. Kowalchuk,

1 but I'm -- I -- I haven't read it, so I don't know if  
2 that's precisely what it is or not.

3 MR. BYRON WILLIAMS: And, Mr. Chairman,  
4 I'm -- I'm just going to reserve, once that information  
5 becomes available, and I hope it will be before the end  
6 of the hearing -- my clients may wish to ask some  
7 questions about that, as I'm sure my -- My Learned Friend  
8 Ms. Everard would as well.

9 Mr. Palmer, I want to talk about  
10 estimating or -- or forecasting, and one (1) of the  
11 problems I always have in these discussions is  
12 definitions. So I'd like to -- to start out with you and  
13 chat about, and see if we can agree on some -- some --  
14 some common terms for our discussion later on. Is that  
15 all right with you?

16 MR. DON PALMER: Sure.

17 MR. BYRON WILLIAMS: Would you accept my  
18 use of the term "estimator" as a recipe or formula or  
19 methodology for producing an estimate? Does that work  
20 for you?

21 MR. DON PALMER: Sure.

22 MR. BYRON WILLIAMS: And if I use the  
23 term "unbiased," would you accept its use in a way that  
24 suggests, on average, the estimate equals the actual over  
25 time?



1 MR. DON PALMER: Over a long period of  
2 time, yes.

3 MR. BYRON WILLIAMS: And if I use the  
4 term "symmetric," would you accept that it could be used  
5 to suggest that any particular estimate is as likely to  
6 be greater than actual as to be less than actual? Would  
7 that be fair?

8 MR. DON PALMER: If that's symmetric,  
9 yes, I'll -- I'll take that definition.

10 MR. BYRON WILLIAMS: And that's a  
11 definition in fact that you're familiar with?

12 MR. DON PALMER: Yes.

13 MR. BYRON WILLIAMS: And would you be  
14 familiar with the use -- use of the term "variance" as a  
15 measure of the spread of the distri -- distribution?

16 MR. DON PALMER: Variance can be used in  
17 a -- a number of -- of ways. I think your variance is  
18 sort of the technical, mathematical version, and I would  
19 accept that as one (1) definition of variance.

20 MR. BYRON WILLIAMS: And mathematically,  
21 it -- it would be something like the square of the  
22 standard deviation. Does that make sense?

23 MR. DON PALMER: Yes.

24 MR. BYRON WILLIAMS: And just to  
25 illustrate that concept so that -- to make sure that we

1 are on common ground, I could have two (2) classes with  
2 an average IQ of one hundred (100). If I say that the  
3 variance in class A is greater than the variance in class  
4 B, while the average might be the same, there'll be more  
5 of a spread in terms of IQ in -- in class A.

6 MR. DON PALMER: Yes.

7 MR. BYRON WILLIAMS: Are you familiar  
8 with the use of the term "minimum variance" to suggest  
9 that the spread resulting from the estimation process is  
10 as small as possible?

11 I can try that with you in a different  
12 way, if that would help, Mr. Palmer.

13 MR. DON PALMER: That would help, yes.

14 MR. BYRON WILLIAMS: Given various  
15 possible samples from which to estimate a value, an  
16 estimator or method that has the minimum variance  
17 property will produce estimates in repeated samples more  
18 tightly distributed about the true value than an  
19 estimator that does not have the minimum variance  
20 property. Would that be fair?

21 MR. DON PALMER: That's fair.

22 MR. BYRON WILLIAMS: If you have a  
23 minimum variance estimator, you're more likely to be  
24 close to what you're trying to predict or estimate, fair  
25 enough, an average over time?

1                   MR. DON PALMER:    If you can find one,  
2 then I would agree with you.  In -- in most real-life  
3 circumstances, you don't necessarily know the underlying  
4 distribution, so it may be impossible to come up with a  
5 minimum variance estimator.

6                   MR. BYRON WILLIAMS:   And we'll get to  
7 that point in -- in just a second.  Would you agree that  
8 in -- in common -- not common parlance, but in  
9 professional parlance, an estimator that is both unbiased  
10 and has minimum variance is called the best unbiased or  
11 efficient?

12                                Would that be fair?

13                   MR. DON PALMER:    In certain contexts,  
14 yes, I would agree with it.

15                   MR. BYRON WILLIAMS:    Would it be correct  
16 to say that a non-parametric test is a test that makes no  
17 assumptions regarding the probability distribution of  
18 what is being estimated?

19                   MR. DON PALMER:    Yes.

20                   MR. BYRON WILLIAMS:    And by contrast,  
21 would it be fair to say that a parametric test, such as a  
22 confidence interval -- in -- interval estimated, or a  
23 linear regre -- regression run typically assumes that  
24 errors are normally distributed?

25

1 (BRIEF PAUSE)

2

3 MR. DON PALMER: We're just going to take  
4 a few seconds, and -- and since it's very hard to hear in  
5 the back, I'm asking if you could repeat the question.

6 MR. BYRON WILLIAMS: I'm going to ask the  
7 question a little more concisely, Mr. Palmer.

8 You'll agree with me that two (2) examples  
9 of parametric tests would be an estimate of a confidence  
10 intr -- interval, or a linear regression run.

11 Would that be fair?

12 MR. DON PALMER: That's fair.

13 MR. BYRON WILLIAMS: And those type of  
14 parametric tests typically assume that errors are  
15 normally distributed.

16 MR. DON PALMER: That's a common  
17 assumption that I've seen, yes.

18 MR. BYRON WILLIAMS: Would you agree that  
19 a structural break test is a test on data to see if  
20 something underlying the data has changed during the  
21 sample period.

22 Would that be fair?

23 MR. DON PALMER: Yes, that's fair.

24 MR. BYRON WILLIAMS: I'm going to give  
25 you an example, Mr. Palmer, just to help with the common

1 definition.

2                   Let's take looking at a population trend  
3 before and after the announcement of a generous  
4 government incentive for couples who have an extra child.  
5 After perhaps a lag, I don't know, nine (9) or ten (10)  
6 months, we might expect to see a higher trend in  
7 population growth afterwards?

8                   MR. DON PALMER: I'm not sure it would  
9 happen quite that fast, but sure, I can accept that.

10                   MR. BYRON WILLIAMS: I'm not going to  
11 follow that -- that up. I -- I had a lot of things that  
12 would probably get me in trouble.

13                   What you might do with a structural break  
14 -- well, let me back up. A struct -- an example of a  
15 structural break test would be the child test, CHOW?

16                   MR. DON PALMER: Yes. I'm personally not  
17 familiar with that test.

18                   MR. BYRON WILLIAMS: But what that type  
19 of test does is break the data into two (2) in this  
20 particular example, and make separate estimates based  
21 upon each of the two (2) sub-samples.

22                   Fair enough?

23                   MR. DON PALMER: Yes, that's fair.

24                   MR. BYRON WILLIAMS: If the estimated  
25 parameters from each sub-sample are significantly

1 different, we may conclude that there's been a structural  
2 break in the data, and that it's not appropriate to look  
3 at the whole data sample at a time.

4                   Would that be fair?

5                   MR. DON PALMER:    That's fair.

6                   MR. BYRON WILLIAMS:   Now, My Learned  
7 Friend Ms. Everard had an interesting discussion with you  
8 about the word "stochastic", and I'm hopefully  
9 pronouncing it correctly.  You'll correct me if I'm  
10 wrong, and -- S-T-O-C-H-A-S-T-I-C.

11

12                                   (BRIEF PAUSE)

13

14                   MR. BYRON WILLIAMS:   Mr. Palmer, do you  
15 need a break for a couple minutes?

16                   MR. DON PALMER:    Just for about one (1)  
17 minute, should do it.

18                   MR. BYRON WILLIAMS:   Mr. Chairman, I just  
19 looked at the time.  It might -- it's -- this is kind of  
20 detailed, if it's not a bad time for a --

21                   THE CHAIRPERSON:    Okay.

22                   MR. BYRON WILLIAMS:    -- a break.

23                   THE CHAIRPERSON:    Very good, Mr.  
24 Williams.

25

1 (BRIEF PAUSE)

2

3 MR. BYRON WILLIAMS: Mr. Chairman, just -  
4 - I've advised my friend Mr. Dawson that, if I don't take  
5 us to the end of the day, I'll take us very, very close.

6

7 --- Upon recessing at 2:18 p.m.

8 --- Upon resuming at 2:41 p.m.

9

10 THE CHAIRPERSON: Okay. Welcome back.  
11 Anytime you're ready, Mr. Williams.

12

13 CONTINUED BY MR. BYRON WILLIAMS:

14 MR. BYRON WILLIAMS: Mr. Palmer, I think  
15 we were on the word "stochastic," which, before we get to  
16 it in modelling, the word itself just means random, is  
17 that fair? If not -- if you can't answer that, that's  
18 okay.

19 MR. DON PALMER: Random, not quite. I  
20 would say modelling based on some sort of a probability  
21 distribution, which would be a random variable, but the  
22 modelling itself wouldn't be random.

23 MR. BYRON WILLIAMS: And fair enough, and  
24 that's helpful. Essentially, in terms of modelling, what  
25 we mean by that term, you'll agree with me, is that

1 rather than assuming that all inputs to the forecasting  
2 model are constant and equal to a best estimate at the  
3 time of the forecasting exercise, you make the inputs  
4 stochastic by allowing them to vary and see what the  
5 results for costs are, in the case of claims incurred by  
6 running the model.

7 Would that be fair?

8 MR. DON PALMER: Yes, that's fair.

9 MR. BYRON WILLIAMS: Then you repeat the  
10 process, selecting another random error and re --  
11 rerunning it -- or you can anyways, random variable.

12 MR. DON PALMER: Yeah, random variable  
13 rather than random error.

14 MR. BYRON WILLIAMS: And you heard Dr.  
15 Simpson, in last year's hearing, talk about Monte -- the  
16 Monte Carlo exercises or methods?

17 MR. DON PALMER: Yes.

18 MR. BYRON WILLIAMS: And this process of  
19 running the model using random variables and then  
20 rerunning it can be done, with modern computing  
21 technology, hundreds of thousands of times, or more, in a  
22 relatively short period of time, correct?

23 MR. DON PALMER: Yes, that's true.

24 MR. BYRON WILLIAMS: And that is  
25 sometimes termed the Monte Carlo method?



1 MR. DON PALMER: Monte Carlo simulations,  
2 yes.

3 MR. BYRON WILLIAMS: And looking at the  
4 overall results of this forecasting, or of this modelling  
5 exercise, you can get a sense of what the distributions  
6 of outcomes looks like and get confidence intervals to  
7 get an idea of expected ranges of outcome.

8 Would that be fair?

9 MR. DON PALMER: That's fair, yes.

10 MR. BYRON WILLIAMS: And the exercise may  
11 be valuable in identifying where skewed results may be a  
12 problem, fair enough?

13 MR. DON PALMER: Yes, that's -- that  
14 would be correct.

15 MR. BYRON WILLIAMS: Look at the big  
16 picture, it's -- it's a -- it's a way to estimate the  
17 probability distributions of potential outcomes?

18 MR. DON PALMER: Yes, and again, I would  
19 just warn that they are still subject to assumptions with  
20 regard to certain underlying distributions and what your  
21 random variables are. So you could run the Monte Carlo  
22 simulation, but again, if you don't have the right  
23 underlying assumptions, they may not provide the most  
24 reasonable results.

25 MR. BYRON WILLIAMS: You're not attacking

1 the methodology, you're merely advising -- properly so --  
2 that care must be taken in -- in developing the  
3 underlying assumptions?

4 MR. DON PALMER: As with any statistical  
5 analysis, you have to understand, when you see the  
6 results, that possible variation within those results  
7 could be in the underlying reasons for that.

8 MR. BYRON WILLIAMS: And, Mr. Palmer,  
9 we're -- we're going to get into a coin toss example or  
10 two (2) in a couple minutes, but, rel -- apropos of that,  
11 you -- you've heard in this proceeding, and you've  
12 probably written in this proceeding -- you've seen the  
13 words "normal distributions" as well as "skewed  
14 distributions."

15 MR. DON PALMER: Yes.

16 MR. BYRON WILLIAMS: And just for  
17 definitional purposes, a normal distribution essentially  
18 means that it's -- the results are symmetric about its  
19 means, in that the distribution of results to the left of  
20 the mean is a mirror image of the distribution of the  
21 results to the right. Would that be fair?

22 MR. DON PALMER: Yes, that's also termed  
23 as bell curve.

24 MR. BYRON WILLIAMS: And a skewed  
25 distribution would be a circumstance where the median is

1 not equal to the mean.

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

3 MR. BYRON WILLIAMS: And I guess, perhaps  
4 the most famous example of that is the Bill Gates  
5 example. You've got a room of twenty (20) people,  
6 nineteen (19) of them with zero net worth, and one (1)  
7 person with a lot more, maybe 20 or 30 billion. And, in  
8 that circumstance, the average or mean net worth would be  
9 a billion dollars per person, let's say it's -- but the  
10 median net worth would be zero.

11

12 (BRIEF PAUSE)

13

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

15 MR. BYRON WILLIAMS: That's a skewed  
16 distribution with a vengeance.

17 MR. DON PALMER: Or on steroids.

18 MR. BYRON WILLIAMS: Ms. McL -- thank you  
19 for that, Mr. Palmer. I'll be back to you in a few  
20 minutes with a coin toss.

21 Ms. McLaren, you'll recall in our  
22 discussion, I think it was late Monday, I'm starting to  
23 get my memory back, we were talking about the potential  
24 for a good drivers rebate. And I believe you used words  
25 to the effect that the provision of a rebate to consumers

1 in 2011, and I'm not quoting you exactly, just for  
2 intent, would be recognition that prior consumers had  
3 paid more -- or overpaid in terms of their rates in  
4 earlier years.

5 Do you remember a conversation to that  
6 effect?

7 MS. MARILYN MCLAREN: No, and I'd be  
8 quite surprised if I used that language because we really  
9 don't think about it in terms of overpaying. They paid  
10 according to our best estimate at that point, right, so  
11 there was -- I think the language is more around that  
12 there's just more in the RSR than we need for the future.

13 MR. BYRON WILLIAMS: Fair enough. And --  
14 and I don't want to get hung up on that. I'll go back to  
15 your -- to your language.

16 The reason we pay rebates to consumers is  
17 because, while we may have had a me -- best estimate of  
18 what was required, the actual results resulted in more in  
19 the Corporation's coffers than it reasonably requires in  
20 -- in terms of the PUB rate setting methodology, fair  
21 enough?

22 MS. MARILYN MCLAREN: Yes.

23 MR. BYRON WILLIAMS: Based upon the PUB  
24 rate setting methodology, they've paid more in the past  
25 than the Corporation reasonably needed over that period

1 to break even.

2 MS. MARILYN MCLAREN: With twenty (20)  
3 hind -- 20/20 hindsight, right.

4 MR. BYRON WILLIAMS: No judgment  
5 intended. That's the -- the mathematical result,  
6 correct?

7 You're nodding your head.

8 MS. MARILYN MCLAREN: The -- we were able  
9 to figure out later that they end -- they paid more than  
10 they would have needed to if we knew at the end what we  
11 knew at the beginning.

12 MR. BYRON WILLIAMS: Thank you for  
13 clouding the record. I appreciate that. And you'll  
14 recall a press release at the time of the filing of the  
15 corporate's current GRA. It's in SM.7 if you need to go  
16 there. I -- I don't think you do. That with the  
17 Corporation indicating that the proposed \$92 million  
18 rebate would be the fifth such rebate in the last eleven  
19 (11) years.

20 MS. MARILYN MCLAREN: Yes.

21 MR. BYRON WILLIAMS: And accompanying  
22 that rebate was a history -- that press release was a  
23 history of rebates in really pretty, attractive colours.

24 MS. MARILYN MCLAREN: I think the chart  
25 showed both the rate stability and -- and the occasional

1 rate decrease along with the rebates through time, yes.

2 MR. BYRON WILLIAMS: And in very  
3 attractive colours.

4 MS. MARILYN MCLAREN: Okay.

5 MR. BYRON WILLIAMS: And that history,  
6 again, assuming that the 92 million is approved, would  
7 suggest that there have been five (5) rebates over the  
8 last five (5) -- eleven (11) years, correct?

9 MS. MARILYN MCLAREN: I believe so.

10 MR. BYRON WILLIAMS: And it would be fair  
11 to say that if your Application, as presented, is  
12 accepted, that the total value of these rebates over the  
13 last eleven (11) years, not taking into account the time  
14 value of money, just the -- would be close to \$353  
15 million?

16 MS. MARILYN MCLAREN: Sounds about right,  
17 subject to check, yes.

18 MR. BYRON WILLIAMS: And would it be also  
19 accurate to say that assuming the \$92 million rebate as  
20 proposed is accepted, that four (4) of those six (6)  
21 rebates have taken place, and will -- will have taken  
22 place in the last six (6) years, correct -- go to your  
23 chart, Ms. McLaren.

24 MS. MARILYN MCLAREN: Okay, subject to  
25 check.

1 MR. BYRON WILLIAMS: It's SM.7, I think,  
2 is the -- the rea -- the -- the chart.

3

4 (BRIEF PAUSE)

5

6 MS. MARILYN MCLAREN: Yes.

7 MR. BYRON WILLIAMS: And just because  
8 I've lost a question, it was -- the question was:  
9 Assuming the \$92 million rebate as provided is sought,  
10 four (4) of those six (6) rebates have taken place in the  
11 last six (6) years, correct?

12 MS. MARILYN MCLAREN: Correct.

13 MR. BYRON WILLIAMS: And subject to Mr.  
14 Kramer's ever quick calculator finger, if the \$92 million  
15 rebate is approved, the total value of rebates over the  
16 last six (6) years, not taking into account the time  
17 value of money, would total about 273 million?

18 Would that be fair?

19 MR. DON PALMER: Yes, that's fair.

20 MR. BYRON WILLIAMS: Over a quarter of a  
21 billion dollars?

22 MR. DON PALMER: Yes.

23

24 (BRIEF PAUSE)

25

1 MR. BYRON WILLIAMS: Mr. Palmer, I'm  
2 going to spend a few minutes with you on -- on coin  
3 tosses, and you're aware just generally in society we  
4 often use coin tosses to -- to make decisions, to decide  
5 who starts the football game, et cetera?

6 MR. DON PALMER: Yes.

7 MR. BYRON WILLIAMS: And you'd agree that  
8 the general assumption going into that coin -- coin toss  
9 is a) that the process is fair, and by that I mean we're  
10 assuming that the probability of a head is equal to the  
11 probability of a tail in that process?

12 MR. DON PALMER: Yes.

13 MR. BYRON WILLIAMS: And we're assuming  
14 the process is independent, in the sense that each -- the  
15 result of each toss is independent of the previous  
16 result.

17 Would that be fair?

18 MR. DON PALMER: Yes.

19 MR. BYRON WILLIAMS: And we're assuming  
20 that the toss -- coin toss is random, in that the outcome  
21 of any particular toss -- toss is not known ahead of time  
22 --

23 MR. DON PALMER: Yes.

24 MR. BYRON WILLIAMS: -- correct?

25 MR. DON PALMER: That's correct.



1                   MR. BYRON WILLIAMS:   Now, just for  
2   assumption purposes, and I'll have a more -- a paper  
3   example for you in a moment, but let's just assume you're  
4   watching someone toss a coin twenty (20) times with the  
5   outcome being either a head, or a tail.  And in the set  
6   of twenty (20) tosses, you observe five (5) heads,  
7   followed by five (5) consecutive tails, followed by five  
8   (5) consecutive heads, followed by five (5) consecutive  
9   tails.

10                   Are you with me, Mr. Palmer?

11                   MR. DON PALMER:    Yes.

12                   MR. BYRON WILLIAMS:   You would agree that  
13   this could be the outcome of a random, fair, and  
14   independent process?

15                   MR. DON PALMER:    It could be, yes.

16                   MR. BYRON WILLIAMS:   But the odds of that  
17   would be relatively low?

18                   MR. DON PALMER:    Specifically, yes, as  
19   any -- any given sequence in twenty (20) would be  
20   unlikely.

21                   MR. BYRON WILLIAMS:   And it would be fair  
22   to say that someone outside the process, looking at the  
23   process, might suspect that the person doing the tossing  
24   was affecting the outcome somehow, given that low odd  
25   result.

1                   MR. DON PALMER:    I guess with that kind  
2 of consistency, I would agree.

3                   MR. BYRON WILLIAMS:   And again, or they  
4 might suspect that there's some memory or persistence in  
5 the coin, in the sense that if a previous toss was a  
6 head, the next result was more likely to be a head? They  
7 might suspect that?

8                   MR. DON PALMER:    Yes.

9                   MR. BYRON WILLIAMS:   You're familiar with  
10 the term "positive autocorrelation"?

11                   MR. DON PALMER:    Yes.

12                   MR. BYRON WILLIAMS:   In the sense of a  
13 coin toss, we use that to suggest that the outcome of a  
14 toss is more likely to be the same as the previous toss.  
15                   That would be fair?

16                   MR. DON PALMER:    Yes, that's fair.

17                   MR. BYRON WILLIAMS:   And I wonder if I  
18 could just get Mr. Singh -- and, Mr. Palmer, we'll be  
19 done this in a few minutes -- but to hand out a  
20 hypothetical, Option 1 and Option 2 coin tosses. Mr.  
21 Singh?

22                   And we'll really only go through the first  
23 option, Mr. Palmer.

24                   And, Mr. Chairman, I'd suggest that they  
25 be marked as a series, 11-1 and 11-2, CAC/MSOS-11-1 and

1 11-2.

2 THE CHAIRPERSON: Which do you prefer,  
3 heads first or tails first?

4 MR. BYRON WILLIAMS: Option 1 first, and  
5 then option 2 is the second, Mr. Chairman, please.

6

7 --- EXHIBIT NO. CAC/MSOS-11-1:

8 Hypothetical predict coin toss upon  
9 previous toss, Option 1

10

11 --- EXHIBIT NO. CAC/MSOS-11-2:

12 Hypothetical predict coin toss upon  
13 previous toss, Option 2

14

15 CONTINUED BY MR. BYRON WILLIAMS:

16 MR. BYRON WILLIAMS: Mr. Palmer, I'll  
17 just give you -- again, I -- I -- I'll walk you through  
18 it, but I'll give you a couple of minutes just to look at  
19 it.

20

21 (BRIEF PAUSE)

22

23 MR. DON PALMER: Okay.

24 MR. BYRON WILLIAMS: First of all, Mr.  
25 Palmer, I'm going to ask you to assume that we're going

1 to toss a coin sixteen (16) times, and that I am going to  
2 guess what the first toss will be. And thereafter, I  
3 will simply guess, in terms of what the next toss will  
4 be, based upon what the previous coin toss was, okay?

5 MR. DON PALMER: Okay.

6 MR. BYRON WILLIAMS: Just, for example,  
7 if the first -- I'll -- if the first coin toss results in  
8 a head for guess 2, I will guess heads again. If the  
9 fourth coin toss results in a tail, for guess 5 I'll  
10 guess tails, okay?

11 You see that?

12 MR. DON PALMER: Yes.

13 MR. BYRON WILLIAMS: And the hypothetical  
14 in front of you has three (3) columns, and I'll ask you  
15 to assume that the first column is the results column  
16 which shows the results in terms of the actual coin flip,  
17 okay, Mr. Palm -- Palmer?

18 MR. DON PALMER: Okay.

19 MR. BYRON WILLIAMS: And the second  
20 column is my guess based upon my extremely sophisticated  
21 methodology, okay?

22 MR. DON PALMER: Yes.

23 MR. BYRON WILLIAMS: And the third column  
24 is whether I get it right or not, based upon this  
25 methodology.

1 MR. DON PALMER: Denoted by a win or a  
2 loss.

3 MR. BYRON WILLIAMS: Thank you so much.  
4 I appreciate that.

5 Now, looking at the results, you'll agree  
6 that the results of the coin toss are three (3) heads,  
7 followed by seven (7) tails, followed by six (6) -- six  
8 (6) heads?

9 Would that be fair?

10 MR. DON PALMER: That's fair.

11 MR. BYRON WILLIAMS: And if I guess heads  
12 the first time and then base my guess on the previous  
13 coin toss, you can see that I would get the first three  
14 (3) right, correct?

15 MR. DON PALMER: Yes.

16 MR. BYRON WILLIAMS: I would err on the  
17 fourth toss?

18 MR. DON PALMER: Yes.

19 MR. BYRON WILLIAMS: I would get --  
20 following my -- my methodology of guessing based on what  
21 the previous toss was, I would get the next six (6) in a  
22 row correct?

23 MR. DON PALMER: Yes.

24 MR. BYRON WILLIAMS: Again, I would err  
25 on toss 11, correct?

1 MR. DON PALMER: Yes.

2 MR. BYRON WILLIAMS: Then, following that  
3 same methodology, I would get the next five (5) in a row  
4 correct.

5 Is that fair?

6 MR. DON PALMER: That's fair.

7 MR. BYRON WILLIAMS: In total, I would  
8 get fifteen (15) of seventeen (17) right simply by  
9 guessing the first one, then relying on the previous coin  
10 toss.

11 MR. DON PALMER: Under this example, yes.

12 MR. BYRON WILLIAMS: Just turning to  
13 option 2 for a -- a very quick second, which I believe is  
14 marked as CAC/MSOS-11-2, I'll ask you to assume -- and I  
15 -- I think you can see that I've used the same message --  
16 methodology, but I've simply guessed tails first as  
17 opposed to heads first.

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

19 MR. BYRON WILLIAMS: Following this  
20 pattern of basing my guess on the previous toss, I would  
21 get fourteen (14) of seventeen (17) right?

22 MR. DON PALMER: Yes.

23

24

(BRIEF PAUSE)

25

1                   MR. BYRON WILLIAMS:   Mr. Palmer, is -- as  
2 the word is used by MPI, would I be correct in suggesting  
3 that a forecast is your best estimate of actual results  
4 given the information available at the time?

5                   MR. DON PALMER:    Sorry, Mr. Williams,  
6 could you repeat that?

7                   MR. BYRON WILLIAMS:   Yes, I can, Mr.  
8 Palmer.  Would I be correct in saying that as the use --  
9 word -- word is used in the financial forecasting  
10 methodology of Manitoba Public Insurance -- I'll -- I'll  
11 try and restate it a bit more -- that your forecast is  
12 your best act -- estimate of actual results given the  
13 information available at the time?

14                  MR. DON PALMER:    Yes, I would agree with  
15 that.

16                  MR. BYRON WILLIAMS:   And in setting rates  
17 for the Basic program, you'll agree that a key input, or  
18 consideration for the regulator, must be the financial  
19 forecast of claims incurred for the Basic program of  
20 Manitoba Public Insurance?

21                  MR. DON PALMER:    Absolutely.

22                  MR. BYRON WILLIAMS:   And would it be fair  
23 to say that the two (2) biggest drivers of the claimed  
24 incurred forecast are the forecasts of costs associated  
25 with collisions, and the forecasts of costs associated

1 with the personal injury protection plan?

2 MR. DON PALMER: I would say that that's  
3 the basis of the forecast. That may not be the basis of  
4 the error.

5 MR. BYRON WILLIAMS: In terms of the --  
6 the forecast, the -- the two (2) most prominent  
7 components would be the collision forecast, and the PIPP  
8 forecast, correct?

9 MR. DON PALMER: Yes.

10 MR. BYRON WILLIAMS: Okay.

11

12 (BRIEF PAUSE)

13

14 MR. BYRON WILLIAMS: I want to turn to  
15 two (2) exhibits that I previously shared with MPI, and  
16 I'll ask Mr. Singh to distribute. One (1) is the -- the  
17 next one (1) has a heading, "Financial Forecasting  
18 Methodology," and -- and the other one is the other  
19 table, Mr. Singh. Yes.

20

21 (BRIEF PAUSE)

22

23 MR. BYRON WILLIAMS: Ms. -- Mr. Chairman,  
24 I'd suggest that the one labelled, "Financial Forecasting  
25 Methodology," be marked as CAC/MSOS Exhibit number 12,



1 and the following one (1) be marked as number 13.

2 THE CHAIRPERSON: Very good.

3

4 --- EXHIBIT NO. CAC/MSOS-12:

5 Financial Forecasting Methodology

6

7 --- EXHIBIT NO. CAC/MSOS-13:

8 MPI Basic collision and PIPP insurance  
9 claims incurred comparison for the  
10 insurance rear ended February 28/29

11

12 CONTINUED BY MR. BYRON WILLIAMS:

13 MR. BYRON WILLIAMS: Mr. Palmer, CAC/MSOS  
14 Exhibit 12 is a financial forecasting methodology.

15 And the Corporation has an opportunity to  
16 examine this -- this table, correct?

17 MR. DON PALMER: Yes.

18 MR. BYRON WILLIAMS: And it -- it  
19 actually, you'll agree, is drawn from the results of  
20 CAC/MSOS-1-39 Attachment A, correct?

21 MR. DON PALMER: Yes.

22 MR. BYRON WILLIAMS: And so in terms of  
23 the actual calculations, these are MPI's calculations?

24 MR. DON PALMER: That's correct.

25 MR. BYRON WILLIAMS: Okay. And if I look

1 at the results stated in the year 2000, I can say that in  
2 terms of that year the initial forecast and the actual  
3 was -- had a very small variance, essentially it was  
4 bang-on.

5 Would that be fair?

6 MR. DON PALMER: Yes.

7 MR. BYRON WILLIAMS: If I look at the  
8 years 2001, I'll see that the initial forecast was less  
9 than the actual results and the percent variances set out  
10 in the right-hand column. Would that be fair?

11 MR. DON PALMER: That's fair.

12 MR. BYRON WILLIAMS: As well, in the next  
13 two (2) years the initial forecast was less than the  
14 actual results in terms of claimed incurred. Would that  
15 be correct?

16 MR. DON PALMER: That's correct.

17 MR. BYRON WILLIAMS: If I go to the next  
18 year, being 2004, I will see that the initial forecast  
19 was somewhat higher than the actual results, around 11  
20 percent, 10 or 11 percent.

21 MR. DON PALMER: Yes.

22 MR. BYRON WILLIAMS: And if I go through  
23 the years I'll see again that for the years 2005, 2006,  
24 2007, 2008, and 2009, the initial forecast was higher  
25 than the actual in those years.

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

2 MR. BYRON WILLIAMS: Would it be accurate  
3 to say that for the last five (5) years the results of  
4 the financial forecast model have differed from actual  
5 results by negative 10 percent? The source of that is  
6 SM.2, page 3, Mr. Palmer, if you're looking.

7 MR. DON PALMER: Subject to check, I'll  
8 accept that, yes.

9

10 (BRIEF PAUSE)

11

12 MR. BYRON WILLIAMS: We may come back to  
13 that, Mr. Palmer, but if you can turn to CAC/MSOS Exhibit  
14 number 13. It's labelled "MPI Basic collision and PIPP  
15 insurance claims incurred comparison." Do you see that,  
16 sir?

17 MR. DON PALMER: Yes, I do.

18 MR. BYRON WILLIAMS: And, again, this was  
19 shared with Manitoba Public Insurance previously, and,  
20 with the exception of the "difference" column, this  
21 information is provided -- was provided by Manitoba  
22 Public Insurance in its response to CAC/MSOS-1-38. Would  
23 that be fair?

24 MR. DON PALMER: Yes, that's fair.

25 MR. BYRON WILLIAMS: And then you've had

1 an opportunity to -- to test or check the difference  
2 columns, which are the -- the fourth column and the  
3 seventh column, and you take no issue with those -- those  
4 simple subtraction calculations.

5 MR. DON PALMER: I take no issue with  
6 that -- those subtractions. And -- and from a fiscal  
7 reporting perspective, the numbers as presented are fine.  
8 There -- as I alluded to when -- when we were flipping  
9 coins, there's past influences, especially, and some  
10 external influences on the PIPP forecasts, and more so  
11 the PIPP actuals.

12 If I can go to the forecast of collision  
13 first because there's more variance and, apart from the  
14 last year, is not -- there's more -- let's just say the  
15 actuals are closer to the projected.

16 Within the collision forecasts we forecast  
17 what's going to happen during the year. And then  
18 collision claims being what they are, and fairly short-  
19 tailed, there's no other adjustments that have to be made  
20 to those claims.

21 So whatever occurs in the year of the  
22 forecast is what we're going to pay in the year of  
23 forecast. And that's all we're -- we're projecting. On  
24 the PIPP side, that's not true. These -- for -- the  
25 actual results are essentially the result of -- of three

1 (3) factors which, two (2) are independent for sure. One  
2 (1) being interest rate changes because the -- a change  
3 in an interest rate will affect the discount of  
4 liabilities, which will affect the in-year results.

5 So any time you have a change in interest  
6 rates, you have to book it, and it goes again into claims  
7 incurred. So given that there has been claims movement  
8 or -- or interest rate movement over the last few years  
9 going down, and -- and probably, if we looked at interest  
10 rates over the last thirty (30) years, they have trended  
11 almost exclusively down.

12 So there is some influence on those  
13 numbers within the -- the results, and especially prior  
14 to the 07/08 year, we would discount based on a projected  
15 interest rate, and -- and the interest rates didn't  
16 change very much.

17 In the 2007/08 year, the rules changed in  
18 conjunction with CI -- CACA (sic) Handbook, Section 8255,  
19 which essentially dictated what we had to use, what the  
20 interest rate would be, the actual market rate of the  
21 underlying assets.

22 So there -- as those interest rates moved,  
23 there was additional uncertainty into the actual results.  
24 That's variation one (1).

25 Variation two (2) is the runoff of prior-

1 year claims. We have a liability of about \$1.5 billion.  
2 When there is changes, or changes in assumptions --  
3 because we re-estimate all those passed every year -- if  
4 we do make a change in assumption, it will affect all  
5 previous fifteen (15) or sixteen (16) years.

6 So, to the extent that we make a change in  
7 assumption and the estimate from prior years goes up or  
8 goes down, that's magnified by fifteen (15) times,  
9 because we're affecting fifteen (15) years of data rather  
10 than just one (1).

11 And then, of course, the third source of  
12 the forecast is what's going to happen in new claims  
13 coming in. So -- so all three (3) of those work in  
14 conjunction to -- to come to the actual.

15 With the projections, we would make no  
16 assumptions on releases of -- of past valuation reserves,  
17 so not too much in the way of interest rate forecasts.

18 And I guess the third -- the fourth  
19 possible deviation is if there was some other change in  
20 benefits that was applied retroactively, as happened in  
21 the 08/09 year, which did have an enhanced benefit  
22 component.

23 So all those four (4) factors, pulling  
24 actually in opposite ways sometimes, all influence the --  
25 the actual results.

1 MR. BYRON WILLIAMS: Now, you've  
2 identified four (4) factors pulling, at times, in  
3 opposite ways.

4 Is that correct?

5 MR. DON PALMER: Yes.

6 MR. BYRON WILLIAMS: And I think they've  
7 been fairly well canvassed, both in that discussion and -  
8 - and elsewhere. You are aware, of course, that your  
9 projections for PIPP incurred form an important component  
10 of the financial forecast?

11 MR. DON PALMER: Absolutely, and --

12 MR. BYRON WILLIAMS: And -- and those are  
13 relied upon by the regulator for rate setting?

14 MR. DON PALMER: Absolutely, and just the  
15 prior year adjustments that affect the in-year results,  
16 those are, as I said, prior year adjustments, and those  
17 are directly affect -- affect the -- the RSR balance,  
18 because it's a prior year adjustment. It's not  
19 necessarily a future year change, so it's -- it's not  
20 ongoing current results, although it all has to flow  
21 through the operating statement.

22 MR. BYRON WILLIAMS: We're -- we're  
23 talking real world as opposed to perfect worlds, but  
24 you'll agree that, in the context of setting just and  
25 reasonable rates for a regulated monopoly, the ideal

1 annual forecast should be one that is unbiased.

2 Would that be fair?

3 MR. DON PALMER: That's fair.

4 MR. BYRON WILLIAMS: And symmetric?

5 MR. DON PALMER: No. And -- and let me  
6 give you an example of a non-symmetric forecast. And I  
7 happen to be going out of town to talk to reinsurers  
8 tomorrow and on Friday. And I think the -- the best  
9 example of a non-symmetric type of distribution would be  
10 catastrophe reinsurance, where we have purchased  
11 catastrophe reinsurance over the past forty (40) years,  
12 we have had four (4) claims against that.

13 So in a forecast, assuming one (1) claim  
14 would cost \$50 million, and we have had four (4) of them,  
15 so \$200 million spread out over forty (40) years, you  
16 would make the assumption that, from a pricing  
17 perspective, the expected value would be \$5 million.  
18 Now, for thirty-six (36) years of those year forecasts  
19 would be wrong, would be \$5 million too high because,  
20 essentially, with the hailstorms you get a big number, I  
21 said \$50 million, or zero.

22 So if you looked at the experience over --  
23 from MPI's perspective over the last three (3) years,  
24 where we've had two (2) catastrophic claims, the  
25 forecasts don't look so good because you're -- you're



1 saying \$5 million is your expected value, but really it  
2 comes in at \$50 million. Over the longer term, it's a  
3 fine forecast. Over a shorter term, there is -- there is  
4 skewedness because you either get zero claims or  
5 something -- some big claim.

6 MR. BYRON WILLIAMS: Than -- thank you  
7 for that. Le -- let me go -- and I may not have asked  
8 the question as precisely and -- and -- or we may have to  
9 set aside con -- hail and other personal catastrophes.

10 In the context of setting just and  
11 reasonable rates for a regulated monopoly, would you  
12 agree that any annual forecast which impacts rates,  
13 rebates, the RSR, et cetera, should be symmetric in that  
14 in any given year you should be as likely to be over  
15 forecast as you are under foreca -- forecast?

16 MR. DON PALMER: Again, I will disagree  
17 with that. One (1) of the coverages, which you've  
18 described as PIPP, and very much influenced over a very  
19 small number of serious losses. And so, we've seen maybe  
20 there's some improvement in the last year or two (2),  
21 but, generally, if you took the number of -- of, what I  
22 would call serious or catastrophic losses, being the sum  
23 of fatalities plus severe catastrophic injuries, say head  
24 injuries, quadriplegics, paraplegics, you added those two  
25 (2) things together, that number, the frequency was

1 pretty -- pretty constant over a long time -- time frame.

2                   What varied was the split between  
3 fatalities and severe injuries. And some years we would  
4 get a large number of severe injuries. Some years we  
5 would get a larger number of -- a much larger number of  
6 fatalities. The difference in cost of those are very  
7 large. So, all of a sudden, given every -- on average,  
8 probably every four (4) or five (5) years, we may get a  
9 bad year in terms of severe injuries. You may get, say,  
10 ten (10) more claims than you would nor -- normally get  
11 from a severe injury perspective.

12                   If you say that those catastrophic  
13 injuries are about \$2 million a piece, that variance, all  
14 of a sudden, every fifth year you get an extra \$20  
15 million. That would tend to skew your distribution. It  
16 has to be built into your forecast anyway in each  
17 particular year. So -- so, given that that amount is --  
18 is built in, then you always have a little extra, and you  
19 may expect to be under forecast for four (4) of the years  
20 -- or over forecast for four (4) of the years and -- and  
21 under forecast that fifth year because of the skewed  
22 nature of the distribution.

23                   MR. BYRON WILLIAMS: And your point being  
24 there is that, particularly on the PIPP side, the  
25 outcomes are not from a random distribution of

1 independent and identically distributed variables?

2 MR. DON PALMER: No, they are. It's just  
3 that the distribution underlying each and every claim is  
4 -- is not --

5 MR. BYRON WILLIAMS: Skewed.

6 MR. DON PALMER: -- skewed.

7 MR. BYRON WILLIAMS: Just going back to  
8 the results for CAC/MSOS Exhibit 13, we can see that, in  
9 terms of the PIPP forecast, for the first three (3) years  
10 -- being 94/95 through 96/97 -- the projections were  
11 higher than the actuals in those three (3) years.

12 Is that correct?

13 MR. DON PALMER: And going back to that  
14 forecast, those forecasts were essentially made on no --  
15 no historical data. We had some assumptions as to how  
16 the PIPP program would -- how the outcomes would -- would  
17 come about by adjusting what our existing accident  
18 benefits were, but we didn't have any hard PIPP data to  
19 make -- to base those forecasts on.

20 MR. BYRON WILLIAMS: And, Mr. Palmer,  
21 I've been very patient, but the answer is "yes"?

22 MR. DON PALMER: Yes.

23 MR. BYRON WILLIAMS: And if we look at  
24 the next seven (7) years, we'll see that the projections  
25 are either somewhat below or roughly the equivalent of

1 actuals.

2 Would that be fair?

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

4 MR. BYRON WILLIAMS: And if we look at  
5 the next six (6) years, we'll see that the projections  
6 are somewhat above actual?

7

8 (BRIEF PAUSE)

9

10 MR. DON PALMER: Yes, I would agree with  
11 that, and again, in terms of -- I think in the 05/06  
12 year, we probably did have what you would call a  
13 structural break. We did change our reserving  
14 methodology. We changed in -- in two (2) ways: we  
15 automated it, which made the reserve changes more  
16 consistent; we also changed the mortality table that we  
17 were using, which brought down the case reserves  
18 consistently. So those two (2) may be off -- again,  
19 offsetting.

20 MR. BYRON WILLIAMS: Thank you for that.  
21 In terms of the claims forecasting committee itself, are  
22 there terms of reference for the claims forecasting  
23 committee chair and its members?

24 MR. DON PALMER: There are not formalized  
25 terms of reference, no.

1 MR. BYRON WILLIAMS: We may want to  
2 replace Mr. Johnston -- not that I don't like having him  
3 in the front row with Mr. Kramer -- if we're not -- I  
4 think he can safely leave. I may come, if I'm -- but  
5 we'll -- we'll -- you do whatever you want, Mr. Palmer.

6 MR. DON PALMER: Back -- back in --

7 MR. BYRON WILLIAMS: I don't want to hurt  
8 Mr. Johnston's feelings.

9 MR. DON PALMER: Back in the day, there  
10 used to be three (3) people on the end of this table.  
11 The table is plenty big. Mr. Johnston can stay.

12 MR. BYRON WILLIAMS: I -- I --

13 MR. OTTMAR KRAMER: Mr. Johnston's coming  
14 back.

15 MR. BYRON WILLIAMS: I had feared I had  
16 hurt his feelings.

17 MR. DON PALMER: I was worried that he  
18 was listening to you and not to me.

19 MR. BYRON WILLIAMS: Perhaps he should.

20 I want to turn, if I might -- there --  
21 there's two (2) IRs, Mr. Kramer -- I think this is to you  
22 -- that you might want to have at hand. Those are the  
23 Corporation's responses to CAC/MSOS-1-27, and also 2-57.  
24 I'll give you a couple of seconds to dig those up.

25

1 (BRIEF PAUSE)

2

3 MR. BYRON WILLIAMS: I just want to note  
4 for the record that Mr. Johnston is still sitting in the  
5 back row, Mr. Palmer.

6

7 (BRIEF PAUSE)

8

9 MR. OTTMAR KRAMER: We've got them.

10 MR. BYRON WILLIAMS: Thank you, Mr.  
11 Kramer, and again I -- I hope I brought you back to the  
12 front row for -- for good reason.

13 I want to develop -- and -- and I realize  
14 that the panel has had some discussion with My Friend Ms.  
15 Everard on this issue, but I want to develop a bit of a  
16 chronology in changes in the labour rates for repair  
17 shops since 2008, just to make sure that my clients have  
18 it, and so I think both these Information Requests are  
19 relevant.

20 First of all, Mr. Kramer, would I be  
21 correct in suggesting to you that on January 1st, 2008,  
22 and jus -- just hold one (1) second.

23 If I could just confirm that everyone has  
24 it.

25 It looks like -- in January 1st, 2008,

1 rates were increased by 4.5 percent, in terms of labour  
2 rates, in both southern and northern Manitoba for  
3 accredited facilities.

4 Is that accurate?

5 MR. OTTMAR KRAMER: Yes, that appears  
6 accurate.

7 MR. BYRON WILLIAMS: And then on  
8 September 1st, 2009, would I be correct in suggesting  
9 that rates, both for southern accredited and northern  
10 Manitoba accredited facilities, were in -- increased by 3  
11 percent.

12 Would that be right?

13 MR. OTTMAR KRAMER: Yes.

14 MR. BYRON WILLIAMS: And then I -- I  
15 think we need to flip to the next Information Response,  
16 being CAC/MSOS-2-57, and Ms. McLaren I think had this  
17 discussion with Ms. Everard, but I just want to make sure  
18 I've got it right.

19 Would I be correct in suggesting that then  
20 on January 1st, 2010, there was a 6.25 percent increase?

21 MR. OTTMAR KRAMER: Yes, and that's what  
22 Ms. McLaren discussed earlier this week.

23 MR. BYRON WILLIAMS: And just so I'm  
24 clear, because I don't want to over -- over-count, there  
25 would be the one (1) on -- in -- in September of 2009,

1 and then a subsequent one (1) retroactive to January 1st,  
2 2010.

3 Would that be right?

4 MS. MARILYN MCLAREN: That's right.

5 MR. BYRON WILLIAMS: And then as we move  
6 forward for the years 2011, 12, and 13, my understanding  
7 is that the increase will be the greater of either 2.3  
8 percent or a combination of consumer price index weighted  
9 at 60 percent, and the industrial average wage weighted  
10 at 40 percent.

11 Would that -- that be correct?

12 MR. DON PALMER: That's correct.

13

14 (BRIEF PAUSE)

15

16 MR. BYRON WILLIAMS: And Mr. -- whoever  
17 I'm asking this to, somewhere on the panel, maybe I'll  
18 ask Mr. Johnson, just -- in terms of CPI, and I'll get to  
19 which kind of CPI MPI is -- is using for this calculation  
20 in a second, but I understand that the -- it's a monthly  
21 measure of changes in consumer prices in Canada, and  
22 based on the -- on the retail prices of a list of  
23 approximately three hundred (300) goods and services from  
24 housing to food.

25 Would that be fair?



1 MR. DON PALMER: Yes, that's fair.

2 MR. BYRON WILLIAMS: And it's weighted to  
3 reflect typical spending patterns in Canada.

4 MR. DON PALMER: Yes.

5 MR. BYRON WILLIAMS: Now, there's also a  
6 term used, "core inflation," and, as I understand it,  
7 that measures prices but excludes some of the more  
8 volatile food or energy components.

9 Would that be fair?

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

11 MR. BYRON WILLIAMS: In -- in terms of  
12 the CPI measure for the purposes going forward, I wonder  
13 if you can -- I'm presuming it's Manitoba CPI, is that  
14 correct?

15

16 (BRIEF PAUSE)

17

18 MR. DON PALMER: We're almost sure it's  
19 Manitoba.

20 MR. BYRON WILLIAMS: And you'll correct  
21 if I'm wrong in that assumption?

22 MR. DON PALMER: Yes.

23 MR. BYRON WILLIAMS: And would it be  
24 Manitoba CPI core, or would it be Manitoba CPI based upon  
25 the broader or more common usage of CPI?

1 (BRIEF PAUSE)

2

3 MR. DON PALMER: Again, we're not  
4 positive. We -- we think it's the regular CPI, not --  
5 not core CPI, but we're -- we'll check on that.

6 MR. BYRON WILLIAMS: And you will get  
7 back to me in the event that it is core CPI as opposed to  
8 CPI -- CPI, as we more commonly use it.

9 MR. DON PALMER: Yes, we will.

10

11 --- UNDERTAKING NO. 38: MPI to advise if it would be  
12 Manitoba CPI core, or  
13 Manitoba CPI based upon the  
14 broader or more common usage  
15 of CPI

16

17 CONTINUED BY MR. BYRON WILLIAMS:

18 MR. BYRON WILLIAMS: And the source of  
19 that calculation, presumably, going forward will be  
20 Statistics Canada, is that correct?

21 MR. DON PALMER: Yes.

22 MR. BYRON WILLIAMS: And in terms of the  
23 industrial average wage, will that be the Manitoba  
24 industrial average wage?

25 MR. DON PALMER: We believe so, yes.

1 And, again, we'll check if it's not Manitoba.

2 MR. BYRON WILLIAMS: And the source for  
3 that calculation will again come from -- that's  
4 Statistics Canada?

5 MR. DON PALMER: Statistics Canada, yes.

6 MR. BYRON WILLIAMS: Let's assume for a  
7 moment that the -- the indicator going forward will be,  
8 on the CPI scale, Manitoba CPI non -- non-core and  
9 Manitoba industrial wage. You'll -- you'll assume that  
10 with me, Mr. Palmer?

11 MR. DON PALMER: Sure, that's -- that's  
12 my assumption now.

13 MR. BYRON WILLIAMS: And assume -- and  
14 with the understanding that it's provided by Statics  
15 Canada, I wonder if -- if the Corporation can provide to  
16 us by way of an undertaking, for a period from January  
17 1st, 2008, to December 31st, 2009, both Manitoba core CPI  
18 as well as changes in the Manitoba industrial --  
19 industrial wage. That's the first -- the first part of  
20 the question. And, secondly, for up to 2010, is -- is  
21 the most recent data available, that same information.

22 Could you do that?

23 MR. DON PALMER: Yes. And I'll go one  
24 (1) better, that if the assumptions are wrong in terms of  
25 Manitoba core, non-core, or industrial average wage,

1 Canada or Manitoba, we'll give you this same historical  
2 reference for the one that was actually used in the -- in  
3 the --

4 MR. BYRON WILLIAMS: I -- I thank you for  
5 that. And that's by way of an undertaking?

6 MR. DON PALMER: Yes.

7

8 --- UNDERTAKING NO. 39: MPI to provide, for a period  
9 from January 1st, 2008 to  
10 December 31st, 2009, both  
11 Manitoba core CPI as well as  
12 changes in the Manitoba  
13 industrial wage and, for up  
14 to 2010, the most recent data  
15 available

16

17 CONTINUED BY MR. BYRON WILLIAMS:

18 MR. BYRON WILLIAMS: Going now to the --  
19 the remainder of 2010 and out to the end of 2013, could  
20 you provide the Corporation's best projections of core --  
21 excuse me, non-core Manitoba CPI changes, as well as  
22 changes in the Manitoba industrial wage?

23 MR. DON PALMER: The forecast going  
24 forward underlying our -- would be the same, IW and  
25 inflation, and it would be 2 percent per year.

1 MR. BYRON WILLIAMS: And that would be  
2 found in TI.17, for example.

3 MR. DON PALMER: Yes.

4 MR. BYRON WILLIAMS: So if I were looking  
5 to -- if my clients were looking to identify that date,  
6 the Corporation would point us to TI.17 in terms of their  
7 -- their best guess of -- or best estimate of -- of what  
8 that is going forward.

9 MR. DON PALMER: Yes.

10

11 (BRIEF PAUSE)

12

13 MR. DON PALMER: This undertaking is  
14 easier than I thought. In --

15 MR. BYRON WILLIAMS: They're in CPI TI.

16 MR. DON PALMER: In TI.18, page 4,  
17 figures 7 and 8, we have the -- okay, it's half easier  
18 than I thought. In figure 8, we have -- the CPI changes  
19 for both Manitoba and Can -- Canada are listed. Now,  
20 they're not -- it is a graph, so we have to estimate, but  
21 you'd probably get a pretty good idea from that what the  
22 CPI has been.

23 MR. BYRON WILLIAMS: And there's still  
24 the industrial wage information as well, Mr. Palmer,  
25 correct?

1 MR. DON PALMER: Yes.

2 MR. BYRON WILLIAMS: Would it be correct  
3 to say that in 2009, Manitoba CPI was 0.6 percent?

4 MR. DON PALMER: Yes, that's fair.

5 MR. BYRON WILLIAMS: Now, in terms of the  
6 Corporation's collective bargaining settlements with the  
7 MGEU, it would be accurate to say that, leaving aside  
8 benefits, what was agreed to were, effective April 1st,  
9 2009, and then in subsequent Aprils, of April 1st 2010,  
10 11, and 12, were 2.9 percent increases to salaries and  
11 salary ranges.

12 Is that right?

13 MR. DON PALMER: The -- the date -- the  
14 numbers are right. The dates you've quoted are not  
15 right. The effective date of the agreement would be  
16 around the end of September. Essentially, it's a -- it's  
17 an October 1 agreement, adjusted to pay periods. So it  
18 would be the -- the -- the first pay period that included  
19 October 1st. And we have just finished the second year  
20 of the four (4) year agreement.

21 MR. BYRON WILLIAMS: So just so I'm  
22 clear, Mr. Palmer, and October 1st, 2009 would be when  
23 the two point nines (2.9s) started, and they'll be re --  
24 renewed out to October 1st, 2012? I'm just --

25 MR. DON PALMER: Yeah.

1 MR. BYRON WILLIAMS: And the reason I'm  
2 confused, Mr. Palmer, is I'm just looking at the Board  
3 minute which seemed to say: effective April -- April 1st.

4 MR. DON PALMER: The Board minute that  
5 you're looking at is the out-of-scope, essentially  
6 management salaries that are approved by the Board of  
7 Directors. Those are the employees that are not subject  
8 to the MGEU agreement, so the effective date of -- of  
9 out-of-scope is April 1st, or the first pay period  
10 including April 1st, different than the MGEU agreement.

11 MR. BYRON WILLIAMS: Thank you for  
12 clearing that up for me.

13 MR. DON PALMER: And -- and I think the  
14 MGEU agreement was effective October 1-ish of 2008.

15  
16 (BRIEF PAUSE)

17  
18 MR. BYRON WILLIAMS: Mr. Kramer, I think  
19 the next one's to you. If you could pull up CAC/MSOS-1-  
20 71, please.

21  
22 (BRIEF PAUSE)

23  
24 MR. OTTMAR KRAMER: I have it.

25 MR. BYRON WILLIAMS: And, Mr. Kramer,

1 you'll recall earlier today, in -- in terms of claims  
2 expenses, you were -- quite properly pointed out to me  
3 that, when we look at claims expenses, that information  
4 in there in terms of the immobilizer program, loss  
5 prevention expenditures, might have inflated those --  
6 those numbers in -- in recent time.

7                   Would that be fair? You recall that  
8 statement?

9                   MR. OTTMAR KRAMER: Yes, I do.

10                   MR. BYRON WILLIAMS: And would I be  
11 correct in suggesting to you that what this Information  
12 Request has asked you to do is to strip out loss  
13 prevention road safety costs from claim expenses?

14                   Would that be fair?

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

16                   MR. BYRON WILLIAMS: If I turn to the  
17 claim expenses, would I be correct in suggesting to you  
18 that with loss prevention and road safety removed, claim  
19 expenses in 2008 were around three hundred and twelve  
20 dollars (\$312).

21                   Would that be right?

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

23                   MR. BYRON WILLIAMS: And in 2009, claims  
24 expenses per claim were about three hundred and sixty  
25 five (365), or three hundred and sixty-six (366).



1                   Would that be fair?

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

3                   MR. BYRON WILLIAMS:    And for 2010, claim  
4 expenses per claims would be about three hundred and  
5 seventy-six (376), or three hundred and seventy-seven  
6 (377), correct? Dollars.

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

8

9                                   (BRIEF PAUSE)

10

11                   MR. OTTMAR KRAMER:    If I can just add to  
12 that though. We pulled out the -- the immobilizer  
13 expenses, or the -- the road safety loss prevention. The  
14 other thing that's driving that also is the -- the PIPP  
15 infrastructure project, which also had some expenses in  
16 there, and -- and so that's driving some of those  
17 increases. If you refer to PUB-1-45(c), it removes the  
18 BPR spending plus the immobilizer spending, which make --  
19 makes it more comparable.

20                   MR. BYRON WILLIAMS:    So the BPR is -- is  
21 in -- in this information.

22                   MR. OTTMAR KRAMER:    Yes --

23                   MR. BYRON WILLIAMS:    PIPP BPR. Yeah.

24                   MR. OTTMAR KRAMER:    -- to the extent that  
25 it's -- it's a Basic BPR, and then that would be the PIPP

1 project.

2 MR. BYRON WILLIAMS: Okay. And Mr.  
3 Chairman, there's just one (1) other question that I --  
4 I may want to ask, and I'd -- I'd -- or I may not. I --  
5 and I just -- I'm done my cross with the exception of  
6 this -- this one (1) question, where -- which relates to  
7 CAC/MSOS-2-51, and I wouldn't mind the opportunity to  
8 reflect upon it over the -- before next Monday. I don't  
9 expect that I'll ask questions about it, but I have a --  
10 I'd like to just chat with my client about it.

11 THE CHAIRPERSON: Well, we have Mr.  
12 Dawson anyway on Monday, and we've got a few other  
13 questions, so I don't see any harm in it, so we'll  
14 adjourn now, and return on Monday morning.

15

16 (PANEL RETIRES)

17

18 MR. BYRON WILLIAMS: And we have some  
19 outstanding undertakings, so with the exception of my  
20 potential question, and any undertakings, I would --  
21 certainly if there's more, I'll be prepared to ask a few  
22 questions on Monday as well.

23 THE CHAIRPERSON: Very good. Okay. Thank  
24 you everyone. We'll see you back on Monday at nine  
25 o'clock.

1 --- Upon adjourning at 3:44 p.m.

2

3

4

5 Certified correct,

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Cheryl Lavigne, Ms.

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