



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

2020/2021 GENERAL RATE APPLICATION

HEARING

Before Board Panel:

Irene Hamilton, QC - Board Chairperson

Robert Gabor, QC - Board Chair

Carol Hainsworth - Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

October 18, 2019

Pages 1763 to 2050

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

2

3 THE CHAIRPERSON: Good morning,
4 everyone. I believe we left off yesterday afternoon
5 in the midst of Mr. Williams's cross-examination.
6 Proceed, please.

7 MR. STEVEN SCARFONE: If I might
8 interject, just before -- again, just before you
9 start, Mr. Williams -- sorry about that. We do want
10 to have Ms. Hora add a little bit more to the response
11 that she provided at the end of the hearing yesterday,
12 and I thought it might be appropriate to do it just
13 for the transcript reasons.

14 It's -- it's, again, a clarification or
15 -- she -- she'd like to add something to the question.
16 Yes, we're paying special attention to the question,
17 because it came from Mr. Gabor. And we want to make
18 sure we've got it right. And -- and we're also going
19 to file her response in writing as well as part of an
20 undertaking.

21 THE CHAIRPERSON: Okay, thanks very
22 much, Mr. Scarfone. Ms. Hora...?

23

24 MPI PANEL NO. 8 CONTINUED:

25 BENJAMIN GRAHAM, PREVIOUSLY SWORN

1 CURTIS WENNBURG, PREVIOUSLY SWORN

2 CAROL HORA, PREVIOUSLY SWORN

3 SHAYON MITRA, PREVIOUSLY SWORN

4

5 MS. CAROL HORA: Good morning. So I
6 wanted to clarify that we mentioned the fact that
7 customers may change their designated agent at any
8 time. However, customers with three (3) or more
9 active policies -- that would be vehicles or trucks --
10 may request to change their designated agent, but only
11 once per term.

12 So my comment yesterday about maybe the
13 broker asking if you wanted to change the designate --
14 designated agent may not have been completely
15 complete. So thank you.

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

18 DR. BYRON WILLIAMS: Yes. And Mr.
19 Scarfone, just a reminder through the panel to you; I
20 think that at some point this morning, Mr. Graham was
21 going to talk about the activities in support of rural
22 and northern brokers and those options?

23 MR. STEVEN SCARFONE: Yes. And I
24 think he's prepared to do that now. Yeah.

25 DR. BYRON WILLIAMS: Once we've got

1 his mento (phonetic) completed?

2 MR. STEVEN SCARFONE: Yes.

3

4 (BRIEF PAUSE)

5

6 CONTINUED CROSS-EXAMINATION BY DR. BYRON WILLIAMS:

7 MR. BENJAMIN GRAHAM: Good morning.

8 Good morning, Mr. Williams. I've sourced the
9 document. As I mentioned yesterday at the -- at the
10 top of the page, it is a confidential briefing note,
11 so I won't go too much into the details of the values
12 that have been assigned to each of these provisions of
13 the current record that were proposed.

14 So there was effectively six (6)
15 changes proposed. One (1) of them was a significant
16 reduction in commissions, and that was through the --
17 the change to trailing commissions. So if you
18 eliminated trailing commissions, the other five (5)
19 that would give backs.

20 The first one (1) was an increase for
21 new or renewals. So that was a significant increase
22 in commission. Performance-based compensation, so
23 performance incentives around, you know, extension of
24 service hours, or error-free transactions. They bear
25 a significant increase on SRE commissions.

1 Rural services. So we currently pay
2 the same level of compensation for both urban and
3 rural, and we were proposing a significant increase to
4 rural brokers to maintain their presence.

5 And the last one was a fairly
6 significant increase on flat fees, to revise that --
7 that flat fee structure. So really about making sure
8 that we will -- will -- the principal of paying for
9 value for service was around eliminating some of those
10 trailing commissions, but paying more for the services
11 that are provided. Thank you.

12 DR. BYRON WILLIAMS: Thank you. If we
13 can go to CAC-1-1f, Appendix 3, March 17th board of
14 director meeting minute -- or meeting note regarding
15 the Insurance Brokers Association of Manitoba.

16

17 (BRIEF PAUSE)

18

19 DR. BYRON WILLIAMS: Mr. Graham, I'm
20 going to direct your attention to the bottom of page 1
21 of this note, and then we'll scroll over to the top of
22 page 2. Starting with the fourth line, you'll see,
23 Sir, I'll suggest to you, a reference to cooperative
24 marketing:

25

"Management saw this as a good

1 opportunity to demonstrate its
2 commitment to the broker
3 distribution channel, as well as
4 inoculation against competitive
5 threats by aggressive insurers like
6 CAA that do not depend --"

7 Scroll over to the next pla -- page,
8 please.

9 "-- on the broker distribution
10 channel."

11 This -- IBAM being the Insurance
12 Brokers Association of Manitoba:

13 "It is reported, had proposed a
14 joint marketing strategy that
15 management believed was a legitimate
16 initiative to foster the broker
17 relationship and jointly address a
18 risk to our Extension business."

19 Do you see that reference, sir?

20 MR. BENJAMIN GRAHAM: Yes, I do.

21 DR. BYRON WILLIAMS: Perhaps if we can
22 just scroll up to the previous page for a second.

23

24 (BRIEF PAUSE)

25

1 DR. BYRON WILLIAMS: The inoculation
2 against aggressive insurers that do not depend on the
3 broker distribution channel, sir, what is your
4 understanding of --

5 MR. BENJAMIN GRAHAM: I --

6 DR. BYRON WILLIAMS: -- of that
7 statement?

8 MR. BENJAMIN GRAHAM: Again, this
9 wasn't something that any of us had a -- a role in
10 making a decision on. To me, it sounds like a -- a
11 partnership to continue the success of both MPI and
12 the broker channel, and it was a joint initiative.

13 DR. BYRON WILLIAMS: And to your
14 knowledge, is CAA an insurer in the Extension
15 business, sir?

16 MR. BENJAMIN GRAHAM: Yes.

17 DR. BYRON WILLIAMS: And realizing you
18 did not author this memo, and it was before your time,
19 and recognizing as well the close relationship between
20 -- you recognize, of course, the close relationship
21 between Basic and Extension, sir?

22 MR. BENJAMIN GRAHAM: Yes, I do.

23 DR. BYRON WILLIAMS: And of course,
24 the agreements with the brokers are on a holistic
25 basis involving both Basic and Extension insurer --

1 MR. BENJAMIN GRAHAM: I do.

2 DR. BYRON WILLIAMS: In terms of the
3 role of Manitoba Public Insurance today, do you see it
4 as being to prop up particular distribution channels
5 or to enable a range of choices in the marketplace?

6 MR. BENJAMIN GRAHAM: I know that we
7 are very much focused on, in the future, making sure
8 that it's about providing the services to customers at
9 the most cost efficient process possible.

10

11 (BRIEF PAUSE)

12

13 MR. BENJAMIN GRAHAM: I assume --
14 sorry, Mr. Williams -- I assume when you say "prop up
15 the industry," you're referring to the \$71 million
16 floor?

17 DR. BYRON WILLIAMS: So -- well,
18 really, sir, I'm just speaking about particular
19 channels.

20 MR. BENJAMIN GRAHAM: Okay.

21 DR. BYRON WILLIAMS: And your legal
22 counsel will want to be alive to this next question,
23 just to make sure that he's comfortable with it.
24 Given the legislative decision to make the Extension
25 market compe -- non-compulsory, and the tight

1 relationship between Basic and Extension, as a Crown
2 Corporation, does -- does Manitoba Public Insurance
3 have any issues with these type of joint partnerships
4 in terms of the Extension business?

5

6 (BRIEF PAUSE)

7

8 MR. BENJAMIN GRAHAM: Can you rephrase
9 the question --

10 DR. BYRON WILLIAMS: Well, sir --

11 MR. BENJAMIN GRAHAM: -- a little bit,
12 if possible?

13 DR. BYRON WILLIAMS: -- when you were
14 -- when you were interpreting what this agree --
15 arrangement between the insurance brokers and MPI was,
16 you -- at least I thought I heard you say that you saw
17 it as a joint partnership --

18 MR. BENJAMIN GRAHAM: Yeah.

19 DR. BYRON WILLIAMS: -- in terms of
20 promoting that market share and the Extension
21 business.

22 Did I hear you correctly?

23 MR. BENJAMIN GRAHAM: Yeah. Sure.

24 Yes.

25 DR. BYRON WILLIAMS: And so my

1 question was: given the legislative choice to make
2 Extension non-compulsory, but also recognizing the
3 close relationship between Basic and Extension, do you
4 see that as an appropriate rule for the Crown monopoly
5 -- the Crown --

6 MR. BENJAMIN GRAHAM: I don't know. I
7 -- I think those types of -- excuse me -- those types
8 of partnerships are very common in product markets,
9 where the issue with Extension often being purchased
10 with the market share that we currently enjoy because
11 of its close alignment with Basic, it's the same as
12 any sort of small to medium Enterprise coverage where
13 you might have a primary insurance, and then you
14 purchase riders on top of that, or those type of
15 Extension products.

16 So I -- I can't speak to this decision,
17 and I know that there's a difference between a private
18 insurer and a Crown Corporation, but those types of
19 arrangements are not uncommon in -- in more
20 traditional insurance markets.

21 DR. BYRON WILLIAMS: Thank you.

22 MR. STEVEN SCARFONE: And -- and I
23 might just only add that the question that was put to
24 Mr. Graham was premised on his understanding of what
25 he was reading on a document that was drafted before

1 his tenure with MPIC.

2 DR. BYRON WILLIAMS: Thank you for
3 that.

4 MR. CURTIS WENNBERG: We -- just to
5 add on that, there was comment about propping up. And
6 I -- and I think we should -- we should just address
7 that a little bit, because that's -- that's also taken
8 place with repair shops and brokers in terms of the
9 question on that.

10 And what you heard from Mr. Graham's
11 comments around our -- our proposition for -- for
12 compensation was that we would take a look at -- as
13 the Crown insurer, we need to be there and -- and
14 offer services across this Province. It's a very
15 large province, and we're very aware of that fact.

16 We're aware of the fact that you -- you
17 do need to have some -- some element of service in --
18 in a lot of these different territories. Sometimes
19 that -- that's going be uneconomical in a normal
20 business type of sense. And so we have a -- a unique
21 responsibility to ride that line between being
22 fiercely fiscal -- fiscally prudent, and negotiating
23 in a truly business sense, and then understanding some
24 of the weaknesses that would be normal in a
25 distribution channel where there's a sparse

1 population.

2 So we -- we have to understand that.
3 Hence, one (1) of the -- the items was potentially
4 looking at the remote and rural brokers. And in -- in
5 essence, not propping them up, but by giving them a
6 little bit more than what you would get in Winnipeg,
7 where you do have, you know, like we said yesterday,
8 almost two-thirds (2/3) of the broker compensation.

9 And there can be a lot of choices, even
10 if, let's say, some of that business migrated online,
11 the -- as in any normal business transformation is
12 volume reduces the most aggressive and -- and better
13 broker competitors or repair shop competitors or
14 chiropractic competitors or whoever it would be that's
15 providing the service would then earn that business
16 that's remaining.

17 DR. BYRON WILLIAMS: And thank you.
18 And without buying into the tag line of fiercely
19 fiscal, sir, what -- what I understand your answer to
20 be saying is that as a crown monopoly, you do have
21 a -- a mandate in areas that are underserved.

22 Your job is to provide value for
23 service and to the degree that in rural or remote
24 areas where less options may be available to
25 consumers, that's where the -- you may -- may make

1 different choices in terms of what might be considered
2 efficient.

3 MR. CURTIS WENNBERG: We will not
4 abandon those markets, and we will be as creative as
5 we possibly can with our partners to make sure
6 something happens there.

7 DR. BYRON WILLIAMS: Okay.

8 MR. CURTIS WENNBERG: Yes.

9 DR. BYRON WILLIAMS: Thank you, sir.
10 If we can go to CAC-1-1 Appendix 11 and specifically
11 paragraph 19 or heading 19 "appointments."

12

13 (BRIEF PAUSE)

14

15 DR. BYRON WILLIAMS: MPI -- I'll
16 direct your attention to the first paragraph which,
17 I'll suggest to you, indicates that as of December
18 2013 both -- let me back up.

19 You'll agree that the -- the document
20 that we're referring to, subject to -- to check, is
21 the agency appointments and operating standards?

22 MR. CURTIS WENNBERG: Agreed.

23 DR. BYRON WILLIAMS: And this is an
24 MP -- and this is an MPI document?

25 MR. CURTIS WENNBERG: Yes.

1 DR. BYRON WILLIAMS: And you'll see
2 here a statement that as of December 2013, I'll
3 suggest to you, both IBAM, the Insurance Brokers
4 Association of Manitoba, and the corporation believe
5 the province of Manitoba is well served by the
6 existing size and scope of the broker forth -- force
7 as such the corporation will no longer be accepting
8 applications for new licences or -- or appointments?

9 MR. CURTIS WENNBERG: Yes.

10

11 (BRIEF PAUSE)

12

13 DR. BYRON WILLIAMS: Just notionally,
14 we'll come to the status of that section in a second,
15 but --

16 MR. CURTIS WENNBERG: M-hm.

17 DR. BYRON WILLIAMS: -- notionally, if
18 there are no new appointments, the only way to enter
19 the market as an agent would be by buying an existing
20 agency, sir?

21 MR. CURTIS WENNBERG: Yes. As it
22 stood from this point forward as we got new requests
23 to have an Autopac or an SRE appointment, we --
24 they're -- they're two (2) different types of
25 appointments that we provide.

1 We would basically say no, there's none
2 on offer, and then the implication is that the only
3 way that you could enter this market is by buying --
4 we used to call them licences, but -- but really
5 they're -- they're agreements or appointments.

6 But it's almost very similar to, let's
7 say, taxicab medallion program in -- in New York or so
8 where you have a restricted supply, and -- and then
9 the only way to get something is to -- to purchase it.

10 Recently, we -- we did take a look at
11 this. We had --

12 DR. BYRON WILLIAMS: I'm going to just
13 stop you, and then I'll --

14 MR. CURTIS WENNBERG: Okay.

15 DR. BYRON WILLIAMS: -- I'll -- just
16 'cause I want to not lose my train of thought.

17 MR. CURTIS WENNBERG: Yeah.

18 DR. BYRON WILLIAMS: So if you'll --

19 MR. CURTIS WENNBERG: Please.

20 DR. BYRON WILLIAMS: -- keep your
21 train of thought, sir, 'cause mine is limited. I'm
22 tired, so.

23 MR. CURTIS WENNBERG: Sorry.

24 DR. BYRON WILLIAMS: And we'll get
25 back to your "recently," and I'll remind you of that.

1 Okay?

2 But you did mention it created a
3 limited supply, and I'm only a humble lawyer, sir, but
4 would it be fair to suggest that if there's a limited
5 supply, that would tend to increase the price for --
6 for those in the marketplace?

7 MR. CURTIS WENNBERG: If -- if you've
8 got a growing market or if there's a desire to enter
9 the market, then -- then yes, it would increase the
10 supply. What we have see over this --

11 DR. BYRON WILLIAMS: Increase the
12 demand?

13 MR. CURTIS WENNBERG: Increase the
14 demand. Sorry. Yes. It doesn't increase the supply
15 at all.

16 What we have seen over this time is
17 some shifts in the broker number of outlets anyway,
18 and we have had requests for people to move different
19 brokerages particularly from the smaller and rural
20 into other areas.

21 What was interesting in this process is
22 that we would be -- we had a -- we had a process where
23 we had to approve purchases of -- of licences or
24 appointments, and it became a strange type of process
25 where we would be asked to opine what we do in MPI is

1 we basically look and see if we're abandoning any
2 specific market, and we would say no. Otherwise, we
3 really don't have a lot of reasons to say no.

4 And so we adjusted this document to
5 basically say it -- it will -- it will essentially
6 process unless there's something really -- you know,
7 really dramatic within a purchase of somebody else's
8 licence.

9 DR. BYRON WILLIAMS: So just so I
10 understand, and I don't want to lose your "recently."
11 I'm not sure if that was your "recently" line that I
12 interrupted you on or not.

13 MR. CURTIS WENNBERG: No, it wasn't.

14 DR. BYRON WILLIAMS: Okay. We'll come
15 back to that. Is this policy still in place?

16 MR. CURTIS WENNBERG: This policy
17 is -- is on the Autopac, I believe. We -- we have
18 exercised this recently with an application for an SRE
19 licence, and -- and that's the commercial side. And
20 that's my "recently."

21 DR. BYRON WILLIAMS: Okay. We're
22 going to come to that in just a second. So --

23 MR. CURTIS WENNBERG: Okay.

24 DR. BYRON WILLIAMS: -- I assure you I
25 will take you there.

1 MR. CURTIS WENNBERG: All right.

2 DR. BYRON WILLIAMS: So -- so just so
3 I understand it, on the Basic side, is this policy
4 still in place, sir?

5 MR. CURTIS WENNBERG: Either -- either
6 practically or we haven't received an Autopac request
7 that I'm aware of because the market is understanding
8 that we're not open for business in terms of adding
9 new Autopac licences.

10 But on a case law, you would look at it
11 that have we issued more Autopac licences since then?

12 No, we have not. We have issued an SRE licence --

13 DR. BYRON WILLIAMS: Recent.

14 MR. CURTIS WENNBERG: -- which is
15 recent.

16 DR. BYRON WILLIAMS: So just so I
17 understand, since this went into place in 2013 --

18 MR. CURTIS WENNBERG: Yeah.

19 DR. BYRON WILLIAMS: -- on the Basic
20 side, there's been no new licences issued?

21 MR. CURTIS WENNBERG: Correct.

22 DR. BYRON WILLIAMS: And secondly --

23

24 (BRIEF PAUSE)

25

1 MR. CURTIS WENNBERG: Pardon me. My
2 colleague corrected me. The Snow Lake example that I
3 described before where we're looking at a very unique
4 circumstance where there was no brokerage within that
5 remote community, we did allow a licence to be
6 created, in essence, where a -- a group from Winnipeg
7 basically flies in and -- and does that work.

8 That was a unique one. It's probably a
9 little different than the way that this paragraph is
10 addressed.

11 DR. BYRON WILLIAMS: Okay. Thank you
12 for that.

13 MR. CURTIS WENNBERG: Yeah.

14 DR. BYRON WILLIAMS: And let's go to
15 CAC-1-1 Appendix 16 Crown Service Briefing Note,
16 February 6th, 2019. And I think we'll get to your
17 "recently" in an orderly fashion, sir.

18

19 (BRIEF PAUSE)

20

21 DR. BYRON WILLIAMS: I'll give you a
22 second just to look at this, Mr. Wennberg.

23

24 (BRIEF PAUSE)

25

1 MR. CURTIS WENNBERG: Yes.

2 DR. BYRON WILLIAMS: Okay.

3

4 (BRIEF PAUSE)

5

6 DR. BYRON WILLIAMS: So directing your
7 attention to the second arrow, sir, under number 6,
8 would it be fair to suggest that a brokerage firm
9 applied to MPI requesting a licence to sell SRE
10 products only without the ability to sell Basic
11 Autopac?

12 MR. CURTIS WENNBERG: Yes.

13 DR. BYRON WILLIAMS: There was --
14 would it be fair to suggest the Insurance Brokers
15 Association took a different -- dissenting perspective
16 on this application wishing that all brokerage firms
17 licenced to sell -- have to be licenced to sell Basic
18 prior to being able to sell SRE?

19 MR. CURTIS WENNBERG: Yes. I -- I
20 don't recall the specifics of that but -- yeah.

21 DR. BYRON WILLIAMS: And directing
22 your attention to the fifth arrow under there, MPI,
23 I'll suggest to you, is observing -- that protecting
24 the value of existing brokerages is not a relevant
25 consideration for determining entitlement?

1 MR. CURTIS WENNBERG: Yes. SRE's a
2 little bit different. We have roughly a dozen or so
3 SRE specific types of -- of brokers.

4 While they both have Autopac --
5 sorry -- all of them, as they say, have Autopac and
6 SRE has -- has an ability to sell. What they do is
7 they specialize in commercial insurances, and as
8 Mr. Graham was speaking the other day about it, it is
9 a different type of process, and it's a different
10 customer set.

11 So as we looked at the application for
12 SRE, these were fairly -- they were already IBAM
13 members. There really wasn't a reason to say no and
14 decline them from entering the market. And so as we
15 looked at our past policy on this, there was really no
16 good reason for us to -- to withhold that SRE-only
17 licence.

18 I -- the concern from -- from a broker
19 perspective -- the concern is if they've put a million
20 or two (2) million or three (3) million or some big
21 component of money down to buy an existing brokerage,
22 they're doing that on the basis of some of our
23 previous policy which is that we've got a restricted
24 supply market here.

25 And -- and so, you know, we -- we get

1 to -- to open this up, would then basically get rid of
2 a chunk of -- of equity that someone has built up in
3 their business.

4 MR. STEVEN SCARFONE: Just -- I just
5 want to --

6 MR. CURTIS WENNBERG: And -- and
7 that's what we're referring to is the -- is the point
8 number -- number 6 there below or 5 below is -- is the
9 value of existing brokerage. We -- there comes a
10 point where we -- we have to start looking at the --
11 the channel and the markets and -- and determine it
12 that way.

13 MR. STEVEN SCARFONE: Just to clarify
14 on that fifth bullet, Mr. Wennberg gave you a yes.
15 But just to make the record clear, you read to him
16 MPIC does not believe projecting the value of existing
17 insurance brokerages is not a relevant consideration.

18 DR. BYRON WILLIAMS: Oh, I misread it.

19 MR. STEVEN SCARFONE: Yes. So the
20 corporation would take the position that it is a
21 relevant consideration.

22 DR. BYRON WILLIAMS: Yeah. I
23 understand that. I apologize for misspeaking and
24 thank you for your scrutiny.

25

1 CONTINUED BY DR. BYRON WILLIAMS:

2 DR. BYRON WILLIAMS: So, Mr. Wennberg,
3 on the fourth bullet, there seems to be a suggestion
4 when it comes to appointment agents for SRE that MPI
5 has sole discretion? You see that on the first two
6 (2) lines there?

7 MR. CURTIS WENNBERG: Yeah.

8 DR. BYRON WILLIAMS: Does MPI suggest
9 that it does not have sole discretion in terms of the
10 appointment of agents on the Basic side?

11 MR. CURTIS WENNBERG: We have a series
12 of documents with -- with brokerages with the --
13 this -- the previous document you were referring to is
14 the -- the standards -- the operating standards we
15 have with them. We also have an agreement with them.
16 And then we have the broker accord that we signed.

17 So there's -- each of those three (3)
18 have different elements of what would be a legal
19 contract each of them on their own. We found some
20 pretty strong weaknesses.

21 In the past, what we've seen in MPI is
22 that quite often the legal teams aren't as involved as
23 they should be when we're doing some of the
24 documentation after negotiations within a -- an
25 association or a lobby group or whoever is -- is

1 working with us.

2 And -- and I'm afraid that -- and we've
3 shared this with IBAM that we're -- we're not
4 comfortable with the -- the legalities of the
5 documents that we have in -- in terms of those
6 three (3) that cover our relationship.

7 So there's some question about what
8 we've committed on paper, and -- and, you know, one of
9 the things that's in the Autopac area is that we would
10 have a joint committee with IBAM reps and us about
11 whether we accept a new application.

12 DR. BYRON WILLIAMS: So we're going to
13 come back to that point just for a second, and, sir,
14 you were again referring to the operating standards
15 and accords section 19 which -- which spoke to that
16 joint committee. So we'll come back to that in just
17 one second.

18

19 (BRIEF PAUSE)

20

21 DR. BYRON WILLIAMS: And I -- I'm
22 certainly not asking you for a legal opinion. You did
23 mention some concerns with legalities.

24

25 (BRIEF PAUSE)

1 DR. BYRON WILLIAMS: You did seek a
2 legal opinion -- I don't want to know what the opinion
3 was -- but in terms of the SRE licence and whether a
4 meeting with IBAM would be compliant with the
5 Competition Act or not. Correct?

6 MR. CURTIS WENNBERG: Correct.

7 DR. BYRON WILLIAMS: Does MPI
8 currently have a position on whether meeting with a --
9 an association of brokers on the Basic side raises
10 some concerns about -- similar concerns?

11 MR. BENJAMIN GRAHAM: I can respond to
12 that. We do have an opinion, but we do currently have
13 agreements that will expire in a period of time.

14 I -- I can tell you that we will be
15 looking at Federal competition laws that pertains to
16 entering into agreements moving forward.

17 DR. BYRON WILLIAMS: Okay. And I'm
18 going to ask one last question related, and I just
19 want to make sure on this question that we don't get
20 into a CSI or any of the specifics of the ICBC
21 agreement with brokers, except for to direct your
22 attention to what's on the public record, which is
23 CAC-1-1(p).

24

25

(BRIEF PAUSE)

1 DR. BYRON WILLIAMS: And would it --
2 is it the understanding of Manitoba Public Insurance
3 that the Insurance Corporation of British Columbia
4 does not engage in a contractual relationship with the
5 brokers there in terms of collectively setting the
6 fees for brokers?

7 MR. BENJAMIN GRAHAM: I believe the
8 way that it works in British Columbia is that it's
9 almost a rate card model, so they don't pay a
10 percentage commission structure the same as we do or
11 SGI do. It's simply a -- a rate. I'm going to hazard
12 a guess, and I think for a new policy, it's in the
13 range of seventeen (17) to seventeen dollars fifty
14 (\$17.50) flat fee, and for a renewal or reassessment
15 of that policy, it's in the range of nearly sixteen
16 dollars (\$16), fifteen dollars seventy-five (\$15.75)
17 or something like that.

18 So I believe the messenger model that
19 they do is, to avoid any potential conflicts with
20 competition law, they ask both the brokers'
21 association and the credit unions, who they also have
22 as a distribution partner for their products, to
23 submit to an independent party. And then at their
24 sole discretion, ICBC would use that information to
25 determine what type of rate card. It would go to the

1 market, and then obviously, the brokerage itself can
2 then choose whether they wish to deal with ICBC
3 products or not.

4 MR. CURTIS WENNBERG: And just to
5 confirm what Mr. Graham is saying, this is written as
6 though it's the brokers only, but ICBC takes that
7 approach with the other types of partners that they
8 negotiate with as well.

9 MR. STEVEN SCARFONE: Mr. Williams, if
10 it's helpful, the ICBC accord, I don't believe, formed
11 part of MPIC's confidential motion.

12 DR. BYRON WILLIAMS: Okay, with --
13 well, that does make things...

14 MR. ANTHONY GUERRA: There -- there
15 was an issue with the IBAS accord, and then that
16 subsequently was resolved.

17

18 CONTINUED BY DR. BYRON WILLIAMS:

19 DR. BYRON WILLIAMS: Well, and --
20 okay. So just scroll down. I think we can just work
21 off of this page.

22 Just to confirm your understanding,
23 there's a model for discussions among the parties on
24 issues of renume -- reme -- remuneration, agreed?

25 MR. BENJAMIN GRAHAM: I'll take the

1 last interpretation of that word, yes.

2 DR. BYRON WILLIAMS: But the actual
3 decision on remuneration is made independently and
4 unilaterally by ICBC.

5 MR. BENJAMIN GRAHAM: Yes, it is.

6 DR. BYRON WILLIAMS: And there also is
7 a process to use an independent third bo -- party to
8 collect information from brokers' associations and
9 brokers to aggregate that information to give better
10 insight into the profession.

11 MR. BENJAMIN GRAHAM: Yeah, I believe
12 that their concern, if -- if you look at it, is making
13 sure that the submission of that information, like
14 operating costs or -- et cetera for each brokerage,
15 was so that the brokerages could not come together, or
16 I guess the term would be 'collude', to almost come up
17 with a -- an ask as a combined entity, where it was an
18 independent aggregation of that data by the
19 independent third party for then ICBC to consider.

20 DR. BYRON WILLIAMS: Okay. And again,
21 I'm not asking for a legal opinion, but as the CEO of
22 a corporation, from a corporate perspective, a
23 potentially violation of the Competition Act, could --
24 could you elaborate on why Basic consumers should be
25 concerned with that.

1 (BRIEF PAUSE)

2

3 MR. BENJAMIN GRAHAM: I'll answer this
4 on a -- on a perceived concern from a consumer
5 perspective -- is that the concern could be that, you
6 know, MPI, for example, as a public insurer, provides
7 what we consider fiercely competitive pricing, and --
8 and that pricing is -- is low compared to other
9 provinces.

10 But if you pull the -- the covers back
11 on that premium, the concern could be that some of our
12 partners could be colluding almost as a monopoly-
13 versus-monopoly type of situation to say, here's what
14 we expect you to pay us versus us unilaterally saying,
15 here is the value of the service that you provide.

16 And I think that that really comes back
17 to the argument that Mr. Wennberg was saying -- is the
18 value that we would attribute to a service in a rural
19 community, in a remote Northern community, we could
20 potentially value that service more. So from a --
21 from a consumer perspective, it is probably that they
22 could be paying more under a negotiated contract. I
23 believe that that is where ICBC were going with this.

24 MR. CURTIS WENNBERG: To -- to just
25 give some live examples, maybe, to support Mr. Graham,

1 we -- we have felt some of the pressure in some of
2 these negotiations, because when you're dealing with a
3 -- what could be seen as a pseudo-monopoly that contr
4 -- controls all of our distribution channel or all of
5 our ability to -- to repair cars, for example, if we
6 take the commercial repair rates that we pay -- so
7 commercial repair shops are -- are a bit specific.

8 There's really only a -- a dozen or so
9 of them in Manitoba. A number of years ago, four (4)
10 years ago or so, there was a -- an -- an effort to try
11 and negotiate another deal with that group. The group
12 revolted and said that we will -- they'll load up some
13 trucks in front of the legislature.

14 And essentially, MPI gave them a very -
15 - a very solid deal, not dissimilar to what you saw in
16 SGI, where there was 10 percent, 10 percent, 10
17 percent, but we moved from the high nineties (90s) per
18 labour hour for commercial repair to a hundred and
19 thirty -- a hundred and thirty-three (133), I believe
20 it is today.

21 This rate that we pay on commercial
22 vehicles is the highest rate in North America, and --
23 and -- and even when we go back to the contract, our -
24 - our legal folks -- I mean, there's spelling mistakes
25 in the -- in the contract. It -- it was -- it was

1 just -- it was just really not a -- not a good example
2 of a business interaction with -- with a supply
3 partner, but -- but when you're in undue stress, you
4 know, as an executive in negotiating these things, you
5 -- you -- you can see it and feel it.

6 I'll give you another live example, and
7 this is less to do with the price we pay. But we just
8 negotiated our recent LVA deal, or light vehicles
9 accreditation deal. This is the -- the 400 million
10 per year to repair cars. And we negotiate that with
11 the ATA MMDA, which is the auto trades association and
12 then the Manitoba motor dealers, or the -- like, the
13 branded shops, the Hondas and the GMs, et cetera.

14 There was some concerns around that
15 deal, and we've -- we've hammered those out and
16 finalized it in September. And in that meeting in
17 September, at the very end, we were handed a
18 termination letter that was signed by ten (10) of the
19 collision and glass repair shops that are in The Pas,
20 Flin Flon, and Thompson. And they all signed the
21 exact same letter and basically said, we are now
22 terminating. We are not supplying collision repair
23 services for MPI or our customers.

24 So we basically have a -- all of our
25 collision capacity -- repair capacity from The Pas and

1 Flin Flon and Thompson has put us on notice that
2 unless we give them a new and split-out compensation
3 deal, that -- that -- that we're going to have to find
4 alternative arrangements for our customers. As you
5 can imagine, when the entire group in an area all
6 collude together to say, we'll not supply, we -- we as
7 executives are in a position where we're going to have
8 to answer to that, and -- and -- and so it puts us in
9 a very difficult position.

10 So it's not just on the rates we pay,
11 but we've seen examples of the rates going high. It's
12 -- it's -- it's also very much a supply and serving
13 our customers. So this gives us a -- a great cause
14 for concern, and -- and is something that we're
15 looking at.

16 The -- the messenger model is -- is one
17 possible model. There's also a rate card model. We
18 could simply -- like, we have some smaller providers
19 where we'll have a million in -- in -- in activity
20 with them, and we can just move to a rate card. It
21 could be quite simple that way.

22 There's -- there's other treatments
23 that we could do to these negotiations, but -- but
24 having -- having especially a small number of them in
25 a room negotiating with us, given the -- the dynamics

1 of who we are as a Crown, is -- is tricky.

2 MR. STEVEN SCARFONE: Could I just
3 take one (1) second to speak to the witnesses, Madam
4 Chair.

5

6 (BRIEF PAUSE)

7

8 MR. CURTIS WENNBERG: My colleague
9 reminded me that I've used the word 'collude', and we
10 don't mean that in the legal sense. It was a poor
11 choice of words. We mean get together within the
12 meeting. We don't -- we don't mean to imply that
13 there was any overt collusion.

14 DR. BYRON WILLIAMS: Thank you, Madam
15 Chair. I said I'd be about twenty (20) minutes. It
16 took a bit longer, but we appreciate the assistance of
17 the Board and the MPI panel on these questions.

18 THE CHAIRPERSON: Thank you, Mr.
19 Williams. Ms. McCandless, are we going to move into
20 CSI now, or is -- are we going to proceed with the
21 cross?

22 MS. KATHLEEN MCCANDLESS: We'll
23 proceed with Mr. Unfried's cross, and then once all
24 the public portion is finished, then Mr. Williams will
25 proceed to the CSI portion.

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

3 MR. CURTIS UNFRIED: Yes, good
4 morning, Madam Chair and fellow panel members. Good
5 morning, panel. My name's Curtis Unfried. I'm a
6 lawyer with MLT Aikins here in Winnipeg, and I'm with
7 my colleague here, Jennifer Sokal, and we'll be
8 asking, obviously, some questions here this morning.

9

10 CROSS-EXAMINATION BY MR. CURTIS UNFRIED:

11 MR. CURTIS UNFRIED: Just to follow up
12 to a few questions that Mr. Williams had just asked,
13 I would ask the clerk to pull up CAC-MPI-1-1(s),
14 Appendix 16. Yeah. Thank you.

15 And this was in reference to the -- the
16 purported veto that IBAM wished to hold over a
17 particular application, and my first question is -- is
18 as I understand it, this was a briefing note that was
19 provided to the government?

20 MR. CURTIS WENNBERG: Yeah. Yes.

21 MR. CURTIS UNFRIED: You understand
22 the importance of the briefing note in that it
23 essentially conveys the messaging of one (1) party to
24 another to the government so that they have an
25 understanding of what is occurring --

1 MR. CURTIS WENNBERG: Yes.

2 MR. CURTIS UNFRIED: -- at a
3 particular time. And with respect to that particular
4 alleged veto, I'd also ask madam clerk to pull up IBAM
5 MPI-2-23, which was a request made on behalf of IBAM
6 as part of the IR proposals.

7

8 (BRIEF PAUSE)

9

10 MR. CURTIS UNFRIED: Sorry, it's 2-33.
11 Apologize -- apologize for that.

12

13 (BRIEF PAUSE)

14

15 MR. CURTIS UNFRIED: You could just
16 scroll down on this document. Oh, it's just loading
17 up.

18

19 (BRIEF PAUSE)

20

21 MR. CURTIS UNFRIED: There you go. So
22 there -- in question -- it was sub-question (b), it
23 was asked that IBAM would clarify whether or not IBAM
24 has ever -- has -- has never asked for or expressed
25 the wish to have a veto power over a special risk

1 extension.

2 If you scroll down, the answer that was
3 provided on behalf of MPI was that the planned process
4 for brokers to sell SRE products is not relevant to
5 the rate application for -- for Basic insurance,
6 correct?

7 So, I guess, first off, you -- you did
8 not provide any evidence to the per -- the specific
9 question that was asked as far as any evidence in
10 support of this alleged veto, correct?

11 MR. CURTIS WENNBERG: It appears that
12 we didn't provide a full answer to that. I -- I would
13 say that at this point in time, in the discussions
14 that we've had with IBAM, it was expressed that IBAM
15 members purchase a commercial -- or they would
16 purchase an Autopac and SRE licence. That is the
17 process we've been in since 2013, and they would have
18 liked that to continue. There wasn't a desire in IBAM
19 for us to start moving out to allowing additional and
20 pessary licences.

21 MR. CURTIS UNFRIED: And -- and just
22 as far as the licensure process goes, as I understand
23 it, there is a -- in essence, a panel or a committee
24 of three (3) members from IBAM and three (3) members
25 from MPI that sit to determine whether or not a

1 licence should be issued, correct?

2 MR. CURTIS WENNBERG: That is correct
3 in theory, and -- and on paper, and I don't know if
4 that was ever exercised. I -- I think in my time
5 here, in the three (3) years I've been here, it's --
6 it's never -- we've never actually had that issue.

7 MR. CURTIS UNFRIED: Okay. And your -
8 - well, I guess if it -- would you be aware, though,
9 that -- if there is -- are you aware of the fact that
10 if there's a tie between those three (3), that it's
11 actually the CEO of MPI that gets the tie-breaking
12 vote?

13 MR. CURTIS WENNBERG: Yeah. That's
14 correct. Yeah.

15 MR. CURTIS UNFRIED: And you'd also
16 mentioned, and -- and just to follow up to -- the
17 question is that -- that the -- there is a policy that
18 MPI has with respect to the issue of licensure, and
19 that -- that -- as I understood your evidence, this is
20 something that's made known to the general public, or
21 that the general public's aware of?

22 MR. CURTIS WENNBERG: The policy are
23 you referring to, that we just don't issue anything
24 anymore?

25 MR. CURTIS UNFRIED: Right.

1 MR. CURTIS WENNBERG: Yeah. My
2 understanding, and -- and in discussions with -- with
3 members of IBAM is that's generally the understood
4 thing, and that -- that is -- it -- it would be -- it
5 would be a -- a concern if that -- if that general
6 understanding was -- was changed.

7 MR. CURTIS UNFRIED: I like to think
8 that maybe -- My Friend, Mr. Scarfone, may take some
9 exception, but I like to think of myself as somewhat
10 sophisticated. And I could -- is this policy -- like,
11 I've never heard of it, number 1, but is it not safe
12 to say that if this was a situation where brokerages
13 were -- if this was in a system where there were
14 excessive profits being made, that people would be
15 lining up and making inquiries to try to get licenses?

16 MR. CURTIS WENNBERG: Not if the
17 understood rule is that we are just not issuing any
18 anymore. You know, after we've allowed the -- the
19 first SRE license, there have been a number of
20 requests, or at least a couple of them, and we're not
21 -- it -- it was -- it was important for us to actually
22 issue a notice to all brokers to make sure that they
23 are aware, because if we -- we -- it was interesting
24 that if it was 2013, and it's been so many years since
25 we've basically had this policy in place, we wanted to

1 at least educate the market, so that someone wouldn't
2 come back to either us or IBAM after we issued this
3 new SRE policy.

4 Because we don't -- we don't really
5 charge any -- any immaterial amount for these new
6 appointments, that if they went and bought another
7 Autopac and SRE business, and spent quite a bit of
8 money to do that, but weren't aware that we were now
9 open for business, as -- as it were, for -- for an SRE
10 appointment, that -- that it could come back on us.

11 So we did want to try and -- and
12 publicize that. And so we have had a -- at least one
13 (1) application -- or -- or interest, anyway. People
14 are asking questions.

15 MR. CURTIS UNFRIED: The -- again,
16 you've discussed, obviously, the -- the fact that MPI
17 operates in a regulated market in which the supply, so
18 to speak, is -- is capped, correct?

19 MR. CURTIS WENBERG: Yes, but the --
20 the capping, as -- as you see on that -- and on that -
21 - on that piece was something that we had really
22 agreed with brokers from back in 2013. There was no -
23 - there was no regulation that caps the market.

24

25

(BRIEF PAUSE)

1 MS. CAROL HORA: I'd like to just add
2 some additional information to Mr. Wennberg's previous
3 statement. So when you questioned whether the general
4 public is aware of this policy that we have, our
5 answer would be no, but the broker community is very
6 well aware. I have not spoken with one (1) broker who
7 isn't aware of our current role.

8 The general public doesn't really need
9 to know, so like you, until I took over the broker
10 area, I had no idea that this was in place, but the
11 people who deal with it all the time certainly are
12 aware.

13

14 (BRIEF PAUSE)

15

16 MR. CURTIS UNFRIED: Just to be clear,
17 there -- there is a process for people to apply for
18 their licence -- apply for a license if they wish,
19 correct?

20 MR. CURTIS WENNBERG: Once again,
21 though, it's a -- it's a theoretical process that
22 hasn't been used. And once we've shut down that there
23 is any appetite for -- for obtaining these licences or
24 dealing with them, it -- it really becomes a paper
25 exercise.

1 And so no. And -- and whether the CEO
2 is on top of that, if we never actually convened it
3 because we're not open for business, it's not -- it's
4 not really a -- a functioning process, right?

5 MR. CURTIS UNFRIED: I'll come back to
6 the question. There's a process that can be followed
7 if a person wishes to apply for a license --

8 MR. CURTIS WENNBERG: If --

9 MR. CURTIS UNFRIED: -- yes or no?

10 MR. CURTIS WENNBERG: -- if we decide
11 to reverse the current policy, then there would be a
12 process that is in place.

13 MR. CURTIS UNFRIED: A person could
14 apply for licence today if they so desired, correct?

15 MR. CURTIS WENNBERG: If they did, our
16 -- our people -- or -- or rather, the broker community
17 would tell them that we aren't open to adding Autopac
18 licences at this time. And so we don't get
19 applications for it. We just don't.

20 So if there was a statement saying we
21 are open for business, then we'd receive applications
22 for Autopac licences, and then we would invoke that
23 counsel.

24 MR. CURTIS UNFRIED: And the -- but --
25 coming -- and the public doesn't know that or -- is

1 what you're saying?

2 MR. CURTIS WENNBERG: The -- the -- as
3 my colleague aptly described, the -- the public isn't
4 into the depths of what was in one (1) of three (3)
5 documents that -- that determine the broker and our
6 relationship. And so I no, the public doesn't, but
7 certainly the broker community do.

8 MS. CAROL HORA: I would say that the
9 answer to your question is yes. There is a process in
10 place for brokers to apply for a licence.

11 MR. CURTIS UNFRIED: Yes. Thank you.

12 MS. CAROL HORA: Okay. I will add,
13 though, as Mr. Wennberg mentioned, when we issued the
14 recent SRE licence, because we haven't issued it at --
15 any other licences in quite some time, we did send a
16 notification out to -- to the brokers, to make them
17 aware.

18 After that notification was issued, we
19 received multiple emails from brokers, confused,
20 possibly, but some were very excited that we were
21 actually going to be issuing licences.

22 So they were well aware that we weren't
23 issuing licenses. And when we sent the notification
24 out about the SRE licence, they were excited that we
25 may be changing our policy. So they were certainly

1 aware of the policy that was in place. Thank you.

2 MR. CURTIS UNFRIED: Thank you. And
3 you -- you'd -- and you might be aware, but -- it's --
4 the -- the manner in which it's set up is similar to
5 the -- in -- in at least the way the Government of
6 Manitoba has chosen to conduct its business with, for
7 example, the chick -- chick -- Manitoba chicken
8 producers, or Manitoba egg producers have a limited
9 number of licenses.

10 Are you aware of that similar type of
11 system?

12 MR. CURTIS WENNBERG: We're aware of
13 that similar supply management type of -- of process.

14 MR. CURTIS UNFRIED: Yes. Okay. And
15 the -- again, there -- that's a similar situation in
16 that although it's not something that is done on a --
17 on a yearly basis, there are instances where they
18 determine with the marketplace whether or not they're
19 going to issue specific number of licences in
20 particular year.

21 Are you aware of that?

22 MR. CURTIS WENNBERG: I -- I know they
23 have different rules and -- and sometimes those
24 markets -- there's not many markets that have a
25 protected supply type of arrangement like that, from

1 my awareness. Usually, there is some sort of --
2 there's some sort of economic, or -- or security, or
3 some other food supply issue that -- that the
4 government would want to get into in those types of
5 industries, and that could affect the additional
6 licences or the restriction of those licences.

7 MR. CURTIS UNFRIED: And to ensure
8 that the market itself is self-sustaining?

9 MR. CURTIS WENNBERG: Yeah, usually
10 for national food security, or other types of issues
11 like that.

12 MR. CURTIS UNFRIED: And with respect
13 to the questions for Mr. Williams, discussing about
14 the -- any concerns of -- to the consumer regarding
15 this particular market. And then the business model
16 that's been employed by MPI, you'd agree with me that
17 this is a business model that has led to the citizens
18 of Manitoba having the lowest rates in the country?

19 MR. BENJAMIN GRAHAM: Yes, I do.

20 MR. CURTIS UNFRIED: And as I
21 understood it as well, there was -- you indicated that
22 you've been having some difficulties negotiating for -
23 - for value, was I think the term you used, Mr.
24 Wennberg, in -- in dealing with repair shops, for
25 example, up in Northern Manitoba.

1 Do you recall that evidence?

2 MR. CURTIS WENNBERG: Yes.

3 MR. CURTIS UNFRIED: And as I
4 understand it, that your -- that the concerns you have
5 arise from the fact that MPI's been given a monopoly
6 over the entire insurance business in Manitoba.

7 Is that my understanding, in your
8 situation?

9 MR. CURTIS WENNBERG: No. I think you
10 would have read my -- my comments wrong. And -- and
11 even in the terms of -- of obtaining value, I -- I
12 think the -- there is great value that we get from our
13 partners. So we do get value for that.

14 In some of the negotiation processes
15 that we've had, though, we can find ourselves in a
16 position where we are a regulated monopoly, and we're
17 here to find some extremely strong economies for our
18 customers.

19 And if we go back to your previous
20 question to Mr. Graham, it's -- it's not just our
21 nature of the set up with us and brokers that's
22 created that low cost for Manitobans. You would argue
23 that -- or I would argue that it's -- it's actually
24 some of our PIPP program, some of the abilities to
25 control our claims costs where other insurance

1 providers just simply can't do that in a tort
2 environment.

3 We have a lot lower cost to find the
4 product. So there's -- there's many other things.
5 It's -- it's not because we have the relationship with
6 the brokers that's -- that's attributing to the -- the
7 low-cost environment that we have today.

8 MR. BENJAMIN GRAHAM: Sorry, can I
9 just reiterate on that point? The -- the question was
10 about a perceived issue for customers, not -- not on
11 behalf of MPI.

12 When it -- when it comes to the -- one
13 (1) of the lowest rates in the country, I -- I agree
14 that the current model has afforded us a -- a strong
15 chance of doing that. I guess the concern from the
16 customer would be, could those lowest rates in the
17 country still be lower even more? And I think that's
18 the concern.

19 MR. CURTIS UNFRIED: You'd agree with
20 -- just in general terms, we -- we're talking about
21 negotiating for value, that it's -- fair market value
22 is a willing seller being prepared to pay something,
23 and obviously, a willing buyer had come to meet it --
24 would have a meeting of the minds on a particular
25 price?

1 MR. CURTIS WENNBERG: Yeah. We'd
2 agree with that.

3 MR. CURTIS UNFRIED: So it's safe to
4 say that, you know, again, just coming back to the
5 example you gave in Northern Manitoba, that's a
6 situation where you believe that whatever the offer is
7 that's been made is fair.

8 But the repair shops aren't prepared to
9 agree that that's a fair market offer, correct?

10 MR. CURTIS WENNBERG: Yeah. So what -
11 - what you'd be taught in -- in certain economic
12 environments is that the rule of supply and demand
13 generally function in an efficient market.

14 If the market has different things that
15 affect the efficient market, then you really need to
16 have regulation to -- to manage that, in particular in
17 a monopoly. So an oligopoly is an inefficient market,
18 and -- and a monopoly can be an inefficient market,
19 and that's part of why we're here today to review our
20 prices.

21 So we're highly regulated from the MPI
22 side. My emails to Ben can become clear. Our
23 briefing notes become clear for people, and we have a
24 Public Utility Board to Interveners to set our rates
25 in a public setting.

1 If there's an association or a small
2 group of individuals who have control over a certain
3 area, for example, or control over certain
4 distribution channel, or whatever it might be, but
5 they're unregulated, then it puts us in an unlevel
6 playing field when it comes to a negotiation, perhaps.

7 MR. CURTIS UNFRIED: Okay. And as far
8 as your cost goes, I mean, it -- you talk about
9 subject to negotiations. I understand that MPI has a
10 -- a unionized workforce, for example? That's an
11 agreement that was reached with MGEU?

12 MR. CURTIS WENNBERG: Yes, mostly
13 unionized. And in management, then we become
14 ununionized.

15 MR. CURTIS UNFRIED: Okay.

16

17 (BRIEF PAUSE)

18

19 MR. CURTIS UNFRIED: Okay. I just
20 took the time before we came in here today, just to --
21 I always like to get a little bit of background in.
22 Mr. Graham, I'll just start with -- start with you, is
23 prior to coming to Manitoba, I understand -- and just
24 quickly run through it, here, you were head of risk
25 with Asia Pacific in Hong Kong from January 2016 to

1 January 2018, chief risk officer at Abu Dhabi National
2 Insurance Company from November 2009 til May '15 -- or
3 May of 2015, senior manager at Deloitte from August
4 2008 to November 2009, and then a -- you're also a
5 senior consultant -- the Protivity -- pardon my
6 pronunciation -- risk consulting in Australia in from
7 September 2006 to 2008?

8 That's correct?

9 MR. BENJAMIN GRAHAM: That's correct.

10 MR. CURTIS UNFRIED: And -- and Mr.
11 Wennberg, as I understand it, prior to your coming to
12 MPI, you were -- vice president -- sorry, co-founder
13 at Investor X from May 2014 to the present, which
14 understand Investor X to be an alternative to
15 SEDAR.com.

16 You're also managing director at RBC
17 Investor and Treasury Services, chief development
18 officer at the Canadian Depository for Securities
19 Limited, senior vice president at HSBC, VP of
20 marketing at GE Capital Solutions, and commercial
21 finance in Australia, also with G-Money Australia and
22 New Zealand as a pricing leader, and a consultant with
23 the Boston Consulting Group, as well as a manager and
24 market development representative at CP Rail?

25 MR. CURTIS WENNBERG: That's correct.

1 The CP Rail was here in Winnipeg, and the rest was
2 outside of Winnipeg, but a pleasure to come back in.

3 The -- the first one was Investor X
4 cofounder. We actually sold that business to Toronto
5 Stock Exchange, so we're still in the process of just
6 winding down the excess. So it's not an active --
7 active role.

8 MR. CURTIS UNFRIED: Okay. Thanks.
9 And then Ms. -- Ms. Hora, I understand that you've
10 been at MPI for twenty-five (25) years, roughly?

11 MS. CAROL HORA: Next month --

12 MR. CURTIS UNFRIED: Okay --

13 MS. CAROL HORA: -- twenty-five (25)
14 years.

15 MR. CURTIS UNFRIED: -- next month.
16 Okay. Thank you. And then Mr. -- I guess Mr. Mitra
17 who is just in the back, there, you're chief
18 transformation officer now, but prior to then, as I
19 understand it, you were involved with the physical
20 damage management with MPI dating back to April of
21 2011?

22 MR. SHAYON MITRA: That's correct.

23 MR. CURTIS UNFRIED: And then prior to
24 that, you had some work with Kitchen Craft in -- I
25 think you said that would be in Winnipeg, here?

1 MR. SHAYON MITRA: That's right.

2 MR. CURTIS UNFRIED: Thank you. And
3 Mr. Graham, as you know, you assumed the role of CEO
4 from Mr. Dan Guimond in -- in February of -- of 2018.
5 Mr. Wennberg, and Mitra, and Ms. Hora, I -- based on
6 your background and experience, you were at MPI when
7 Mr. Guimond was the CEO, I take it?

8 MR. CURTIS WENNBERG: Yes, we all
9 were.

10 MR. CURTIS UNFRIED: And you knew him
11 to be a competent and capable leader while he was
12 there?

13 MR. CURTIS WENNBERG: Yes.

14 MR. CURTIS UNFRIED: And just on that
15 point, I'd ask that -- could bring up Exhibit number
16 8, MPI -- or sorry, IBAM Exhibit number 8.

17

18 (BRIEF PAUSE)

19

20 MR. CURTIS UNFRIED: And this is just
21 a news release from the -- the Province, confirming
22 Mr. Graham's appointment of replacing Mr. Guimond.

23 And I'd just ask if you'd scroll down
24 to the bottom, it -- it confirms Mr. Graham's
25 international experience will bring new perspectives

1 to the Organization and ensure the Crown Corporation
2 is delivering industry best practice solutions within
3 the public insurance context that we're so proud to
4 offer Manitobans.

5 If you go down a little bit further,
6 and further, it says:

7 "We're confident that he can build
8 on the success and dedicated
9 leadership of the Corporation's
10 current president and CEO, Mr. Dan
11 Guimond."

12 He goes on to thank him for his
13 passion, expertise, and extraordinary work ethic
14 during his distinguished twenty-eight (28) year
15 career.

16 Mr. Mitra and Ms. Hora, you would have
17 also been there for Mr. Guimond's predecessor, Ms.
18 Marilyn McLaren?

19 MS. CAROL HORA: Yes. I -- I was
20 there.

21 MR. CURTIS UNFRIED: Yeah. And you
22 knew her to be competent and capable while she was the
23 head of MPI?

24 MS. CAROL HORA: Absolutely.

25 MR. CURTIS UNFRIED: And similarly, if

1 I could ask madam clerk to bring up Exhibit number 9.

2

3 (BRIEF PAUSE)

4

5 MR. CURTIS UNFRIED: And this is a
6 similar news release announcing Mr. Guimond's
7 appointment, confirming that his replacement of Ms.
8 McLaren, and that confirmation that an independent
9 analysis by Deloitte has confirmed that Manitoba's
10 paid the lowest average auto insurance in Canada.

11 And if you just scroll down a little
12 bit further, again it just thanks Mr. -- Ms. McLaren
13 for decades of service, nine (9) years as president,
14 and chief executive officer. In that time, Manitobans
15 have enjoyed a cumulative overall rate decrease of
16 14.9 percent.

17 MR. STEVEN SCARFONE: I -- I don't
18 mean to be disruptive of My Learned Friend's last
19 little bit of his cross, and I understand,
20 Madam Chair, that there's some latitude on cross.

21 But there's -- we're prepared -- the
22 corporation is to acknowledge the success of
23 Mr. Graham's predecessors. I don't know if there's a
24 question --

25 MR. CURTIS UNFRIED: Oh, I'm right --

1 MR. STEVEN SCARFONE: -- that's coming
2 for the panel --

3 MR. CURTIS UNFRIED: -- right in --
4 leading up to it right now, Mr. Scarfone.

5

6 CONTINUED BY MR. CURTIS UNFRIED:

7 MR. CURTIS UNFRIED: The reason why I
8 went through that line of questioning is what struck
9 me about Mr. Graham's hiring in comparison to Mr.
10 Guimond and Ms. McLaren was the fact that, unlike the
11 two (2) of them that had been there for an extremely
12 lengthy period of time, Mr. Graham had no prior
13 experience at MPI.

14 Not necessarily -- I don't necessarily
15 think that's a bad thing in that -- I don't know if
16 this is going to show -- I'm going to ask madam clerk
17 to bring up Exhibit number 8, again with respect to
18 the appointment.

19 And at the top, I believe -- just a
20 little bit lower -- again, just to highlight the --
21 it's believed his international experience will bring
22 new perspectives to the organization.

23 But I -- so my first question,
24 Mr. Graham, is that although you clearly had
25 experience in insurance prior to coming to MPI, you

1 had never had any -- or had never worked for, had any
2 extensive experience with a public insurer? Is that
3 correct?

4 MR. BENJAMIN GRAHAM: No, I had not.

5 MR. CURTIS UNFRIED: And particularly
6 with respect to operation -- operating in a -- with a
7 monopoly. Correct?

8 MR. BENJAMIN GRAHAM: I had not. I'd
9 like to think of myself as a quick learner.

10 MR. CURTIS UNFRIED: Yeah. That's
11 fair.

12

13 (BRIEF PAUSE)

14

15 MR. CURTIS UNFRIED: And so be --
16 although obviously you think of yourself as a quick --
17 quick learner, you -- you came in -- you would have --
18 at the time you were hired at least, you would have
19 had no knowledge of -- or extensive knowledge of, for
20 example, who IBAM is or was?

21 MR. BENJAMIN GRAHAM: No, I hadn't.
22 And -- and I -- I've mentioned in a number of forums
23 that I was pretty much brought in by the Board of
24 Directors to bring a different perspective and build
25 on the experience of those like Carol, for example,

1 who have been at the corporation for twenty-five (25)
2 years.

3 So as we go through a time of change,
4 it's -- it's fairly important to make sure that you
5 don't have your blinkers on and just look internally
6 when you can bring best practice either through
7 different markets or different industries.

8 MR. CURTIS UNFRIED: M-hm. And -- and
9 similar, Mr. Wennberg, I understand you -- prior to
10 your hiring, you had not had any direct involvement or
11 experience with a public insurer such as MPI?

12 MR. CURTIS WENNBERG: Not a public
13 insurer but the Canadian Depository for Securities was
14 a non-profit entity that was basically the monopoly
15 for the depositories.

16 So all stocks and bonds in Canada would
17 be held within that -- that entity, and we were the --
18 the central clearing provider for all stock and bond
19 trades. So I got to a point in my career where I
20 decided to want to go into non-profit, and it's my
21 form of giving back.

22 And -- and so we were a Federally
23 regulated entity -- highly regulated with -- with many
24 stakeholders that we had to deal with, and -- and I
25 really enjoy this environment and enjoy carrying it on

1 here, coming home to Manitoba to -- to work and bring
2 the best for Manitobans.

3 MR. CURTIS UNFRIED: Okay.

4 MR. CURTIS WENNBERG: And I actually
5 find that the international experience can be good for
6 us. And -- and I think even as we see our broker
7 coverage evolving, we -- we find that there's a lot of
8 non-Manitoba broker ownership that's come into
9 Manitoba as well.

10 Like we used to have only pure Manitoba
11 broker ownership in 2013 with 76 percent. That's
12 dropped down where Manitoba brokers headquartered
13 owned are only 68 percent now. In -- our
14 Canadian-owned brokerages has gone from fifteen (15)
15 to 17 percent, and then outside of Manitoba and
16 outside of Canada, the brokerages here have gone from
17 9 percent to now 15 percent.

18 So Manitoba -- not just from MPI but
19 also from the brokerage is -- is owned by
20 non-Manitobans, and -- and they can bring different
21 perspectives to our customers.

22 MR. CURTIS UNFRIED: I'll ask again, I
23 guess. The -- prior to coming to MPI, you had no
24 direct involvement with a public auto insurer.

25 MR. CURTIS WENNBERG: Yes.

1 MR. CURTIS UNFRIED: Thank you. And
2 although you -- and again bringing these different
3 perspectives to MPI, you obviously recognized that the
4 jurisdictions that you've worked in -- again I'm just
5 coming to Mr. Graham -- you've been in Asia, for
6 example, that, you know, different jurisdictions
7 obviously have their own unique characteristics?

8 MR. BENJAMIN GRAHAM: Yes, they do.

9 MR. CURTIS UNFRIED: So they got
10 different languages, religion --

11 MR. BENJAMIN GRAHAM: From
12 regulators -- everything. Yeah.

13 MR. CURTIS UNFRIED: Okay. And -- and
14 similarly, as you had indicated, do you -- you deem
15 yourself to be a quick learner. When you came to
16 Manitoba, you would have had to quickly educate
17 yourself about MPI and -- and the landscape here in
18 Manitoba.

19 MR. BENJAMIN GRAHAM: I have tried,
20 and I'm -- I'm still learning. Yes.

21 MR. CURTIS UNFRIED: Yeah. And, I
22 guess, what -- what were some of the things you did to
23 educate yourself?

24 MR. BENJAMIN GRAHAM: About MPI or --

25 MR. CURTIS UNFRIED: Yeah --

1 MR. BENJAMIN GRAHAM: -- about the
2 province or...?

3 MR. CURTIS UNFRIED: -- what it was,
4 sir. Just sticking with MPI and its history and its
5 prior dealings with stakeholders, such as IBAM.

6 MR. BENJAMIN GRAHAM: One of the
7 benefits that I had when I started my tenure was a lot
8 of corporate knowledge that was retained by a number
9 of individuals that I could knock on their door.

10 And one of them is now retired -- Ward
11 Keith -- where over thirty (30) years of experience, I
12 could -- I could reach out to Ward and ask for
13 historical relevance or background about the
14 corporation. He -- I know you're representing your
15 client, IBAM. He was very knowledgeable about IBAM,
16 and the conversations or the relationship.

17 So surrounding myself with people like
18 Ward or like Carol or -- or any of those long-serving
19 staff was -- was the first step in making sure that I
20 learned more about MPI.

21 MR. CURTIS UNFRIED: Okay. And I know
22 you had mentioned a few times, but I also understand
23 that as -- again as part of your diligence as -- as
24 CEO that you've -- you've obviously looked at other
25 jurisdictions in Canada, including SGI in

1 Saskatchewan. Correct?

2 MR. BENJAMIN GRAHAM: Yes. That was
3 part of the learning process.

4 MR. CURTIS UNFRIED: And you'd agree
5 with me that as far as markets in Canada go that
6 Saskatchewan and SGI would be the closest to MPI in
7 Manitoba?

8 MR. BENJAMIN GRAHAM: Yeah. We --
9 we -- yes. I -- I agree with that comment. At a
10 recent IBAM event, myself and Andrew Cartmell, the CEO
11 of SGI, were -- we stated that it's interesting when
12 you want to compare the lowest rates in Canada, we --
13 we're either one or they're either one.

14 So we're one (1) and two (2) together.
15 So we're -- they're a very suitable PA comparison for
16 us.

17 MR. CURTIS UNFRIED: And it isn't --
18 not a huge thing, but one slight difference that I was
19 aware of is that SGI actually sells house insurance
20 and liability insurance not only in Saskatchewan but
21 outside of Saskatchewan.

22 MR. BENJAMIN GRAHAM: Yeah.
23 They've -- they've got -- it's almost two (2)
24 different entities. So I believe Auto Fund is
25 their -- product or their organization very similar to

1 MPI that sells Basic.

2 And then they've separated out another
3 organization called SGI Canada. I believe they're
4 publicly traded. It's registered as a private
5 company.

6 MR. CURTIS UNFRIED: Okay. And --

7 MR. BENJAMIN GRAHAM: So same -- same
8 but different.

9 MR. CURTIS UNFRIED: Yeah. Okay.
10 And, of course, there's this -- the similar -- or
11 differences between jurisdictions. Of course, there's
12 always the similarities between them.

13 For example, in this instance, it --
14 the insurance contracts -- I mean, you might have
15 different terms, but the fundamental concept of a
16 contract, you'd agree, would be generally --

17 MR. BENJAMIN GRAHAM: Yeah. The
18 underlying principle behind public auto insurance is
19 consistent.

20 MR. CURTIS UNFRIED: M-hm. And
21 similarly, the -- just as far as the, you know,
22 fundamental contracts go is that it -- you know,
23 the -- the contract itself is there to set out the
24 rights and obligations of the parties that have agreed
25 to the terms set out therein. Correct?

1 MR. BENJAMIN GRAHAM: Correct.

2 MR. CURTIS UNFRIED: And the reason
3 why the parties agree in -- and, you know, to set out
4 these contracts are numerous. They include to provide
5 certainty between the parties. Correct?

6 MR. BENJAMIN GRAHAM: Correct.

7 MR. CURTIS UNFRIED: Set out the
8 obligations and expectations of the parties?

9 MR. BENJAMIN GRAHAM: Correct.

10 MR. CURTIS UNFRIED: And lock in a
11 price for service to be paid, for another example?

12 MR. BENJAMIN GRAHAM: Yeah. The
13 contract states the price that will be paid for a
14 service for a specific amount of time, so yes.

15 MR. CURTIS UNFRIED: And -- and, you
16 know, that again allows for the parties to plan for
17 their respective futures.

18 MR. BENJAMIN GRAHAM: It does, yes.

19 MR. CURTIS UNFRIED: And in this
20 instance -- again, I'm sure you have plenty, but MPI
21 has contracts with MGU, the Government of Manitoba,
22 and IBAM, for example.

23 MR. BENJAMIN GRAHAM: Just one (1)
24 second.

25

1 (BRIEF PAUSE)

2

3 MR. BENJAMIN GRAHAM: I -- I don't
4 believe we have a contract, per se, with the
5 provincial government, but we do have an agreement --
6 a signed agreement with IBAM. That's correct.

7 MR. CURTIS UNFRIED: And needless to
8 say -- and again, we're just coming back to the
9 fundamentals of contract -- if one (1) party doesn't
10 live up to their end of the contract, it can have --
11 cause uncertainty and friction between the parties
12 involved?

13 MR. BENJAMIN GRAHAM: Sorry, I saw
14 Steve reaching for his microphone there. Can you
15 repeat the question, sorry?

16 MR. CURTIS UNFRIED: With respect to
17 contracts entered into between parties setting out
18 what you've already agreed to, in the event that one
19 (1) party doesn't live up to their end of the
20 contract, it can cause friction between the parties
21 under the contract.

22 MR. BENJAMIN GRAHAM: That is a
23 potential outcome, yes.

24 MR. CURTIS UNFRIED: And when you
25 arrived at MPI, you understood that there would be

1 obligations and agreements that were in place that had
2 been executed by your prode -- by your predecessors at
3 MPI, sir?

4 MR. BENJAMIN GRAHAM: Yes, I was.

5 MR. CURTIS UNFRIED: And I take it
6 that you obviously intended to honour those contracts
7 and agreements that had been executed by your
8 predecessors.

9 MR. BENJAMIN GRAHAM: Yes.

10 MR. CURTIS UNFRIED: Okay. Now, just
11 with re -- respect to the distribution model that we
12 have here in Manitoba, MPI had started in nin -- I'm
13 sure you know, was started in 1971, and the brokers
14 have been responsible for the sale and distribution of
15 MPI products during that time?

16 MR. BENJAMIN GRAHAM: I am aware of
17 that, yes.

18 MR. CURTIS UNFRIED: There's
19 approximately three hundred (300) brokerages in one
20 hundred and twenty (120) communities that employ
21 approximately twenty-six hundred (2,600) people.
22 You're aware of that?

23 MR. BENJAMIN GRAHAM: Yes, I -- I read
24 that yesterday on the -- the pamphlet that was handed
25 out at the -- the chamber presentation.

1 MR. CURTIS UNFRIED: Okay. And I also
2 understand that there's been some discussion about the
3 service centres that MPI has, and I have it in twelve
4 (12) communities: Arborg, Beausejour, Brandon,
5 Dauphin, Portage la Prairie, Selkirk, Steinbach, Swan
6 River, The Pas, Thompson, Winkler, and Winnipeg. Is
7 that correct?

8 MR. BENJAMIN GRAHAM: That's correct.
9 I visited every one.

10 MR. CURTIS UNFRIED: So it's safe to
11 say that there'd be many parts of the province where
12 MPI would not be able to serve Manitobans directly
13 without brokers.

14 MR. BENJAMIN GRAHAM: That's correct.

15 MR. CURTIS UNFRIED: And you'd agree
16 with me that as part of this distribution model, one
17 (1) of the benefits of it is that it provides
18 consumers with choice.

19 MR. BENJAMIN GRAHAM: It provides the
20 availability of that service, correct.

21 MR. CURTIS UNFRIED: And -- and when I
22 say that, it -- it -- it provides, for example, in-
23 person services where service centres aren't located.

24 MR. BENJAMIN GRAHAM: Yeah, that's
25 correct.

1 MR. CURTIS UNFRIED: And if a person
2 has a bad experience at one (1) broker, you know, they
3 don't like, they could always go to another broker.

4 MR. BENJAMIN GRAHAM: They could.
5 That's correct.

6 MR. CURTIS UNFRIED: And you'd also
7 agree that a network of brokers provides healthy
8 competition in that -- in that regard,

9 MR. BENJAMIN GRAHAM: Sure.

10 MR. CURTIS UNFRIED: Hours of op --
11 yeah, hours of operation. They -- they're --

12 MR. BENJAMIN GRAHAM: If you don't
13 like the service provided at one (1), you -- you can
14 go to somebody else. That's correct.

15 MR. CURTIS UNFRIED: And you'd also
16 agree that another benefit under this model's consumer
17 protection.

18 MR. BENJAMIN GRAHAM: Can you
19 elaborate on what you mean by consumer protection,
20 please?

21 MR. CURTIS UNFRIED: Yeah. With the
22 broker model, consumers are receiving advice from a
23 licensed insurance professional?

24 MR. BENJAMIN GRAHAM: That's correct.
25 Yes.

1 MR. CURTIS UNFRIED: And those
2 professionals are regulated by the Insurance Act and
3 subject to the Insurance Council of Manitoba?

4 MR. BENJAMIN GRAHAM: Yes, and that's
5 -- that's -- that's where that real value comes in
6 when there's the comparison of products or features
7 under a specific policy as compared to a -- a
8 different policy.

9 MR. CURTIS UNFRIED: And as
10 independent professionals, they're require -- they're
11 -- act in the best interest of their client?

12 MR. BENJAMIN GRAHAM: They are
13 required to do that, yes.

14 MR. CURTIS UNFRIED: And offer
15 products and coverages not available from MPI if, of
16 course, those other products and coverages are in
17 their best interest.

18 MR. BENJAMIN GRAHAM: Yeah. If they
19 meet the customers needs, absolutely.

20

21 (BRIEF PAUSE)

22

23 MR. CURTIS UNFRIED: And so at the end
24 of the day, again, recognizing that, as you've
25 acknowledged, if there are other products available,

1 the broker represents the customer to the best of
2 their ability, of course, but also to go out and shop
3 around to obtain the best insurance policy that covers
4 his or her needs, the customer's needs, at a
5 particular time.

6 MR. BENJAMIN GRAHAM: Yeah, that's
7 correct. And I've -- I've seen the -- the portal that
8 the brokers use. If I was to -- yeah, I recently
9 purchased myself fire coverage for my condo, and I
10 obviously was in contact with a broker. That broker
11 then sourced a number of quotes from a number of
12 different companies with a number of small tangibles
13 like what the deductible would be, those types of
14 things.

15 So that's correct. They go out and
16 they will source different information from different
17 companies to then best meet the needs of the customer.

18 MR. CURTIS UNFRIED: And in
19 comparison, with respect to MPI employees that are at
20 a service centre, they only sell MPI products,
21 correct?

22 MR. BENJAMIN GRAHAM: That is correct.

23 MR. CURTIS UNFRIED: They cannot offer
24 any competing insurance products on Extension?

25 MR. BENJAMIN GRAHAM: No, they can't.

1 MR. CURTIS UNFRIED: And they do not
2 need to be licensed under the Insurance Act, correct?

3 MR. BENJAMIN GRAHAM: That's correct.

4 MR. CURTIS UNFRIED: And of course, at
5 least from MPI's perspective, in addition to providing
6 consumer choice and protection, an additional benefit
7 is that brokers are responsible for paying their own
8 operating expenses.

9 MR. BENJAMIN GRAHAM: That's correct.

10 MR. CURTIS UNFRIED: If we could pull
11 up MPI Exhibit 56.

12 You may know this off... And this is
13 the -- should be the -- and you may know this off the
14 top of your head, or one (1) of you may know it off
15 the top of your head -- but the -- the Basic revenues
16 delivered through service centres, I believe -- if you
17 just scroll down. I've -- it should be about 6.5
18 million. I'm not sure if this one includes Portage la
19 Prairie or not. It looks -- it does.

20 So -- wasn't sure if the total was
21 available, but -- we -- we can calculate it, so okay.

22 So we -- the -- the calculation of
23 what's been provided by MPA -- MPI indicates that the
24 Basic that was generated from tho -- those service
25 centres totalled about \$6.5 million. Would you have

1 any reason to dispute that?

2 MR. BENJAMIN GRAHAM: No reason to
3 dispute that.

4 MR. CURTIS UNFRIED: And on Basic
5 revenues of -- what we have is \$1.058 billion, which
6 is set out in your 2020 general rate application. You
7 -- you'd agree with me the based on -- on those
8 numbers, the total amount of Basic generated at
9 service centres is approximately .6 percent?

10 MR. BENJAMIN GRAHAM: Yeah, it's quite
11 low, and I -- I think that's a -- a result of us not -
12 - we're not proactively advertising that we can
13 service customers on the sale of Basic. And I -- I
14 think that if you think about the service centres, one
15 (1) of the major reasons they're there is for that
16 initial estimate of damage, or they come in for
17 licensing services and driver testing and things like
18 that, so same products that the broker community does
19 provide for us except on the claims management side.

20 MR. CURTIS UNFRIED: Okay. But I
21 guess the point being it's evident that -- well, I
22 guess it's about 99.4 percent of Basic transactions
23 are dealt with by brokers.

24 MR. BENJAMIN GRAHAM: I don't think we
25 generate 1.5 billion in Basic.

1 MR. CURTIS UNFRIED: No. Yeah.

2 MR. BENJAMIN GRAHAM: That -- that's
3 at a corporate level.

4 MR. CURTIS UNFRIED: Sorry, one -- it
5 was one point zero five eight (1.058).

6 MR. BENJAMIN GRAHAM: Okay, sorry. My
7 apologies. That's correct.

8 MR. CURTIS UNFRIED: Yeah. And -- and
9 I'll ask madam clerk to bring up Exhibit 10 -- MPI
10 exhibit -- or IBAM Exhibit 10.

11

12 (BRIEF PAUSE)

13

14 MR. CURTIS UNFRIED: No problem. And
15 this is a -- if you go to the second page, this was a
16 message that you had issued, as part of the 2017
17 report. If you could rotate. Thank you.

18 And again, you're obviously conveying
19 the message as new CEO and indicated that, again,
20 you've been asked to apply international experience to
21 further improve MPI. And although the customer
22 satisfaction continues to be strong -- 90 percent are
23 satisfied with the services they receive --
24 nevertheless, we'll continue to strive for
25 improvement. To that end, we'll be emphasizing

1 enhancements to customer service, including creation
2 of additional long-line service options and the
3 creation of a new product road map.

4 In one (1) of the examples that you --
5 of -- I'm aware that you provide -- and actually was
6 just most recently yesterday, you were quoted in the
7 media referring to something as simple as a change of
8 address to a driver's licence as being something that
9 should be done online.

10 MR. BENJAMIN GRAHAM: That's correct.

11 MR. CURTIS UNFRIED: And -- and what
12 was set out in the re -- report yesterday that -- was
13 that:

14 "Mr. Graham said forcing customers
15 to drive to a brokerage for a simple
16 transaction like changing the
17 address on a driver's licence, for
18 example, is inefficient."

19 And your quote was:

20 "Just because we're a monopoly, it
21 doesn't mean we have to tell you how
22 to deal with us."

23 And I take it you still stand by that
24 statement?

25 MR. BENJAMIN GRAHAM: I -- I -- I'm --

1 I -- I do stand by that comment, and I'll -- and I'll
2 elaborate a little bit more -- is that our customers
3 are telling us that they would like to do these simple
4 transactions online. I was simply echoing the
5 sentiments of our customers.

6 MR. CURTIS UNFRIED: Okay. And the
7 message goes on to state that you'd work
8 collaboratively with the PUB to build on positive
9 relations with our business partners and to streamline
10 operations and contain costs to position ourselves for
11 long-term stability.

12 And I take it that -- well, part of the
13 reason why we're here -- but one (1) of the issues to
14 streamline operations and contain costs are your
15 current review of not only online -- the potential for
16 online services but also the commissions that are paid
17 to brokers who provide MPI products to consumers,
18 correct?

19 MR. BENJAMIN GRAHAM: Sure. Yes.

20 MR. CURTIS UNFRIED: It's 10:30. I
21 thought it might be a good time for a break before I
22 move onto the next line of questioning.

23 THE CHAIRPERSON: Sure. That's great.
24 We'll break now. Please be back at quarter to 11:00.

25 MR. CURTIS UNFRIED: Thanks.

1

2 --- Upon recessing at 10:24 a.m.

3 --- Upon resuming at 10:46 a.m.

4

5 THE CHAIRPERSON: Mr. Unfried...?

6 MR. CURTIS UNFRIED: Yes. Thank you,

7 Madam Chair.

8

9 CONTINUED BY MR. CURTIS UNFRIED:

10 MR. CURTIS UNFRIED: We had left off

11 on discussing the -- your hiring and desire to

12 streamline operations and contain costs.

13 And, obviously, you were aware of the

14 fact that there's been a renewed focus on broker

15 commission and online services at this particular

16 Hearing.

17 And, Mr. Graham, would you be surprised

18 if you were advised that this is the first year in --

19 at least in recent memory, where the issue of broker

20 commissions and online services has been a particular

21 focus?

22 MR. BENJAMIN GRAHAM: Would I be

23 surprised?

24 MR. CURTIS UNFRIED: Yes.

25 MR. BENJAMIN GRAHAM: No.

1 MR. CURTIS UNFRIED: Okay. And with
2 respect to commissions, you'd agree that they're
3 obviously -- they're directly tied to premiums?

4 MR. BENJAMIN GRAHAM: That's correct.
5 It's a percentage of premium, correct.

6 MR. CURTIS UNFRIED: You know that you
7 can't have one (1) without the other?

8 MR. BENJAMIN GRAHAM: Besides flat fee
9 transactions.

10 MR. CURTIS UNFRIED: Yes.

11 MR. BENJAMIN GRAHAM: Yes.

12 MR. CURTIS UNFRIED: Sorry, yes.

13 Always with that.

14 MR. BENJAMIN GRAHAM: No, correct.

15

16 (BRIEF PAUSE)

17

18 MR. CURTIS UNFRIED: And in -- and
19 again, I've got to pull the chart up, but you probably
20 know this off the top of your head. But in 2018/'19,
21 the basic commissions is represented by MPI to IBAM,
22 with approximately 32.7 million?

23 MR. BENJAMIN GRAHAM: Do you have that
24 graph? Because I've already been told that I look
25 like I've aged a number of years from that photo. So,

1 if you could actually put the graph up, that would be
2 really good.

3 MR. CURTIS UNFRIED: I'm told -- I'm
4 told it's PUB-IBAM-11-7, Appendix D.

5 MR. BENJAMIN GRAHAM: Okay. So, the
6 request was for the number in the top right corner?

7 MR. CURTIS UNFRIED: Yeah, the basic
8 commission.

9 MR. BENJAMIN GRAHAM: Yeah, 32 point -
10 - thirty-two million seven hundred and fifty thousand
11 dollars (\$2,750,000), correct.

12 MR. CURTIS UNFRIED: Okay.

13

14 (BRIEF PAUSE)

15

16 MR. CURTIS UNFRIED: And, sorry --
17 and, again, recognizing again SGI is the -- you know,
18 at least the nearest comparable, are you aware of the
19 fact that last year, they paid approximately -- or
20 sorry, the 29 -- 2000 -- 2019 auto fund. And the
21 reports indicated they had paid 47 million on -- on
22 Basic?

23 MR. BENJAMIN GRAHAM: I don't recall
24 that specifically, but, yeah, I -- I'm sure that's
25 correct.

1 MR. CURTIS UNFRIED: Okay. And --
2 and, again, there was, obviously, on premiums that
3 were of nine hundred and fifty-six million four
4 hundred and seventy-two thousand dollars
5 (\$956,472,000), which equates to approximately 4.7
6 percent commission on a Basic?

7 MR. BENJAMIN GRAHAM: Yeah, that
8 sounds about right, correct. I -- I can't speak on
9 behalf of SGI, but, obviously, that is a different
10 model where, instead of a five (5) year renewal
11 process, there is a physical visit or a physical
12 check-in with a broker required every year as compared
13 to potentially paying a reassessment online or at an
14 MPI service centre.

15 MR. CURTIS UNFRIED: And we'll be
16 coming to that --

17 MR. BENJAMIN GRAHAM: I'm sorry.

18 MR. CURTIS UNFRIED: -- later on as --
19 as far as visits to brokers here in Manitoba. And the
20 -- again, it could -- the condensed operating
21 statements that were provided by MPI earlier in this
22 proceedings indicate the total expenses for 2018 and
23 '19, including both claims and operating, was 1.429
24 billion.

25 Do you recall that, or do you have any

1 reason to disagree with that number?

2 MR. BENJAMIN GRAHAM: Is that for
3 Basic or Corporate, Counsel?

4 MR. CURTIS UNFRIED: That is for total
5 claims cost to total expenses. And Corporate? It's
6 Corporate expenses.

7 MR. STEVE SCARFONE: Okay. So, maybe
8 you could put the Basic expenses to the witness. If -
9 - are we doing a comparison against Basic commissions
10 versus Basic expenses?

11

12 CONTINUED BY MR. CURTIS UNFRIED:

13 MR. CURTIS UNFRIED: We're looking at
14 the total expenses incurred by MPI in relation to
15 Basic. I know we've got maybe a difference of opinion
16 as to what should be included and what should be not
17 included in total expenses, but for the purposes of
18 the question, we're including Corporate, as well.

19 MR. BENJAMIN GRAHAM: Sure, with that
20 context, yeah, that sounds about correct.

21 MR. CURTIS UNFRIED: And ba -- and,
22 again, using those numbers based on the Basic
23 commission to total expenses, it equates to
24 approximately 2.28 percent of MPI's total operating
25 expenses.

1 CONTINUED BY MR. CURTIS UNFRIED:

2 MR. CURTIS UNFRIED: And -- and,
3 again, based on the condensed statement of operations,
4 gross premiums written were approximately \$1.332
5 billion that year?

6 MR. BENJAMIN GRAHAM: Sorry. Again,
7 is that Corporate or Basic?

8 MR. CURTIS UNFRIED: That -- that's
9 gross premiums.

10 MR. BENJAMIN GRAHAM: So, that would
11 be on a corporate level, yes.

12 MR. CURTIS UNFRIED: And the premiums
13 for Basic I've got here were 1.058 billion?

14 MR. BENJAMIN GRAHAM: Okay, yes.

15 MR. CURTIS UNFRIED: Okay.

16 MR. BENJAMIN GRAHAM: Correct.

17 MR. CURTIS UNFRIED: And, therefore,
18 the -- the reason why I give those numbers is that the
19 Basic represents approximately 80 percent of the total
20 premiums at MPI, approximately?

21 MR. BENJAMIN GRAHAM: Yes. Yes,
22 that's correct.

23

24 (BRIEF PAUSE)

25

1 MR. CURTIS UNFRIED: Okay. And I'll
2 ask madam clerk to go to CAC-MPI-1-1 and the chart at
3 Figure 1.

4

5 (BRIEF PAUSE)

6

7 MR. CURTIS UNFRIED: And again, it's -
8 - it's -- the reason why this is showing the co --
9 total commissions and fees paid to brokers, you know,
10 we had a low of approximately sixty (60) -- a sixty-
11 eight thousand (68,000) -- sixty-eight million four
12 hundred and fifty-one thousand dollars (\$608,451,000)
13 in 2013 and '14, a high of 78 million in 2018/'19.

14 Just to be clear, and this is -- tried
15 to say that the -- all of these commissions were paid
16 out pursuant to agreements that were reached -- that
17 were negotiated willingly between MPI and IBAM?

18 MR. BENJAMIN GRAHAM: Yes, that's
19 correct.

20 And another part of that agreement
21 would be commissions on things like special risk
22 extension which isn't part of this, and the low
23 numbers that you see were ultimately topped up -- I
24 believe a couple of them were topped up to that \$71
25 million.

1 MR. CURTIS UNFRIED: M-hm. And you
2 touched on this yesterday -- yesterday, but the -- the
3 basic commission at one time was 5 percent, but that
4 was reduced to 2 1/2 percent with the understanding
5 that there would be need -- a need to be replaced with
6 some additional revenue streams. Do you recall?

7 MR. BENJAMIN GRAHAM: It was before my
8 time but I recall that, yes.

9 MR. CURTIS UNFRIED: And that included
10 an increase in the extension commission paid by -- or
11 paid to brokers?

12 MR. BENJAMIN GRAHAM: Yes, that's
13 correct.

14 MR. CURTIS UNFRIED: And as for the
15 monies that were paid as far as commissions since 2010
16 -- and I'll ask Madam Clerk to bring up our exhibit...

17

18 (BRIEF PAUSE)

19

20 MR. CURTIS UNFRIED: And in essence --
21 I'm -- and this is -- I can advise that what this
22 document is, is that -- obviously the -- the year is
23 on the left side column, the second column from the
24 left are the commissions that were referred to in the
25 chart we just referred to, and the third column is the

1 amount of -- the amount that would be paid if the
2 initial payment made in 2000 and -- sorry, is that the
3 rate? Is -- is a report missing? It should be at
4 2009.

5 If you scroll -- sorry. The -- the --
6 I can advise that in 2009 -- well, we'll file an
7 amended exhibit here, but in 2009/2010 the amount paid
8 was 69,000 -- \$69,702,000, so it should be above the
9 74 million.

10 And what this is, is using the Bank of
11 Canada inflation calculator, which ties in the
12 Consumer Price Index, it's the amount that the initial
13 payment of 69,700,000 would equate to in those
14 dollars. So 69 million paid in 2009/2010 is based on
15 -- on CPI, would be 71,900,008 -- or 908,000, which of
16 course would be -- be keeping in excess of the CPI at
17 \$2,493,000.

18 And it continues on down the way and --
19 and the reason why I'm showing you this chart is
20 simply to illustrate that, based on the amount that
21 was initially paid in 2009/2010, in all but the first
22 year, the premiums -- or sorry, the commissions that
23 had been paid by MPI to the brokers in Manitoba have
24 not kept up with the cost of inflation, at least
25 according to the Bank of Canada's calculator.

1 MR. BENJAMIN GRAHAM: Yeah, I agree
2 with that, and -- I agree with that statement. There
3 are two (2) factors that I would apply to that. The
4 first one is, again, it was an agreement that was
5 entered into by both parties willingly; and secondly,
6 our rates -- again, were at the Public Utilities
7 Board, so as a -- as a mechanism of percentage of
8 premiums, we go through strict due diligence through
9 panels such as the PUB to set those rates.

10 MR. CURTIS UNFRIED: Okay. And then -
11 - just a final question on that. You -- but you'd
12 confirm -- again recognizing was willingly agreed that
13 obviously the brokerages and the costs that they're
14 incurring are tied to the rate of inflation?

15 MR. BENJAMIN GRAHAM: Possibly, yes.

16 MR. CURTIS UNFRIED: We're going to
17 move on to the next topic. That'll be -- my learned
18 friend, Ms. Sokal, will be asking a few questions.

19

20 CROSS-EXAMINATION BY MS. JENNIFER SOKAL:

21 MS. JENNIFER SOKAL: Good morning.
22 Could we please go to MPI Exhibit 45 at page 8?

23 Okay. Do you see the breakdown on
24 operating expense on the basic line of business in
25 this slide?

1 MR. BENJAMIN GRAHAM: Yes, I do.

2 MS. JENNIFER SOKAL: Can you indicate
3 the main indicators of operating expenses at MPI,
4 please?

5 MR. BENJAMIN GRAHAM: A significant
6 one would be staff costs. That's probably the major
7 component, would be staff salaries and -- and
8 benefits.

9 MS. JENNIFER SOKAL: Okay. But there
10 would also be things that are included in this green
11 circle on the bottom, so broker commissions, premium
12 taxes, road safety, et cetera?

13 MR. BENJAMIN GRAHAM: Sure, yes.

14 MS. JENNIFER SOKAL: Are you familiar
15 with operating expense ratios?

16 MR. BENJAMIN GRAHAM: For the most
17 part, yes.

18 MS. JENNIFER SOKAL: And so basically
19 it is operating expenses divided by premiums, correct?

20 MR. BENJAMIN GRAHAM: Yes.

21 MS. JENNIFER SOKAL: And you'd agree
22 that the operating ratio is one (1) measure of how
23 efficient the Company's management is at keeping costs
24 low while generating revenues --

25 MR. BENJAMIN GRAHAM: It is a common

1 measurement, correct.

2 MS. JENNIFER SOKAL: Right. So the
3 smaller the ratio, the more efficient a company is at
4 generating revenue while keeping costs low?

5 MR. BENJAMIN GRAHAM: Yeah, sure.

6 MS. JENNIFER SOKAL: Correct?

7 MR. BENJAMIN GRAHAM: Correct, yeah.

8 MS. JENNIFER SOKAL: So would you
9 agree that claims expenses such as the ones in the
10 blue circle on this slide are less predictable,
11 they're more susceptible to fortune or misfortune such
12 as hail storms, number of accidents that have
13 occurred, et cetera?

14 MR. BENJAMIN GRAHAM: That is the
15 nature of insurance, correct.

16 MS. JENNIFER SOKAL: Right. And the
17 operating expenses are those that are more predictable
18 and those that are more able to be controlled by
19 management?

20 MR. BENJAMIN GRAHAM: Yeah. Within
21 our care, custody, and control, absolutely. We have
22 more levers to pull when it comes to expenses,
23 correct.

24 MS. JENNIFER SOKAL: Okay. So if we
25 could go to the General Rate Application, Part 8, IR

1 Appendix 6, at page 32 of 44, please.

2

3

(BRIEF PAUSE)

4

5

MS. JENNIFER SOKAL: That's -- I can
6 ask the first question actually because you've already
7 confirmed it.

8

So you previously confirmed that gross
9 premiums at MPI in 2018/2019 were approximately \$1.33
10 billion, correct?

11

MR. BENJAMIN GRAHAM: Sure, yes.

12

MS. JENNIFER SOKAL: Right. And then
13 once we get to it, I'm sure you can also confirm that
14 the total operating expense in 2018/2019 was \$255.7
15 million, correct?

16

MR. BENJAMIN GRAHAM: Yeah, sure.

17

MS. JENNIFER SOKAL: In a moment?

18

MR. BENJAMIN GRAHAM: No worries.

19

MS. JENNIFER SOKAL: Did you want to
20 wait till we --

21

MR. BENJAMIN GRAHAM: No, no.

22

MS. JENNIFER SOKAL: No?

23

MR. BENJAMIN GRAHAM: Go ahead.

24

MS. JENNIFER SOKAL: Okay. So this is
25 quick math. When we're looking at that operating

1 expense to gross premium written, would you agree that
2 the operating expense ratio at MPI is approximately
3 19.2 percent?

4 MR. BENJAMIN GRAHAM: I trust your
5 math.

6 MS. JENNIFER SOKAL: Okay. In terms
7 of benchmarking, do you know how MPI's ratio of 19.2
8 percent compares to other insurance companies in
9 Canada?

10 MR. BENJAMIN GRAHAM: Not specifically
11 as it compares to -- we're very specific to the model
12 of underwriting or distribution, so as much as you can
13 compare apples to apples --

14 MS. JENNIFER SOKAL: You'd agree that
15 benchmarking is important, correct?

16 MR. BENJAMIN GRAHAM: It is,
17 absolutely, yes.

18 MS. JENNIFER SOKAL: Okay. So
19 assuming that -- subject to check on the confirmation
20 that you had before and those numbers, I'd like to
21 move on to IBAM Exhibit 12.

22

23 (BRIEF PAUSE)

24

25 MS. JENNIFER SOKAL: So we've

1 submitted some of the Office of the Superintendent
2 Financial Institutions' filings, which contain the
3 filings of other insurance companies in Canada. So we
4 can go through this, but I'd also -- we can just
5 confirm that -- would you be surprised that Wawanesa's
6 operating expense ratio is 20.1 percent?

7 MR. BENJAMIN GRAHAM: Again I will
8 trust your math.

9 MS. JENNIFER SOKAL: Okay.

10 MR. BENJAMIN GRAHAM: Yeah.

11 MS. JENNIFER SOKAL: And Aviva has an
12 operating expense ratio of 25.9 percent.

13 MR. BENJAMIN GRAHAM: Sounds
14 reasonable, yeah.

15 MS. JENNIFER SOKAL: Portage Mutual
16 has one of 35.7 percent?

17 MR. BENJAMIN GRAHAM: Sure.

18 MS. JENNIFER SOKAL: And Sonnet, which
19 is a solely direct to consumer insurer, their 46 --
20 their operating ratio -- operating expense ratio is
21 46.2 percent.

22 MR. BENJAMIN GRAHAM: Yeah. I -- I
23 would assume that's correct considering it was only
24 started very recently, so there's obviously a lot of
25 establishment costs for -- for Sonnet.

1 MS. JENNIFER SOKAL: We will get into
2 that --

3 MR. BENJAMIN GRAHAM: Okay.

4 MS. JENNIFER SOKAL: -- but it was --
5 it was established --

6 MR. BENJAMIN GRAHAM: Okay.

7 MS. JENNIFER SOKAL: -- in 2016,
8 correct?

9 MR. BENJAMIN GRAHAM: Okay, yeah,
10 sure.

11 MS. JENNIFER SOKAL: Okay. So if we
12 could move on to CAC-IBAM-1-1 at page 4.

13

14 (BRIEF PAUSE)

15

16 MS. JENNIFER SOKAL: So IBAM was asked
17 about Sonnet Insurance. So if we just go to the
18 bottom of the page, last paragraph, please. Thank
19 you.

20 So Sonnet Insurance was launched in
21 2016, and it's a direct consumer online and home
22 insurer. It is a brand of economical.

23 So if we move down a bit more to top of
24 page 5 and have a look at this graph here, can you
25 confirm the bottom left -- and you might have to zoom

1 in a little bit. Sorry.

2 MR. BENJAMIN GRAHAM: It's small.

3 MS. JENNIFER SOKAL: The bottom left
4 expense ratio -- this is economicals performance
5 indicators. So the parent --

6 MR. BENJAMIN GRAHAM: And -- and that
7 includes Sonnet, I'm assuming?

8 MS. JENNIFER SOKAL: I think so.

9 MR. BENJAMIN GRAHAM: Okay.

10 MS. JENNIFER SOKAL: Yes. Correct.

11 MR. BENJAMIN GRAHAM: Thank you.

12 MS. JENNIFER SOKAL: Can you confirm
13 that economicals expense ratio is 36.3 percent?

14 MR. BENJAMIN GRAHAM: That's correct.

15 MS. JENNIFER SOKAL: And can you
16 confirm that prior to the launch of the online direct
17 insurance -- insurer Sonnet, that expense ratio was
18 33.9 percent in 2015?

19 MR. BENJAMIN GRAHAM: That's correct.
20 That's a bit blurry. It seems to be thirty-three
21 point three (33.3) but...

22 MS. JENNIFER SOKAL: Oh, I apologize.

23 MR. BENJAMIN GRAHAM: Yeah.

24 MS. JENNIFER SOKAL: I might need to
25 make it bigger as well. So while we're here, we might

1 as well look at the net income -- the top right graph.

2 So in 2015 prior to the launch of
3 Sonnet, the online direct consumer insurer, we can see
4 that the net income of Sonnet was approximately a
5 hundred and -- or sorry -- approximately seventy-six
6 (76) million?

7 MR. BENJAMIN GRAHAM: That's correct.

8 MS. JENNIFER SOKAL: And then at the
9 launch of Sonnet, it immediately became a loss.
10 Correct?

11 MR. BENJAMIN GRAHAM: Yes, it appears
12 that way.

13 MS. JENNIFER SOKAL: And we can see
14 that that loss increased in 2017?

15 MR. BENJAMIN GRAHAM: Correct.

16 MS. JENNIFER SOKAL: And there's still
17 a loss of \$73 million ten (10) years later?

18 MR. BENJAMIN GRAHAM: Correct.

19 MS. JENNIFER SOKAL: Great. Thank
20 you. Can you confirm that Sonnet does not have
21 vehicle registration or vehicle licencing services and
22 only provides home and auto insurance?

23 MR. BENJAMIN GRAHAM: I believe that's
24 correct, yes.

25 MS. JENNIFER SOKAL: Okay. And you

1 would agree that offering these additional services --
2 vehicle registration and vehicle licencing -- would
3 increase a direct insurer's expenses?

4 MR. BENJAMIN GRAHAM: Yes.

5 MS. JENNIFER SOKAL: Great. Could we
6 please go to IBAM Exhibit 13?

7

8 (BRIEF PAUSE)

9

10 MS. JENNIFER SOKAL: We'll just go to
11 the highlighted portion, please.

12 So would you surprised that Sonnet has
13 applied for a 50.3 percent rate hike for next year?

14 MR. BENJAMIN GRAHAM: I'm very well
15 aware of that New Brunswick situation. So correct.

16 MS. JENNIFER SOKAL: Okay. And would
17 you agree that this is not something that ratepayers
18 or the PUB in Manitoba would ever tolerate?

19 MR. BENJAMIN GRAHAM: I don't know.
20 If I applied for 14 percent, I don't think I'd want to
21 be here at all.

22 MS. JENNIFER SOKAL: Thank you. Could
23 we go to MPI Exhibit 56, please?

24 So you confirmed earlier that over
25 99 percent of the Basic premiums was delivered

1 through -- was not delivered through the service
2 centres --

3 MR. BENJAMIN GRAHAM: That's correct.

4 MS. JENNIFER SOKAL: -- in 2018 --

5 MR. BENJAMIN GRAHAM: Yeah.

6 MS. JENNIFER SOKAL: So in the same
7 document when we sum all of the revenues brought in
8 from the service centres for Extension, can you
9 confirm that the service centres did not materially
10 contribute to the generation of that revenue?

11 MR. BENJAMIN GRAHAM: Depending on the
12 materiality threshold, I -- I can agree with that
13 statement.

14 MS. JENNIFER SOKAL: Can you agree
15 that they actually -- there's a negative value
16 delivered through the service centres for Extension,
17 subject to check?

18 MR. BENJAMIN GRAHAM: Can you
19 elaborate on that a little bit, please?

20 MS. JENNIFER SOKAL: So if you add up
21 all of the revenue brought in from Extension from all
22 of the service centres, it delivers a negative value.

23 MR. BENJAMIN GRAHAM: Okay. Sure.
24 Correct.

25 MS. JENNIFER SOKAL: Okay. Could we

1 please bring up IBAM Information Request MPI-2-31 at
2 page 2?

3 MR. CURTIS WENNBERG: While that's
4 coming up, when we have total losses through the
5 service centres, we cancel the insurances, and so
6 that's why it would be a negative.

7 MS. JENNIFER SOKAL: Okay. Thank you.
8 So just at the top here, we can read that MPI has
9 stated that brokers complete 88 percent of all
10 customer transactions while MPI completes the
11 remaining 12 percent. Is that correct?

12 MR. BENJAMIN GRAHAM: That's correct.

13 MS. JENNIFER SOKAL: So on one hand,
14 the data is showing that virtually all of the Basic
15 revenue and Extension revenue is not sold through the
16 service centres. And on the other hand, there's a
17 claim that 12 percent of customer transactions are
18 being done by MPI. Can you explain this disconnect?

19 MR. BENJAMIN GRAHAM: Yeah, that's
20 correct. So a lot of those very small value flat fee
21 transactions can be done at an MPI service centre. So
22 that's the volume of transactions. The number of
23 transactions themselves -- that the value of those
24 transactions is where the difference is.

25 MS. JENNIFER SOKAL: Okay.

1 MR. BENJAMIN GRAHAM: Yeah.

2 MS. JENNIFER SOKAL: Great. Could

3 we --

4 MR. CURTIS WENNBERG: An example of
5 that is like booking for a road test. Often, people
6 in their mind would think about coming to MPI service
7 centres for booking and cancelling road tests.

8 So we'll do in those ones, you know, a
9 high percentage -- I think it's on the other page
10 behind this -- but it's in the 40 percents or so.

11 And -- and so that's what Mr. Graham's talking about.

12 MS. JENNIFER SOKAL: Okay. Thank you.
13 Could we please go to MPI Exhibit 43 at the bottom of
14 page 9?

15

16 (BRIEF PAUSE)

17

18 MS. JENNIFER SOKAL: So similarly to
19 Mr. Williams yesterday, I just want to clarify some
20 terms -- the use of terms that MPI is using.

21 So at the bottom of page 9, would you
22 agree that MPI indicates that a "transaction" is
23 defined as a customer initiating a change in coverage
24 at the time of reassessment?

25

1 (BRIEF PAUSE)

2

3 MS. CAROL HORA: Correct.

4 MS. JENNIFER SOKAL: So there can be
5 more than one transaction per customer visit.

6 Correct?

7 MS. CAROL HORA: That is absolutely
8 correct.

9 MS. JENNIFER SOKAL: Okay. Great.
10 Can you also confirm that tasks that are performed by
11 brokers, such as providing advice to a customer which
12 wouldn't culminate in a change, would not be captured
13 by MPI's definition of transactions.

14 MS. CAROL HORA: I can confirm that,
15 yes.

16 MS. JENNIFER SOKAL: Thank you. So
17 just to summarize, brokers are responsible for the
18 vast majority of the sales and services of MPI
19 products in Manitoba. Correct?

20 MS. CAROL HORA: Correct.

21 MS. JENNIFER SOKAL: Okay. MPI's
22 operating expense ratios are comparatively very low
23 against other insurers in Canada. Correct?

24 MS. CAROL HORA: Agree.

25 MS. JENNIFER SOKAL: And broker

1 commissions are one of the items that contribute to
2 the operating expenses of MPI. Correct?

3 MS. CAROL HORA: Correct.

4 MS. JENNIFER SOKAL: So would you then
5 agree that the contribution of broker expenses to
6 operating expenses does not increase MPI's operating
7 expenses to unreasonable level and, in fact, assist in
8 keeping MPI's operating expense ratio at a
9 best-in-class level?

10 MR. BENJAMIN GRAHAM: It is a
11 contributor, yes.

12 MS. JENNIFER SOKAL: Perfect. And,
13 therefore, the current broker base model is not only
14 sustainable, but it contributes to the low operating
15 expense ratio.

16 MR. BENJAMIN GRAHAM: It is a
17 contributing factor. Correct.

18 MS. JENNIFER SOKAL: Okay. Thank you.
19 And I'll turn the questioning back over to
20 Mr. Unfried.

21

22 (BRIEF PAUSE)

23

24 CONTINUED CROSS-EXAMINATION BY MR. CURTIS UNFRIED:

25 MR. CURTIS UNFRIED: In earlier

1 questioning back on October 8th, MPI confirmed -- this
2 is with respect -- with respect to call centres that
3 they are not budgeting for growth in full-time
4 equivalents overall. What was -- is stated was we
5 haven't budgeted for an increase. What we're doing is
6 we're budgeting for our vacancies to be filled.

7 I'd now ask madam clerk to refer to
8 IBAM-MPI-2-5 Figure C.

9

10 (BRIEF PAUSE)

11

12 MR. CURTIS UNFRIED: That's it. Thank
13 you.

14 And what this indicates is that the --
15 the full-time equivalents or FTEs have increased from
16 one hundred and thirty-one (131) in 2015 to a hundred
17 and fifty-seven in 2019 which equates to almost a
18 20 percent increase. Can you explain in general
19 what's been driving the need for more call centre
20 employees since 2015?

21 MS. CAROL HORA: There are a few
22 factors that have resulted in the requirement for
23 additional staff in the contact centres.

24 So one of them obviously is we're
25 selling more policies, so we have -- our call volume

1 year over year is increasing at an exponential rate.

2 Also in 2018 -- last year -- we saw
3 significant call volume as a result of the Class 1
4 changes with MELT and other things that we've already
5 spoke about at -- at this hearing.

6 So that spike in calls, combined with
7 just increased volume overall, has resulted in the
8 requirement.

9 MR. CURTIS UNFRIED: Okay. And now
10 I'd ask to go to Figure D right below.

11 And this is what is being forecasted,
12 and can you confirm that MPI's projected to increase
13 to one hundred and sixty-eight (168) FTEs at its call
14 centre by 2024?

15 MS. CAROL HORA: That's based on
16 historical volume. We do our budgets annually every
17 year, and although our budgets have not been approved,
18 we are not asking for any additional staff for
19 2020/2021. So historical data would result in these
20 figures, but that is handled on a yearly basis through
21 the budget submission process.

22 MR. CURTIS UNFRIED: So I take it,
23 then, that those numbers do not account for any
24 changes in your delivery model, such as going online
25 direct to consumer?

1 MS. CAROL HORA: That's correct.

2 MR. CURTIS UNFRIED: Mr. Wennberg, as
3 far as the service levels at the call centres, you
4 advised that it was a particularly tough one (1) for
5 customer service at MPI this past year in the form of
6 wait times and delays in returning messages, correct?

7 MR. CURTIS WENNBERG: Yeah, for parts
8 of the year. That was basically due to customers
9 looking for Class 5 and Class 1 testing and then
10 asking for it again and again and again. And in --
11 including some of the inflation in those numbers in
12 the contact centre, I also believe, is some of our
13 declining past rates that has a -- a small piece of
14 that as well.

15 MR. CURTIS UNFRIED: Thank you. And
16 is that based -- that -- that finding based solely on
17 -- on customer feedback, or does MPI have a standard
18 service or service expectation level with respect to
19 its call centres?

20 MR. CURTIS WENNBERG: Yeah, we have
21 two (2) separate service levels. We're looking at --
22 at the brokers, 90 percent in -- oh, could you help me
23 out, Carol? The service levels for both public and
24 the broker queues?

25 MS. CAROL HORA: Right, so -- so we're

1 at...

2 MR. CURTIS WENNBERG: Hard pass.

3 MS. CAROL HORA: I -- I know.

4 MR. CURTIS WENNBERG: Yeah, we just --
5 we just changed. It was -- I think we've gone from --
6 not...

7 Eighty (80) percent and one twenty
8 (120). So 80 percent of our calls satisfied within
9 one hundred and twenty (120) seconds, and then the
10 broker queue is -- is it eighty (80), ninety (90)?
11 Eighty (80) percent in nineties -- ninety (90)
12 seconds? Yeah. Pardon us. We've -- we just looked
13 through those.

14 MR. CURTIS UNFRIED: Okay. I was
15 going to say, if we could -- if you take -- I was
16 going to ask you if you'd provide them, but if -- if
17 you want to be certain, I would -- subject to Mr.
18 Scarfone...

19 MR. STEVEN SCARFONE: Yeah, so to
20 answer your question, there are -- yes, there's
21 service standards, and we can provide the -- the
22 parameters of those standards for you.

23 MR. CURTIS UNFRIED: Okay.

24 MR. STEVEN SCARFONE: Yes, that was.
25 I didn't say that word, but it would be an

1 undertaking.

2

3 --- UNDERTAKING NO. 34: MPI to provide the
4 parameters of the call
5 centre service standards

6

7 CONTINUED BY MR. CURTIS UNFRIED:

8 MR. CURTIS UNFRIED: And with this --
9 now to turn to IBAM IR-2-5B, Appendix 1.

10

11

12 (BRIEF PAUSE)

13

14 MR. CURTIS UNFRIED: This is a
15 document that basically provides data for two (2)
16 metrics, one (1) being handled time and the other
17 being speed of answer time. Can you tell me what is
18 meant by speed of answer?

19 MR. CURTIS WENNBERG: The amount of
20 hold time before our agents pick up the call.

21 MR. CURTIS UNFRIED: Okay. And then
22 handled time?

23 MR. CURTIS WENNBERG: The duration of
24 the call.

25 MR. CURTIS UNFRIED: Okay. And that's

1 from the start of the customer placing the call or
2 from the time the customer is contacted by the --

3 MR. CURTIS WENNBERG: The discussion
4 start.

5 MR. CURTIS UNFRIED: The discussion
6 start. Thank you. So if you look at the speed of
7 answer for 2019, the bottom row on this page, we see
8 that the average speed of answer at five o'clock p.m.,
9 which is the fourth column from the right, was eight
10 (8) minutes and forty-nine (49) seconds for consumer
11 calls into the call centre, correct?

12 MR. CURTIS WENNBERG: Correct.

13 MR. CURTIS UNFRIED: And would you say
14 that this, being the end of the average work day,
15 would be amongst the busiest hours of the day with
16 respect to call volumes?

17 MR. CURTIS WENNBERG: Yes. And our
18 call volumes shift Mondays through -- through the week
19 too, so yeah. But -- but generally, there's --
20 there's busy times there, yeah.

21 MR. CURTIS UNFRIED: Now, if you
22 please move up this page to the last row under handled
23 times.

24 And can you confirm that handled times
25 year to date in 2019 at 5:00 p.m. is four (4) minutes

1 forty-eight (48) seconds, and at 6:00 p.m. is four (4)
2 minutes twenty-one (21) seconds, and at 7:00 p.m.,
3 five (5) minutes?

4 MR. CURTIS WENNBERG: Yeah, confirmed.

5 MR. CURTIS UNFRIED: So -- and just so
6 I have an understanding of this, on -- on average so
7 far in 2019, a consumer who calls into the call centre
8 at five o'clock was on hold for, on average, eight (8)
9 minutes forty-nine (49) seconds, and that when this
10 consumer was connected with the call centre employee,
11 the transaction took on average a further four (4)
12 minutes and forty-eight (48) seconds to complete?

13 MR. CURTIS WENNBERG: Yeah. This is
14 during our -- our issues with service with MELT, and
15 if you remember, we were talking the other day. Some
16 of the treatments that we had provided on this was
17 that we required Class 1 testers to then only call us
18 on Wednesday mornings after nine o'clock or go into
19 the -- the service centres or broker shops at nine
20 o'clock only on Wednesdays. And the -- and the
21 performance of these have picked up dramatically.

22 There's a number of different things
23 that we tried to do there, and also with the broker
24 queue, one (1) of the things we did, we're -- we were
25 finding some different -- different things happening

1 within our broker queues. And so we educated the
2 brokers on the top five (5) things they don't need to
3 call us for anymore, and that really also had a nice
4 impact on the service levels.

5 So we don't -- we don't like -- we
6 don't like these sorts of wait times. They're outside
7 of our service norms, and as you can see through the
8 normal part of -- of all the other years, we try and
9 keep that down to an acceptable level.

10 MR. CURTIS UNFRIED: And this data is
11 split by regular and broker, as I understand it?

12 MR. CURTIS WENNBERG: Yeah.

13 MR. CURTIS UNFRIED: Yeah. And when
14 you referred to the MELT earlier, just to be -- so
15 there's no misunderstanding, this is the statistics
16 year to date. So although any issues surrounding MELT
17 would obviously be encapsulated within that, this
18 isn't a document that was created solely with respect
19 to MELT.

20 MR. CURTIS WENNBERG: Yeah, these are
21 our global numbers, and what you'll see is these
22 numbers will get better though the rest of this year
23 because the MELT went in in August, so this is
24 probably as bad as it's going to be.

25 MR. CURTIS UNFRIED: Unless there's a

1 -- another unforeseen circumstance of some hailstorm --
2 MR. CURTIS WENNBERG: We'll get
3 hailstorms or snowstorms or those sorts of things,
4 which -- which really stuff up the queue, if you want
5 to use that term. And -- and this is one (1) of the
6 reasons why we're looking at online capabilities for
7 all kinds of things, because we have folks calling us
8 for -- for items, and we just don't have that outlet,
9 whether it's giving us a first notice of loss online
10 or -- or doing a -- a -- I would have loved to have
11 had book a Class 1 online or the Class 5.

12 The -- the whole point is to give them
13 24/7 access through a channel that they're used to
14 with almost every other aspect of their lives. And we
15 want to bring that in so that if, at any point in
16 time, a hailstorm's there, a number of people do want
17 to call us. We -- we -- we completely want to make
18 sure that channel's open to them, but -- but to force
19 everyone through that contact centre queue is just not
20 a -- it's just not a good customer experience, and
21 it's not efficient for us at this point in time now
22 that we have other tools available to us.

23 MR. CURTIS UNFRIED: Okay. Broker
24 calls to the call centres were also discussed
25 yesterday, and -- and the -- the term 'forced

1 overrides' were mentioned as one (1) of the reasons
2 for the broker call-in. I was just wondering what is
3 a -- a forced override.

4 MS. CAROL HORA: So forced overrides
5 are usually due to either regulation requirements,
6 requirements by Manitoba Justice, or other rules in
7 place that require brokers to call in to MPI to get an
8 override to perform a transaction, for example, the
9 Department of Justice with having to check in to see
10 if a customer has paid a restitution to them. There
11 may be a hold on a driver's licence through the
12 Department of Justice and they require -- the system
13 doesn't allow that check, so we have to do the check
14 through Department of Justice before the broker can
15 actually issue a driver's licence.

16 MR. CURTIS UNFRIED: But that's a --
17 my understanding --

18 MS. CAROL HORA: It would be a forced
19 call.

20 MR. CURTIS UNFRIED: Yeah, and -- but
21 my understanding is, just talking about it -- is it --
22 it has to do with the system that you have in place
23 that doesn't allow the broker to deal with the issue
24 directly.

25 MS. CAROL HORA: Yes, there are some

1 system limitations as well that require brokers to
2 call in.

3 MR. CURTIS UNFRIED: And require them
4 to override for the purpose of the transactions.

5 MS. CAROL HORA: Correct.

6 MR. CURTIS UNFRIED: Do you know what
7 percentage of calls to broker inquiries are forced
8 overrides due to the system limitations?

9 MS. CAROL HORA: No. We don't break
10 it down that way.

11 MR. CURTIS UNFRIED: Okay. And you'd
12 agree with me that given the -- the wait times we've
13 already discussed, recognizing there's a new -- a new
14 goal has recently been brought in, but with, you know,
15 a customer standing waiting for this forced override
16 to go through, you'd agree that there's costs no only
17 being incurred by the broker but also by MPI in having
18 to wait for that to be completed.

19 MS. CAROL HORA: Correct. I agree.

20 MR. CURTIS UNFRIED: And as far as
21 driver testing goes, is there a particular month or
22 months that are more popular than others?

23 MS. CAROL HORA: Depending on the
24 class of licence, I -- I would say yes. The -- and
25 it's also tied to how the driver's education training

1 classes are -- are put out there every year.

2 MR. CURTIS UNFRIED: M-hm.

3 MS. CAROL HORA: So, the timing is
4 typically nine (9) months after the -- the class is --
5 is when we get requests to -- to test.

6 MR. CURTIS WENBERG: Okay. My
7 colleague also has the service levels, and so she can
8 provide those to the -- to the group as part of an
9 undertaking.

10 MS. CAROL HORA: I can provide those
11 now if you like.

12 MR. CURTIS UNFRIED: Sure. Sure, if
13 you have them.

14 MS. CAROL HORA: Sure. Sorry. So,
15 our -- our public expectation -- or for public calls
16 is answering 70 percent of calls within one hundred
17 and twenty (120) seconds. For broker calls, if it's a
18 forced call, our requirement -- or our target is to
19 answer 80 percent of calls within sixty (60) seconds.

20 If it's a non-forced call, we want to
21 answer those calls within -- within ninety (90)
22 seconds 80 percent of the time.

23 MR. CURTIS UNFRIED: And how do you
24 know whether it's a forced or non-forced call? I
25 thought you didn't take --

1 MS. CAROL HORA: That's based on the
2 broker input when they're calling in. So, when --
3 through our queue, the broker selects what -- what
4 type of reason, and they have to select the right
5 reason to get through on a forced call so that it goes
6 into that priority queue.

7 MR. CURTIS UNFRIED: Okay. And, Mr.
8 Wennberg, you talked yesterday about the -- the class
9 1 testing issue that occurred, I understand, in -- in
10 February and indicated that you can't staff up for a
11 type of spike like that, that you hadn't seen that in
12 quite some time, but you just simply cannot adequately
13 staff up for an event like that.

14 Do you recall words -- saying words to
15 that effect?

16 MR. CURTIS WENNBERG: Yes, that's
17 right.

18 MR. CURTIS UNFRIED: And can you
19 confirm for me that, at that time, in February of
20 2019, that people who did call the MPI call centre
21 received the following message:

22 "We're experiencing a higher than
23 normal volume of calls and, as a
24 result, you may experience delays.
25 Please give us a few days to deal

1 with the emergency calls, and then
2 call us again."

3 MR. CURTIS WENNBERG: Or something to
4 those words, yeah.

5 MR. CURTIS UNFRIED: You'd obviously
6 agree that this is not an acceptable level of customer
7 service?

8 MR. CURTIS WENNBERG: The -- the
9 issues we have when you get a snowstorm and some
10 people calling us for a licence sure, is -- we do want
11 to have those that have non-urgent issues to just wait
12 and delay a few days.

13 What we find is that Manitobans
14 generally understand that. We've -- we've been
15 dealing with ice storms and snowstorms. In fact, we
16 had one (1) just last week. And we have an
17 understanding, we -- we do.

18 And people are actually quite good on
19 the phone. They -- they understand what we mean when
20 we're really full with these things. It doesn't mean
21 to say that, knowing that we have the tools available
22 to us today and allowing customers some sort of an
23 online option or other service options that we don't
24 take them up on -- and, I mean, it -- it just -- from
25 -- like you said before, we've -- we've come from

1 other environments and other backgrounds.

2 And -- and MPI's at a position where we
3 can solve for that stuff now.

4 MR. CURTIS UNFRIED: Okay. I'll ask
5 the question again. Leaving that statement for
6 customers to listen to, do you -- do you agree or
7 disagree that that's an acceptable level of customer
8 service?

9 MR. CURTIS WENNBERG: When we have too
10 many things going on at any given day and we can
11 triage by giving customers a message of hold on if you
12 can with your issue so that the others can get served,
13 we found -- and we didn't really receive any
14 complaints on that from a message, so Manitobans
15 understand it.

16 However, that said, we can manage
17 spikes better if we have tools available to us to
18 manage those spikes better.

19 We would get, for an example -- this
20 year was a strange one. We would get one (1)
21 individual who called our contact centre over two
22 hundred (200) times, and he set the record. And then
23 two (2) weeks ago -- two (2) weeks later, there was
24 another fellow who set another record who called three
25 hundred (300) times in one (1) day.

1 So, we had some pretty special
2 circumstances last year and it was tough to overcome
3 it, but we have.

4 MR. CURTIS UNFRIED: So, on that --
5 with that answer, telling customers to call back in a
6 few days is acceptable customer services?

7 MR. CURTIS WENNBERG: I -- I think
8 what you can gather from us is that we do not find
9 that acceptable. And we're looking at all options
10 that we can, and a lot of them are fairly simple
11 options in today's day to get other ways of smoothing
12 those types of spikes in demand.

13 MR. CURTIS UNFRIED: Thank you.

14 MR. CURTIS WENNBERG: You're welcome.

15 MR. CURTIS UNFRIED: You also
16 indicated yesterday you hadn't seen that in quite some
17 time, as far as spikes. Do you recall the last time
18 that that occurred at MPI? Or similar --

19 MR. CURTIS WENNBERG: Certainly not in
20 the three (3) years I've been here.

21 MR. CURTIS UNFRIED: Okay. And I take
22 it you've already discussed -- but I take it there --
23 it's fair to say that there li -- will likely be other
24 events, hailstorms, other similar situations that
25 you're not going to be able to properly staff up for

1 in the future?

2 MR. CURTIS WENNBERG: Well, if you
3 look at the -- what's on this chart still in front of
4 us, you can see essentially five (5) years of history.
5 And we've had many ice storms and snowstorms during
6 this period.

7 And -- and what you'll see is really on
8 the bottom half of this chart, that you might spike up
9 to a minute or, you know, a little over a minute in
10 certain months depending on that's been going on.

11 Actually, you'll spike up even more
12 than that, and then it'll smooth out through the year,
13 but I think -- I think we're generally fairly good.
14 This has been an anomaly year, there's no doubt about
15 it. And -- and, again, we just want to make sure we
16 provide customers with the right channels.

17 MR. CURTIS UNFRIED: Okay. I'm sorry,
18 just as a clarification. Yesterday, I'd understood
19 you to refer to the call centre staff that deal with
20 brokers as brokers.

21 Did I understand that correctly?

22 MR. CURTIS WENNBERG: Could -- could
23 you repeat that, the contact centre people are --

24 MR. CURTIS UNFRIED: The -- the --

25 MR. CURTIS WENNBERG: They're not

1 brokers.

2 MR. CURTIS UNFRIED: The call centre
3 people, I had understood that you did call them
4 brokers. Like, the -- the call centre staff that are
5 dedicated to deal with brokers, I had understood you
6 to say that you call them brokers?

7 MR. CURTIS WENBERG: No.

8 MS. CAROL HORA: They're -- the -- the
9 contact centre has customer care agent twos who handle
10 broker calls. We have service centre representatives
11 within our service centres who are similar to a
12 broker.

13 They take the same courses as a broker,
14 but they only sell MPI products, as was previously
15 provided in testimony.

16 MR. CURTIS UNFRIED: Okay. So --

17 MS. CAROL HORA: So, I'm not sure --

18 MR. CURTIS UNFRIED: Are those the --
19 because you -- we could get a transcript, but you had
20 --

21 MS. CAROL HORA: M-hm.

22 MR. CURTIS UNFRIED: -- said that you
23 call them brokers?

24 MR. CURTIS WENBERG: I -- I don't
25 remember that. But, no, internally, we do not call

1 them brokers.

2 MR. CURTIS UNFRIED: Okay.

3

4 (BRIEF PAUSE)

5

6 MR. CURTIS UNFRIED: Turning to the --
7 our attention to a potential direct to consumer model,
8 can you concur -- confirm a key function of brokers is
9 currently to answer questions that consumers may have
10 about their vehicle classifications, insurance
11 coverage requirements and so on?

12 MR. CURTIS WENNBERG: Yes.

13 MR. CURTIS UNFRIED: In other words,
14 among many other things brokers do today, to some
15 extent, they're performing a similar function as MPI
16 call centre employees?

17 MR. BENJAMIN GRAHAM: That would be
18 correct.

19 MR. CURTIS UNFRIED: Does MPI have a
20 sense of how many of these transactions are currently
21 handled in the broker channel as opposed to the MPI
22 call centre?

23 MR. CURTIS WENNBERG: Do -- do you
24 mean in renewal and reassessment type of activity on
25 the insurance, or do you mean flat fees?

1 MR. CURTIS UNFRIED: Vehicle
2 classifications, insurance coverage requirements.

3 MR. BENJAMIN GRAHAM: I believe we
4 have a record of the changes made on the policy. And
5 I -- I don't recall the exact number, but I think it
6 was around 10 percent.

7 MR. CURTIS UNFRIED: Okay.

8 MR. CURTIS WENNBERG: Yeah, it -- it
9 was -- it was actually on part of the charts that you
10 mentioned earlier. When we look at all transactions,
11 like, total transactions, it goes to that 86:14 split,
12 so we do 14 percent -- or sorry, is it 88?

13 MR. BENJAMIN GRAHAM: No, 86:14.

14 MR. CURTIS WENNBERG: 86:14, yeah.
15 Yeah. But when you -- you referred to the
16 commissionable transactions, really our model is not
17 to have customers come to the service centres.

18 So, you're quite right that we have
19 almost no commissions or, you know, there's none of
20 that moneys that come to us. Most of those
21 transactions are in the brokerages.

22

23 (BRIEF PAUSE)

24

25 MR. CURTIS UNFRIED: Again, just, I

1 guess, to clarify, the -- what we're interested is the
2 number of calls that are placed to brokers as opposed
3 to the call centre's own service by MPI.

4 Is -- is there a way -- do you guys
5 keep track of those numbers?

6 MR. CURTIS WENNBERG: You're asking us
7 for the number of calls that your members receive?

8 MR. CURTIS UNFRIED: Yes, if there's a
9 way that you guys track that.

10 MR. CURTIS WENNBERG: We -- we would
11 have no way of tracking that.

12 MR. CURTIS UNFRIED: Okay. Now, go to
13 CAC-MPI-1-1(r), Appendix 14, slide 27. And -- and un
14 -- this particular document, this is the assumptions
15 overview that was put together by MPI with a base
16 scenario of -- of 50 percent.

17 And -- and just so I'm clear, and I
18 recognize that Mr. Graham indicated that 50 percent
19 wouldn't happen overnight, but I just wanted to
20 confirm that it still MPI's base assumption that half
21 of the market in Manitoba will move online?

22 MR. BENJAMIN GRAHAM: Not the half of
23 the market, but half of the transactions.

24 MR. CURTIS UNFRIED: Half the
25 transactions?

1 MR. BENJAMIN GRAHAM: Yes. So that --
2 that pertains to the feedback that we got was around,
3 you know, that might be 35 percent. I think was 33
4 percent, Mr. Unfried, for new policies, but then
5 simple transactions like an address change or
6 something like that, obviously, there's a much higher
7 projected uptake on those transactions online.

8 MR. CURTIS UNFRIED: Okay. And should
9 MPI go direct to consumer and be responsible for
10 servicing half of the transactions?

11 Does MPI believe that the call volume
12 into its call centres will increase?

13 MR. BENJAMIN GRAHAM: I -- I think it
14 might originally. I -- I think when things do go
15 online, there is potentially a little bit of a spike
16 of traffic maybe trying to understand the online
17 portal.

18 Now, we'll put as much information on
19 there as we possibly can to streamline that process,
20 but over time, we'd like to think that as customers
21 could potentially become self-sufficient, either the -
22 - either online through MPI, or online through a
23 broker, that they could almost create more of a self-
24 sufficient model.

25 MR. CURTIS UNFRIED: But -- but

1 there's no doubt that at least -- well, I guess
2 initially, that there would be -- as with other direct
3 -- direct online providers, customers would call and
4 ask questions to seek clarity in -- with respect to
5 their --

6 MR. CURTIS WENNBERG: We have two (2)
7 examples right now where people are allowed to do
8 online payments. We take about 10 percent of them,
9 and there's no calls in, and it just basically -- it -
10 - it's a self-serve aspect of online that -- that
11 banks and financial services have seen for years, that
12 you actually just get customers to self-serve.

13 We've also seen this recently with the
14 Class V and VI online, where they've now -- one (1) in
15 seven (7) customers, or roughly around 14 percent,
16 these latest months, just book that online. They no
17 longer need to call us, nor do they need to go into a
18 broker office.

19 And so that -- that activity that we
20 used to formerly force them to get into their car and
21 drive to a broker location, or drive to an MPI service
22 centre, or call Carol's contact centre, it just
23 doesn't need to be there anymore.

24 MR. CURTIS UNFRIED: Would you agree
25 me -- with me that booking an appointment is much

1 different than buying insurance?

2 MR. BENJAMIN GRAHAM: Yeah, and -- and
3 I think we -- we recognize that, and the -- some of
4 the other data that we -- we've put up there was --
5 again, there's much lower uptake of new policies
6 binding online versus simple transactions.

7

8 (BRIEF PAUSE)

9

10 MR. CURTIS UNFRIED: And just to go --
11 again, I want to clarify one (1) part, the -- pull up
12 the transcript from yesterday, page 1,703, line 20 to
13 22.

14

15 (BRIEF PAUSE)

16

17 MR. CURTIS UNFRIED: And again, this
18 is what -- where I wanted to clarify, is that Ms. Hora
19 was saying:

20 "And that I thought there'd be some
21 confusion as to that title. So we
22 consider our service centre
23 representatives within the service
24 centres to actually be brokers.
25 They only sell Autopac policies,

1 though, so we call it broker
2 training, and it's exactly the same
3 as the training we provide to
4 external brokers."

5 So?

6 MS. CAROL HORA: That's correct. And
7 that's what I was trying to clarify a little bit
8 earlier. So service cent -- centre representatives,
9 for all intents and purposes, are selling our product,
10 and therefore they would be an MPI broker.

11 Internal, Autopac only. The courses
12 that they take on the same courses that we use to
13 train external brokers. So any employee working at a
14 broker agency has the same training that our front
15 counter staff have in our service centres.

16 They're not brokers. We call them --

17 MR. CURTIS UNFRIED: But the same --
18 the --

19 MS. CAROL HORA: -- service centre
20 representatives, to be fair.

21 MR. CURTIS UNFRIED: Yes. And that's
22 -- that's --

23 MS. CAROL HORA: But the training is
24 the same. And the -- I think this was tied to the --
25 the training -- it's called broker training. And I

1 didn't want there to be confusion, so.

2 MR. CURTIS UNFRIED: But their
3 training is only MPI training?

4 MS. CAROL HORA: Right, which is the
5 same training that we provide all --

6 MR. CURTIS UNFRIED: But those that
7 work in --

8 MS. CAROL HORA: -- brokers to sell
9 our product.

10 MR. CURTIS UNFRIED: Those employees
11 at brokerages receive training not only in MPI, but on
12 all sorts of other insurance products?

13 MS. CAROL HORA: Sure.

14 MR. STEVEN SCARFONE: Yeah. So I
15 think the confusion, Mr. Unfried, is -- and we won't
16 get into a -- a battle of semantics. Brokers versus
17 agents versus employees, in the legal sense, MPIC
18 would say firstly that their customer service
19 representatives are employees, and to the extent
20 they're selling a product of the Corporation, they're
21 agents of the Corporation.

22 MR. CURTIS UNFRIED: Yeah. Yeah. And
23 as you appreciate, Mr. Scarfone, the -- their broker
24 is -- there are certain training requirements that --

25 MR. STEVEN SCARFONE: Yeah.

1 MR. CURTIS UNFRIED: -- are required
2 to meet that, and --

3 MR. STEVEN SCARFONE: And they're not
4 brokering deals.

5 MR. BENJAMIN GRAHAM: I -- I guess the
6 -- the example that Ms. Hora was raising is the fact
7 that if -- if someone went into a broker's office and
8 asked simply for a Basic Autopac product, they
9 wouldn't require that level of cross-market knowledge
10 and training that would be provided by someone like a
11 licensed insurance broker.

12

13 CONTINUED BY MR. CURTIS UNFRIED:

14 MR. CURTIS UNFRIED: Can we please go
15 to slide 7, please, back on CAC.

16

17 (BRIEF PAUSE)

18

19 MR. CURTIS UNFRIED: And on this
20 particular slide, only the financial impact on broker
21 commissions is outlined, correct.

22 MR. BENJAMIN GRAHAM: That's correct.

23 MR. CURTIS UNFRIED: Were any other
24 costs considered by MPI? For example, IT costs, in a
25 similar way?

1 MR. BENJAMIN GRAHAM: This is in
2 addition to the business case that has already been
3 presented in front of the panel. So this was
4 subsequent to the actual implementation of the new
5 systems.

6 MR. CURTIS UNFRIED: So the answer is
7 no, there were no other similar costs considered such
8 as IT?

9 MR. BENJAMIN GRAHAM: That's correct.

10

11 (BRIEF PAUSE)

12

13 MR. CURTIS UNFRIED: Is your complete
14 net impact analysis of all of these potential service
15 delivery models?

16 MR. BENJAMIN GRAHAM: Of these
17 additional ones on top of the original business case?

18 MR. CURTIS UNFRIED: Yes.

19 MR. BENJAMIN GRAHAM: Is that the --
20 the question?

21 MR. CURTIS UNFRIED: Yes, and if so,
22 would you be able to provide them?

23 MR. BENJAMIN GRAHAM: No, I think this
24 is the summary. It was the development of a very
25 simplistic -- if you went back to the -- the

1 assumptions page, it was a very simple financial model
2 that was built in house, just to look at the impact of
3 -- so if -- if there was a req -- if we needed to
4 share that financial model, it's a very simple Excel
5 program. I -- I don't have an issue doing so.

6 MR. CURTIS UNFRIED: And I guess what
7 I'm struggling with is that if the -- you know, given
8 the fact that the broker commissions are so low, as an
9 overall portion of your operating expenses, why would
10 they be looked at only?

11 MR. BENJAMIN GRAHAM: We -- we still
12 feel that eighty (80) -- I think it's \$86 million is a
13 significant amount of -- of money that's paid by
14 customers. So I think it is well worth looking into.

15 MR. CURTIS UNFRIED: Okay. Even
16 though they are the lowest in the country, and paid
17 pursuant to a 3 percent commission --

18 MR. BENJAMIN GRAHAM: If you look at
19 it as a percentage of premium versus commission,
20 right? Yes.

21 MR. CURTIS UNFRIED: Okay. And as I
22 understand, this particular document was made in or
23 about March, correct?

24 MR. BENJAMIN GRAHAM: Yeah. I think
25 there was a board meeting around that time. That's

1 correct, right?

2 MR. CURTIS UNFRIED: All right. Yeah.

3 MR. BENJAMIN GRAHAM: Around then,
4 yeah.

5 MR. CURTIS UNFRIED: And it also
6 coincided with a leak from a member of the board of
7 MPI to the Winnipeg Free Press that led to an article
8 on March the 21st, titled, 'We're About to See a Major
9 Brouhaha Here.'

10 Do you recall that?

11 MR. BENJAMIN GRAHAM: I recall that,
12 and I recall looking up the word 'brouhaha' to
13 understand its meaning.

14 MR. CURTIS UNFRIED: Yeah. It was a -
15 - it was a gooder.

16 And so it was made around that time,
17 and also confirm that this document ended up in the
18 media as part of a FIPPA request that had been made on
19 behalf of the NDP?

20 Are you aware of that?

21 MR. BENJAMIN GRAHAM: Yeah. That's
22 correct.

23 MR. CURTIS UNFRIED: Okay.

24 MR. BENJAMIN GRAHAM: I think it would
25 be remiss, again, as I mentioned, I don't know if it

1 was yesterday, Mr. Unfried, but to look at all of
2 those types of components, timing, you're correct, was
3 it unfortunate, but the driving factor to do this type
4 of analysis is something that we would be doing as
5 part of our business case or impact analysis across
6 all of our products moving forward -- all of our
7 projects moving forward. Sorry.

8 MR. CURTIS UNFRIED: Yeah. And I --
9 just as I said, the question arose from -- it -- it
10 appears you're starting out at the -- the smallest
11 part of the operating costs, and I would have thought
12 it would have started at the higher operating cost,
13 but neither here nor there. You've answered my
14 question.

15 With the issue now, I'm going to turn
16 to -- of consumer protection, we'd -- and we've
17 discussed this briefly before. But again, could you
18 confirm that MPI call centre employees, not only can
19 they only sell MPI products, but they will have no
20 comprehensive view of the customers' insurance
21 coverages that they have at the time they place the
22 call or order?

23 MR. CURTIS WENBERG: Yes, I'll
24 confirm that. The other -- the other piece -- answer
25 there regarding the -- the model is that the 85

1 million that we spend on brokers is not a small
2 component of the overall cost.

3 Like, when you think about it, my area
4 alone for operations -- so including the contact
5 centre, but then including the cust -- the service
6 centres -- everything in operations is 75 million.

7 So the entire -- the entire bill for
8 all of the operations within MPI is \$75 million per
9 year, and the -- the brokerage costs for us is \$85
10 million per year.

11 So if you look at just the basic
12 component and -- and the basic percentage and the
13 basic total amount relative to our premiums, then it's
14 a smallest percentage, but you really do need to take
15 a look at that, and -- and what the online model does
16 is provide that once-in-a-generation ability to think
17 about the different channels that we use to support,
18 so it's really -- it's not just about the dollars and
19 cents. It's about the customer service options that
20 gives us -- and the dollars and cents aren't small.
21 So I just want to make sure we address that.

22 MR. CURTIS UNFRIED: Dollars and cents
23 aren't small, but the percentages of overall costs are
24 small.

25 MR. CURTIS WENNBERG: Only if you look

1 at just the basic commission. If you look at total --
2 the total cost, 85 million over our premiums is -- is
3 a higher percentage than the entire operations team of
4 1,200 folk at MPI.

5 MR. CURTIS UNFRIED: 2.4 percent? I
6 mean, we could sit and argue here, but it -- it's --

7 MR. CURTIS WENBERG: 85 million over
8 1.3...

9

10 (BRIEF PAUSE)

11

12 MR. CURTIS UNFRIED: But just back --
13 the MPI call centre employees can only sell MPI
14 products and will not have any knowledge or view of
15 the customer's existing insurance coverages such as
16 personal liability, home insurances, et cetera.

17 MR. CURTIS WENBERG: That's correct.

18 MS. CAROL HORA: I'd like to clarify.
19 You -- you said contact centre?

20 MR. CURTIS UNFRIED: Call centre.

21 MS. CAROL HORA: Call centre?

22 MR. CURTIS UNFRIED: Yeah.

23 MS. CAROL HORA: We don't sell
24 insurance in the call centre.

25 MR. CURTIS UNFRIED: Okay.

1 MS. CAROL HORA: Only in our service
2 centres.

3 MR. CURTIS UNFRIED: Okay. So I'll
4 change it to service centres. And thank you for
5 clarifying that.

6 MS. CAROL HORA: Thank you.

7 MR. CURTIS UNFRIED: So at the service
8 centre, they can only sell MPI products and they would
9 not be aware of the customer's overall insurance
10 coverages?

11 MR. BENJAMIN GRAHAM: That's correct,
12 because we can't sell them our more personal
13 liability, yeah.

14 MR. CURTIS UNFRIED: And again, Mr.
15 Graham, you'll -- you'll be well aware -- you're aware
16 of the term "umbrella liability policies"?

17 MR. BENJAMIN GRAHAM: Yeah, sure.

18 MR. CURTIS UNFRIED: Obviously those
19 that have an umbrella insurance policy or perhaps
20 extension coverage from another provider, that would
21 impact the amount of coverage that those consumers
22 might require from MPI itself, correct?

23 MR. BENJAMIN GRAHAM: I don't think --
24 if they were to have extension coverage through
25 someone else -- the purchase of the basic polidy --

1 policy is standard. They -- they can't change that.

2 MR. CURTIS UNFRIED: Yeah. But if
3 they already have a significant umbrella coverage,
4 there's no need for them -- there would be no need for
5 them to get extension coverage from MPI?

6 MR. BENJAMIN GRAHAM: Again, I think
7 you hit the nail on the head before when you said that
8 the customer's choice, and that would be their --
9 their obligation.

10 MR. CURTIS UNFRIED: Customer -- a
11 knowledgeable customer -- and the MPI representative
12 who is handling a transaction wouldn't be aware of
13 that?

14 MR. BENJAMIN GRAHAM: No, that's
15 correct, unless offered that -- that information
16 voluntarily by the customer, yeah.

17 MR. CURTIS UNFRIED: And again the --
18 the -- and I'd ask this earlier -- the -- the MPI
19 employees are not only not subject to the Insurance
20 Act, but also not subject to the Insurance Council of
21 Manitoba regulations, correct?

22 MS. CAROL HORA: That's correct.

23 MR. STEVE SCARFONE: It's a small
24 point, but I think the response is in one of the
25 answers to the IBAM undertaking. It's -- it's not so

1 much that they're not subject to it, because they are
2 selling insurance. It's that there's an exemption
3 under the -- the Corporations Act.

4

5 CONTINUED BY MR. CURTIS UNFRIED:

6 MR. CURTIS UNFRIED: And again -- now
7 dealing with the employees and whether or not they'll
8 advise or consult with consumers outside of MPI, I
9 know that yesterday Mr. Wennberg did an admirable job
10 in an attempt to explain that the employees that work
11 at MPI are truly good people and -- and have the
12 customer's best interests at heart, and that MPI will
13 always do what's best for them.

14 But to remove any doubt, I'm sure you'd
15 agree that MPI employees are obligated to act in the
16 best interests of MPI, correct?

17 MR. CURTIS WENNBERG: In the best
18 interests of MPI, yes, but we do have -- we do have
19 live models of whistle blower, so if they ever see
20 anything untoward, we do want a compliance culture and
21 so we're -- we're -- we want to be a -- a great
22 company but we also want to be a good company, and so
23 we're here for Manitobans, owned by Manitobans, and
24 run by Manitobans. We sell our product and we service
25 our product and we buy our product. So it's --

1 MR. CURTIS UNFRIED: And again, the
2 reason why you have the whistleblower is because if
3 somebody is not acting in the best interest of the
4 Company, you want to know about it.

5 MR. CURTIS WENNBERG: Correct.

6 MR. CURTIS UNFRIED: And those MPI
7 employees also zero ability to offer -- refer
8 insurance products from competitors?

9 MR. CURTIS WENNBERG: Correct.

10 MR. CURTIS UNFRIED: And that's
11 because not only they're not trained to do so, they're
12 just simply not made aware of what other products are
13 out there.

14 MR. CURTIS WENNBERG: It's not part of
15 our model.

16 MR. BENJAMIN GRAHAM: In the absence
17 of any data, I'd like to think that at the contact
18 centre, if someone called up and asked for, you know,
19 can you -- are you able to provide us a comparative
20 rate from Wawanesa on my extension insurance, that --
21 that would obviously be referred to a broker.

22 MR. CURTIS WENNBERG: The other piece
23 in that is -- is coming in to MPI -- one (1) of the
24 things is, if we ever heard a complaint or if there
25 were some issues that customers raised or employees

1 raised about this point, we would certainly look at.

2 The other -- the other point of note is
3 that we don't have any broker concerns. There's --
4 there's really not many complaints about our extension
5 products or our optional products, and we have a very
6 high market share on those products, so it -- it -- it
7 appears as though customers are -- are being handled
8 quite well with the product suite that we have, and of
9 course as you know, we're among the lowest cost
10 provider across all of Canada.

11 MR. CURTIS UNFRIED: And now I want to
12 turn to some key drivers of consumer behaviour.

13 Mr. Graham, I've read that at last
14 year's GRA, you had indicated that:

15 "80 percent of our customers would
16 prefer to do simple transactions
17 online for a change of address. Why
18 should they wait fifteen (15)
19 minutes in a broker office when one
20 of our service centres, including a
21 commute and wait time, for something
22 that could be done in two (2)
23 minutes online from the comfort of
24 their own home? However, we need to
25 be clear that our customer base is

1 immature when it comes to the
2 understanding of insurance. There
3 is a -- there is a few when it comes
4 to bonding new insurance policies,
5 and it is noted that only 35 percent
6 would prefer online at the bonding
7 of a new insurance policy, yet 75
8 percent would be comfortable
9 renewing their policy online. That
10 is a hurdle we will need to
11 overcome."

12 I take it you still --

13 MR. STEVE SCARFONE: What was that
14 from, Mr. Unfried?

15 MR. CURTIS UNFRIED: From last year's
16 GRA.

17 MR. STEVE SCARFONE: Oh, thank you.

18

19 CONTINUED BY MR. CURTIS UNFRIED:

20 MR. CURTIS UNFRIED: And I take it you
21 still agree with that statement?

22 MR. BENJAMIN GRAHAM: Sure.

23 MR. CURTIS UNFRIED: I'd like to now
24 turn to CAC-MPI-2-4, Attachment A, page 11. This is
25 the Deloitte report that was commissioned by MPI.

1 And the middle bullet -- or, sorry, the
2 middle paragraph talks about the fact that Manitobans
3 are highly price-sensitive with respect to insurance
4 products.

5 Do you see that there?

6 MR. BENJAMIN GRAHAM: I certainly do.

7 MR. CURTIS UNFRIED: And -- and then
8 MPI tabled the following document in response to --
9 this document in response to IBAM IR 2-4, which was
10 titled "Agents of the future, the evolution of
11 property and casualty insurance distribution."

12 And while IBAM disagrees with most of
13 the assertions in this report and its application to
14 the Manitoba marketplace, the report does state that
15 the flood of price centric marketing for auto
16 insurance has conditioned many consumers to focus on
17 price as their primary buying factor.

18 The reasons why I'm referring you to
19 these two (2) reports is that they indicate that for
20 many consumers, price is their primary buying pattern
21 -- buying factor.

22 You'd agree with that?

23 MR. BENJAMIN GRAHAM: Sure. They
24 weren't authored by us, but sure.

25 MR. CURTIS UNFRIED: And so this would

1 suggest that consumers -- many consumers will simply
2 buy based on lowest price as opposed to, say, best
3 coverage.

4 MR. BENJAMIN GRAHAM: It depends on
5 the product, correct.

6 If it was a base -- I'm -- I'm talking
7 here from a former life, but the very -- the purchase
8 of a compulsory Basic product that you cannot change
9 and a product with only a small number of permeations
10 (sic) that can be made -- so we don't offer fifty (50)
11 options on our Extension coverage -- price becomes --
12 price and convenience become major drivers of the
13 experience, as compared to, example, a large
14 engineering and construction D&O policy or something
15 like that. There can be other drivers more important
16 than price on those types of complex brokered
17 policies.

18 MR. CURTIS UNFRIED: And given the --
19 in particular, Manitoba's, I think, world-renowned for
20 their love of wholesale or a good deal, but in the
21 event of going direct online, given the assumed uptick
22 of 50 percent of transactions, are you not concerned
23 that there will be many more under-insured drivers on
24 the road, given the fact that there would likely be a
25 drop in Ext -- in Extension premiums.

1 MR. BENJAMIN GRAHAM: It -- it depends
2 on the information that we present online. I think
3 what we have learnt is through dialogue with the
4 brokers, we -- we know the type of questions that
5 customers ask, and they've done a very good job at
6 answering them.

7 So if -- if you think about, you know,
8 when -- when you buy an airline ticket, they always
9 provide you with other options. Have you thought
10 about these types of additional types of products or
11 coverages for your trip? So the amount of information
12 that we are able to provide is really at our beck and
13 call, and we'd obviously consult with the broker
14 community on the types of commentary or updates that
15 we'd be able to provide through that.

16

17 (BRIEF PAUSE)

18

19 MR. CURTIS UNFRIED: Is that --

20 MR. BENJAMIN GRAHAM: I -- I guess,
21 for example -- sorry, I --

22 MR. CURTIS UNFRIED: Yeah, it was just
23 an analogy, but I just -- you were talking -- an
24 airline -- and I'm sure you'd agree -- and a purchase
25 of an airline ticket is a lot different than an

1 insurance policy.

2 MR. BENJAMIN GRAHAM: I -- I -- I'm
3 just -- I've just got the theme in mind of oxygen
4 masks and airplanes --

5 MR. CURTIS UNFRIED: Sure.

6 MR. BENJAMIN GRAHAM: -- and things
7 like that.

8 MR. CURTIS WENNBERG: The under-
9 insured component too, what we did put into -- to the
10 filing was that as our Basic product is a five hundred
11 dollar (\$500) deductible product, that -- that product
12 is -- it -- it's a lower deductible than what you can
13 get in other markets. We have the PIPP program and
14 the no-fault program, and we take care of people on
15 the Basic product on that too.

16 So what we find here -- if they don't
17 choose just the Extension, if that's the definition of
18 an under-insured customer, the Basic policy does cover
19 customers here in Manitoba more so than a very, very
20 simple product would be in other markets.

21 MR. CURTIS UNFRIED: Thank you. Have
22 you happened to run any numbers as far as any
23 potential impacts on a reduction in insurance -- or,
24 in Extension if you were to go online, or is that
25 something that --

1 MR. BENJAMIN GRAHAM: Can I -- I -- I
2 guess I'm trying to understand the assertion that
3 there's be le -- you're saying that less people would
4 buy Extension products because of our online?

5 MR. CURTIS UNFRIED: Correct.

6 MR. BENJAMIN GRAHAM: I -- I'm -- I'm
7 just trying to understand the -- the rationale behind
8 that.

9 MR. CURTIS UNFRIED: Rationale is that
10 Manitobans, in particular, are highly price-sensitive.

11 MR. BENJAMIN GRAHAM: I -- I guess --
12 and -- and we haven't figured out what this model
13 would look like, but I guess if -- if, for example, a
14 - a customer was to go online and do a transaction
15 with MPI, and there was no broker commission assigned
16 to that because it was a direct dealing with MPI on
17 that Extension insurance, then the base cost of that
18 Extension insurance would be the same, and they'd
19 actually be paying less. So the price sensitivity
20 could mean that we'd be getting more people buying
21 Extension through online.

22 MR. CURTIS WENNBERG: The other piece
23 on that is -- what you may have heard from some of our
24 other service model issues is that we're really
25 looking for transparency now, and we're -- we're --

1 we're asking customers about customer satisfaction in
2 other things that we do.

3 If -- if in what you're saying, and
4 underlying it, is that customers aren't making a
5 conscious choice, maybe because the pricing isn't
6 transparent to them or other reasons like that, if --
7 if some of our market shifts more to a Basic product
8 because they're now making a conscious choice because
9 maybe it's a lot clearer to them, the offer that's
10 available to them, and the price difference up or down
11 it could be, then so be it. And -- and that's the --
12 we'll let the customer lead us down that path.

13 MR. CURTIS UNFRIED: It's a concern --
14 I've been using Mr. Graham's wording. We've got --
15 the problem that we have is that we have the -- the
16 customer base is immature when it comes to the
17 understanding of -- of insurance. You're now going to
18 be having that immature customer base go online and
19 basically click on the drag-down menu -- and again, I
20 won't know exactly how you'll have it set up if it
21 were to go ahead -- where you -- they'd be told,
22 here's your base -- base coverage that you must pay,
23 and here's some additional options available for you -
24 -

25 MR. BENJAMIN GRAHAM: Yeah. Sure.

1 MR. CURTIS UNFRIED: -- third-party
2 liability, et cetera.

3 MR. BENJAMIN GRAHAM: Deductible,
4 buydown, all of those things.

5 MR. CURTIS UNFRIED: All those things
6 that a -- given the immature customer base, most
7 people don't know about.

8 MR. CURTIS WENBERG: What you see
9 when you do a new product or a new online channel is
10 that your entire group isn't going to move online.
11 You're going to get -- your vanguard are the people
12 that are most comfortable going online. Like, some of
13 the folks that may have commented on some of the --
14 the press articles, they are waiting for this, and
15 they -- they will be going through this. They'll be
16 on your vanguard.

17 It -- it won't be people who are
18 uncomfortable with the insurance transaction. They'll
19 still go through a broker, and we highly encourage
20 that, and -- and we will be partnering brokers for --
21 for -- for years and years and years to come, because
22 there are different segments in the population.

23 And what I think we're missing
24 sometimes in this debate is we need to satisfy all the
25 segments of our population, that we can't force a

1 strategy of in-person and broker visitation on
2 everybody when the vanguard -- and there's a number of
3 people that want that choice, and there's -- there's -
4 - there's robo-advisors, there are other things that
5 can allow them to work through that choice.

6 MR. CURTIS UNFRIED: But on -- on --
7 and we'll come to it again later, but just on that
8 point, there's -- there's no dis -- disagreement
9 between IBAM and MPI that on -- online services should
10 be provided, correct? And -- and I'll clarify that by
11 saying where the disagreement lies is whether or not
12 IBAM should be directly involved with the providing of
13 those --

14 MR. BENJAMIN GRAHAM: That's correct.
15 I've heard that a couple of times.

16

17 (BRIEF PAUSE)

18

19 MR. BENJAMIN GRAHAM: I think you'll
20 find, Mr. Unfried, that our -- our stance has always
21 been and -- and has continued to be that we're after a
22 shared delivery model, so I -- I -- I'm assuming that
23 those types of challenges -- whether the customer is
24 going through a broker website versus MPI's website,
25 those -- there would be commonality in that potential

1 issue that you were raising.

2 MR. CURTIS UNFRIED: Okay. And if you
3 now refer to MPI Exhibit number 43, bottom of page 6.
4 And -- and this was in answer to a question we'd posed
5 where, you recall, the woman in Toronto who had had
6 incorrect coverage on her vehicle and was denied
7 coverage after she was delivering some -- some
8 flowers, and the -- the insurer determined that that
9 was out of scope of her insurance and denied coverage.

10 And in response to that, MPI indicated
11 that:

12 "IBAM refers to a complex product
13 sold to a customer through a direct
14 online sales channel" --
15 -- who, by the way, was Sonnet --
16 -- "whose claim was denied for
17 improper coverage. Though all
18 claims are considered on a case-by-
19 case basis, it is frequently the
20 case that MPI will charge customers
21 a difference in premium should they
22 make a claim and unknowingly have
23 the wrong coverage as opposed to
24 outright denial of coverage."

25 So based on that, am I to understand

1 that MPI considers the example in this case, which was
2 a -- basically, a vehicle classification, a complex
3 product?

4 MS. CAROL HORA: I'm -- I don't know
5 how to answer that. The complex product?

6 MR. BENJAMIN GRAHAM: Sorry, the
7 question is whether the purchase of a Basic Autopac
8 policy would be considered complex. Is that correct?

9 MR. CURTIS UNFRIED: What -- the
10 example provided by IBAM was a woman in Toronto who
11 bought direct online insurance from Sonnet --

12 MR. BENJAMIN GRAHAM: Yeah.

13 MR. CURTIS UNFRIED: She ended up
14 getting into a car accident while she was delivering
15 some flowers. She had a small business --

16 MR. BENJAMIN GRAHAM: Yeah.

17 MR. CURTIS UNFRIED: -- and Sonnet
18 denied her coverage on the basis that she hadn't
19 properly classified her vehicle.

20 MR. BENJAMIN GRAHAM: Okay. Yeah.

21 MR. CURTIS UNFRIED: And in response
22 to that, the answer provided by MPI was that -- that
23 that reference to that example was a complex product
24 sold to a customer through a direct online sales
25 channel.

1 MR. BENJAMIN GRAHAM: Under the agreed
2 terminology used by IBAM, that would be considered a
3 complex product.

4 MR. CURTIS UNFRIED: Where do --
5 search -- shared terminology of...

6 MR. BENJAMIN GRAHAM: I think we've
7 got -- I think we classify two (2) types of things. I
8 think there's simple transactions, and then there's
9 those that are considered complex. So I thi -- I
10 think you were saying that IBAM refers to the
11 complexity of the product? Is that correct? Or --

12 MR. CURTIS UNFRIED: No, no. As I
13 read the answer --

14 MR. BENJAMIN GRAHAM: -- not missing
15 something.

16 MR. CURTIS UNFRIED: Yeah. It was IB
17 -- it was MPI referring to that example as being a
18 complex product.

19 MR. BENJAMIN GRAHAM: Yeah, I -- I
20 believe that that's the agreed terminology. Yeah.

21 MR. CURTIS UNFRIED: Okay.

22

23 (BRIEF PAUSE)

24

25 MR. CURTIS UNFRIED: And the -- of

1 course, moreover MPI went on to say that MPI will
2 charge a customer the difference in premiums should
3 they make a claim and unknowingly have the wrong
4 coverage. Is this a policy that MPI has announced to
5 the consumers?

6 MR. BENJAMIN GRAHAM: No. I think
7 it -- it depends on a case-by-case basis. But
8 ultimately, on -- on an example like that, it is
9 something that we can afford the customer.

10 MR. CURTIS UNFRIED: So -- so
11 customers can now classify vehicles in any way that
12 they wish and still be compensated in the event that
13 they were -- something were to go wrong?

14 MR. BENJAMIN GRAHAM: I believe --
15 sorry.

16 MR. STEVEN SCARFONE: No. So what can
17 happen with any given insurance claim, there is some
18 discretion that the corporation has in providing what
19 it would call an ex gratia payment where the customer
20 is otherwise in breach of their policy.

21 And there's a number of factors that
22 the corporation can look at, and that's why I -- I
23 said it's discretionary in allowing to -- that
24 customer coverage for the loss.

25 DR. BYRON WILLIAMS: Madam chair --

1 MR. BENJAMIN GRAHAM: These are --
2 these are issues --

3 DR. BYRON WILLIAMS: Sorry. Just --
4 just for the purpose of the record, and just because
5 our clients will be reviewing the -- the record, I'm
6 wondering if legal counsel for MPI wishes to confirm
7 that answer with one of his witnesses or if we're to
8 rely upon it as -- as evidence. It would just be
9 helpful --

10 MR. STEVEN SCARFONE: Absolutely. I
11 think Ms. Hora's probably suited to answer the
12 question on ex gratia payments made to our customers.

13 MR. CURTIS WENNBERG: If we think
14 about a go forward service proposition though,
15 you're -- you are talking about different levels here.
16 We do have this issue today, so we do have some
17 customers that have confusion today, and hence, we
18 talk about the ex gratia and how we handle that.

19 What we can have in call out buttons is
20 that if you are doing any delivery, if you are a taxi,
21 if you are thinking about doing ride share or any of
22 those pieces, we encourage you to move out to -- go
23 talk to a broker to go your insurances done.

24 That's -- again, we gotta -- we -- we
25 need to think about if we're moving online -- we're

1 allowing some insurance transactions to go online,
2 we -- we may not have something that's for everyone.
3 And this is something that we need to work on, and
4 we'll also get IBAM input on some of the pieces and
5 how we actually work on these things for the online
6 offer.

7

8 CONTINUED BY MR. CURTIS UNFRIED:

9 MR. CURTIS UNFRIED: Okay. And do you
10 have any idea, like, that it's -- reference was word
11 to -- made to frequently. Is frequently the case that
12 MPI will charge customers a difference? Do you --
13 indicate what is meant by "frequently"?

14 MR. CURTIS WENBERG: We see this more
15 than once or twice.

16 MR. CURTIS UNFRIED: In a month or a
17 year and -- and daily?

18 MR. CURTIS WENBERG: We don't have
19 data.

20 MR. CURTIS UNFRIED: Okay. But
21 obviously, there have been instances where MPI hasn't
22 been as generous?

23 MS. CAROL HORA: We look at each case
24 on its own merit. So if there's evidence
25 throughout -- through the investigation -- through the

1 claim investigation that there was some intent there
2 to maybe save some money by not purchasing the proper
3 insurance, we wouldn't go down that path.

4 But when the investigation reveals that
5 the -- this is obviously just an oversight or the --
6 the claimant was not aware of the proper type of
7 coverage, whether that be because the broker or MPI --
8 someone didn't advise them properly, that's when we
9 would extend ex gratia coverage to that claimant and
10 just charge the premium difference so that there's no
11 impact to rates.

12 MR. BENJAMIN GRAHAM: And I think the
13 key word there is "unknowingly."

14 MR. CURTIS UNFRIED: Yeah.

15 MR. BENJAMIN GRAHAM: Yeah.

16 MR. CURTIS UNFRIED: And if you find
17 otherwise, of course, the -- that is where you do deny
18 coverage.

19 MS. CAROL HORA: Exactly. If there is
20 evidence of intent to just avoid the proper premium,
21 that's not a valid reason to extend coverage.

22 MR. CURTIS UNFRIED: In response, MPI
23 went on to add that although each case is assessed on
24 its own merits, the example of Ms. Winterhelt, who is
25 the woman in Toronto --

1 MR. BENJAMIN GRAHAM: M-hm.

2 MR. CURTIS UNFRIED: -- is not a
3 common occurrence in Manitoba.

4 My question to that is that given the
5 fact that the majority of transactions are conducted
6 in the broker channel, it's reasonable to assume that
7 it's -- that it is not a common occurrence because
8 brokers are ensuring that the consumers are
9 classifying their vehicles correctly?

10 MR. BENJAMIN GRAHAM: You could make
11 that assumption.

12 MR. CURTIS UNFRIED: Again just on a
13 point, Mr. Graham, going back to your -- the change of
14 address example you gave for the licence, do you not
15 see any risk to consumers by allowing them to change
16 their address on something like a driver's license
17 which is a -- I believe you described yesterday -- as
18 a very important or a fundamental piece of
19 government-issued ID?

20 MR. BENJAMIN GRAHAM: We'd have to put
21 the appropriate steps in place to make sure that we --
22 we validate that information.

23 So yeah. I -- I think that there's a
24 number of other examples as well where it's just a --
25 a simple update that probably doesn't need the -- the

1 role of a -- a service centre or a broker.

2 MR. CURTIS UNFRIED: Okay. Exactly --
3 I guess, how can you verify the identity of a person
4 who wishes to make a change such as that?

5 MR. BENJAMIN GRAHAM: I -- I guess
6 if -- the way the technology is today, if it was
7 potentially that you needed to upload further
8 documents, those were then triaged by our team to make
9 that change, then -- then it could be done, and then
10 the email could be sent with that change, and then the
11 driver's licence would be sent later in the mail.

12 So that's the same as other
13 transactions that you do where you have to upload
14 additional information or proof of identity or -- or
15 something like that to validate, and then the triage
16 happens.

17 MS. CAROL HORA: I would add to that.
18 Authentication of the customer is, I'm assuming, going
19 to be a key component.

20 So if you consider -- I don't know if
21 you've ever gone on to -- if you have a Amazon account
22 or anything else, you've got your account set up.
23 There's a password that -- that is -- that allows you
24 to get into your own account.

25 So the authentication process to ensure

1 the customer is who they say they are is going to be
2 key going forward, I would say.

3 MR. CURTIS UNFRIED: The -- the
4 difference being, of course, that you've got all sorts
5 of all other -- online vulnerabilities with hacks,
6 et cetera, to get that type of vital information.
7 And --

8 MS. CAROL HORA: Yeah. I -- I --

9 MR. CURTIS UNFRIED: -- the only
10 comparison that I have to a driver's licence would be
11 a passport and which, again -- it's a fundamental
12 piece of government-issued ID. And, I mean, maybe at
13 some point in the future, maybe there could be a
14 retinal scans on your laptop computer at home. That
15 might be one way to verify.

16 But I -- I just don't see how for --
17 again, for such a -- a fundamental piece of government
18 ID, particularly after 9-11, how you'd be able to
19 verify somebody to say -- to confirm that they are who
20 they say they are when they're online.

21 MR. CURTIS WENBERG: One of the
22 benefits of being a slow follower is we'll look at
23 other DVA organizations across Canada and in other
24 jurisdictions, which you mentioned is one of
25 fifty (50) or a hundred other different types of

1 transactions. We're going to look and see who's --
2 who's done it, what sort of authentication devices,
3 and -- and what sort of issues they've encountered.

4 And -- and once again, that is one of
5 the benefits of being a slow follower that we can pick
6 and choose and do the -- do the ones that are most
7 obvious first, and then move down that line, and --
8 and be prudent about it.

9 MR. CURTIS UNFRIED: Okay.

10 MR. CURTIS WENNBERG: We don't want to
11 risk the identities or the securities of Manitobans in
12 this process.

13 MR. CURTIS UNFRIED: Good.

14 THE CHAIRPERSON: Excuse me,
15 Mr. Unfried. It's almost quarter after 12:00. Are we
16 getting close to a point where a break --

17 MR. CURTIS UNFRIED: This would
18 actually be a great point for the break.

19 THE CHAIRPERSON: Okay. Thank you
20 very much. Can we please adjourn and be back at 1:15.

21

22 --- Upon recessing at 12:13 p.m.

23 ---- Upon resuming at 1:15 a.m.

24

25 THE CHAIRPERSON: Good afternoon,

1 everyone. We will recommence with Mr. Unfried
2 continuing cross-examination.

3

4 CONTINUED BY MR. CURTIS UNFRIED:

5 MR. CURTIS UNFRIED: Thank you, Madam
6 Chair. Again, good afternoon. This is a formal
7 housekeeping matter. I'd like to formally enter the
8 exhibits that had been circulated earlier this morning
9 on behalf of IBAM.

10 No particular order, but Exhibit 8 is
11 the Government of Manitoba news released dated
12 December 15, 2017.

13

14 --- EXHIBIT NO. IBAM-8: Government of Manitoba
15 news released dated
16 December 15, 2017

17

18 MR. CURTIS UNFRIED: Exhibit number 9
19 is the Government of Manitoba news release dated
20 February 3rd, 2014.

21

22 --- EXHIBIT NO. IBAM-9: Government of Manitoba
23 news release dated
24 February 3rd, 2014

25

1 MR. CURTIS UNFRIED: Exhibit 10 is the
2 message from the President and CEO of MPI in the MPI
3 2017 annual report.

4

5 --- EXHIBIT NO. IBAM-10: Message from the President
6 and CEO of MPI in the MPI
7 2017 annual report

8

9 MR. CURTIS UNFRIED: Exhibit 11 is the
10 inflation calculations/consumer price index
11 calculations from the Bank of Canada.

12

13 --- EXHIBIT NO. IBAM-11: Inflation
14 calculations/consumer
15 price index calculations
16 from the Bank of Canada

17

18 MR. CURTIS UNFRIED: Exhibit 12 are
19 various OSFI filings pertaining to operating expense
20 ratios.

21

22 --- EXHIBIT NO. IBAM-12: Various OSFI filings
23 pertaining to operating
24 expense ratios

25

1 MR. CURTIS UNFRIED: Exhibit 13 is the
2 CBC News article dated September 5, 2009, on -- or
3 2019, with respect to New Brunswick and Sonnet's
4 request for a 50 percent increase.

5

6 --- EXHIBIT NO. IBAM-13: CBC News article dated
7 September 5, 2009, on --
8 or 2019, with respect to
9 New Brunswick and Sonnet's
10 request for a 50 percent
11 increase

12

13 MR. CURTIS UNFRIED: Exhibit 14 are
14 going to bro -- the broker accord agreements, but
15 we've had some highlighting done to them.

16

17 --- EXHIBIT NO. IBAM-14: Broker accord agreements

18

19 MR. CURTIS UNFRIED: Exhibit Number 15
20 is a article from...

21

22 (BRIEF PAUSE)

23

24 MR. CURTIS UNFRIED: ...from the
25 Canadian underwriter magazine dated July 2, 2019,

1 titled, How much of your lunch are direct writers
2 really eating.

3

4 --- EXHIBIT NO. IBAM-15: Article from the Canadian
5 underwriter magazine dated
6 July 2, 2019, titled, How
7 much of your lunch are
8 direct writers really
9 eating

10

11 MR. CURTIS UNFRIED: Exhibit 16 is a
12 printout from Sonnet's web page.

13

14 --- EXHIBIT NO. IBAM-16: Printout from Sonnet's web
15 page

16

17 MR. CURTIS UNFRIED: And Exhibit 17 is
18 a printout from SGI's website.

19

20 --- EXHIBIT NO. IBAM-17: Printout from SGI's
21 website

22

23 MR. STEVE SCARFONE: And, Madam Chair,
24 MPI has no objection to those exhibits,
25 notwithstanding the hearsay nature of them all.

1 MR. CURTIS UNFRIED: Thank you, Mr.
2 Scarfone, for...

3

4 (BRIEF PAUSE)

5

6 THE CHAIRPERSON: Just a point of
7 clarification, please, Mr. Unfried. These have been
8 provided to the Public Utilities Board this morning.
9 Is that correct?

10 MR. CURTIS UNFRIED: Yes.

11 THE CHAIRPERSON: And have you
12 provided them to the -- to MPI and counsel for --

13 MR. CURTIS UNFRIED: They were
14 provided to the entire distribution list earlier this
15 morning.

16 THE CHAIRPERSON: Okay. Thank you.

17

18 (BRIEF PAUSE)

19

20 CONTINUED BY MR. CURTIS UNFRIED:

21 MR. CURTIS UNFRIED: And I just want
22 to now turn to an area where I think there is some
23 commonality between IBAM and MPI, and that is on the
24 issue of consumer choice. And we did read from
25 earlier in these proceedings -- Mr. Graham, you're --

1 you indicated that we need to move online.

2 And some of the key discussions with
3 our government friends have been on our ability to
4 move more of our transactions online and our customers
5 are demanding it.

6 Can you, again, please confirm that
7 IBAM and brokers have consistently indicated both to
8 MPI and in public that they want to evolve service
9 delivery and offer MPI services online?

10 MR. BENJAMIN GRAHAM: That's correct,
11 I have.

12 MR. CURTIS UNFRIED: And again, the
13 main point dissension between brokers and MPI in this
14 area is not whether services should be offered online,
15 but rather relate to MPI going direct to consumer
16 without -- the potential for going direct to consumer
17 without brokers involved?

18 MR. BENJAMIN GRAHAM: It's
19 specifically stated that there is no objection to
20 moving online, but that all transactions should be
21 done through a broker.

22 MR. CURTIS UNFRIED: Okay. I'd like
23 to turn to your research, namely the voice of the
24 customer ePanel, which was at CAC MPI 2-4, Appendix 1.

25

1 (BRIEF PAUSE)

2

3 MR. CURTIS UNFRIED: And as I
4 understand this -- understand it, this research was
5 done internally, correct?

6 MR. CURTIS WENBERG: Yes.

7 MR. CURTIS UNFRIED: And just to
8 confirm, respondents are people who voluntarily
9 expressed an interest to provide feedback to MPI,
10 correct?

11 MR. CURTIS WENBERG: That's correct.
12 And it's a fairly new group, that ePanel that we set
13 up.

14 MR. CURTIS UNFRIED: Okay. And this
15 research indicates that some consumers want to be able
16 to purchase their insurance online, correct?

17 MR. CURTIS WENBERG: Yes, that's
18 right.

19 MR. CURTIS UNFRIED: Okay. Looking at
20 page 1, the question posed to consumers was:

21 "Given the option, how would you
22 prefer to receive service from MPI?"

23 At page 2, the question was:

24 "When considering the following
25 situations, would your most

1 preferred option be to complete the
2 following transactions in person,
3 over the phone, or online?"

4 And then the third question is:
5 "How likely would you be to use
6 online services to perform
7 transactions if the option was
8 available?"

9 Can you confirm that none of these
10 questions clearly distinguish between receiving MPI
11 services and brokers -- or sorry, MPI services from
12 brokers through a broker or directly from MPI?

13 MR. CURTIS WENNBERG: I'm sorry, can -
14 - can I confirm that they were which?

15 MR. CURTIS UNFRIED: Can you confirm
16 that none of these questions distinguish between
17 providing services -- MPI services through a broker or
18 directly from MPI?

19

20 (BRIEF PAUSE)

21

22 MR. CURTIS WENNBERG: Subject to
23 checking the preamble that we may have provided to
24 customers before they responded to the survey, there
25 may have been some language there about receiving --

1 receiving services from MPI, so we'd have to check and
2 determine that.

3 Just as a note, my colleague, Ms. Hora,
4 reminded me that we did talk to IBAM about this survey
5 before we released it, as well.

6 MR. CURTIS UNFRIED: Okay. But based
7 on the documentation that has been filed and is before
8 us here today, and you -- you feel free to check, but,
9 based on these questions, there's no distinction drawn
10 between services being provided via a broker channel
11 as opposed to services being provided direct by MPI?

12 MR. CURTIS WENNBERG: That -- that's
13 correct then, yeah. And we don't need to check. In
14 general, our point of view is trying to establish what
15 is the underlying nature of the customer needs. And
16 we may not be too considered about distinguishing
17 where they fulfill those needs.

18 MR. CURTIS UNFRIED: Yeah. And -- and
19 to be clear, Mr. Wennberg, on that point, it -- it's -
20 - the customers are -- are indicating that they want
21 online options. There's no dispute that, but -- abou
22 -- about that, it's just, said again, the manner in
23 which it would be delivered is -- is not clearly set
24 out here, but clearly customers want online services?

25 MR. CURTIS WENNBERG: That's correct.

1 Yeah, there would be -- there would be a very
2 different result if -- if we went to customers and
3 said, what we're building, we would also allow a
4 broker, let's say, like, a CAA or a guild or one (1)
5 of the others, to access our services.

6 I mean, we've -- we've always said that
7 we're open to that, and we're open to a shared model.
8 We've never told customers here that, let's say
9 there's some savings in terms of commission rates or
10 something, that we'd -- we'd give half of that to
11 customers, and then that would skew the response here.

12 So, this is really not leading
13 customers into anything, it's just more asking what
14 their view of it is at this point in time.

15 MR. CURTIS UNFRIED: And turning to
16 the issue of Extension insurance which we've touched
17 on briefly earlier. Earlier in these proceedings in
18 response to a question from Board Member Gabor, Mr.
19 Graham indicated that, in general terms, he didn't
20 think that it was the responsibility of MPI to inform
21 consumers about competitive products.

22 Do you recall making that statement?

23 MR. BENJAMIN GRAHAM: Yeah. And I
24 gave an example from a previous role with a -- with a
25 private insure -- insurer that I used to work for,

1 correct.

2 MR. CURTIS UNFRIED: Correct. And,
3 again, it's not surprising in the -- you know, the MPI
4 employees are beholden to MPI. It'd be no different
5 than you wouldn't expect to go to Royal Bank, for
6 example, to inquire about RRSPs and they say, hey,
7 well, you might want to go down --

8 MR. BENJAMIN GRAHAM: Have you gone to
9 BMO, yeah, correct.

10 MR. CURTIS UNFRIED: -- gone to BMO.
11 So, with the 50 percent update that MPI envisions,
12 it's -- will they not -- it's safe to say that they
13 will no longer be -- that that 50 percent of the
14 transactions, again, not rec -- you drew the
15 distinction earlier between the transactions and 50
16 percent of the market.

17 But with respect to the people who
18 engage in those 50 percent of the transactions,
19 they're no longer be -- going to be provided with
20 alternatives on the Extension line, it'll basically be
21 MPI or nothing?

22 MR. BENJAMIN GRAHAM: Yeah, we won't
23 be advertising that. And -- and, obviously, they'll
24 be -- the customers, if they have been visiting a
25 broker and those conversations have occurred where

1 they have compared similar Extension products from
2 other providers, I believe that those type of buyers
3 would be an informed purchaser on our Extension
4 product moving forward.

5 MR. CURTIS UNFRIED: Okay. But it's
6 safe to say by -- by only being provided or exposed to
7 MPI's Extension product that there will be a fur --
8 further marginalization of competition in that
9 particular area?

10 MR. BENJAMIN GRAHAM: Okay, that's the
11 customer's choice.

12

13 (BRIEF PAUSE)

14

15 MR. CURTIS WENNBERG: Remembering that
16 50 percent of the customers can choose brokers, and
17 the broker's offerings online, if -- if your clients
18 choose to offer an online offering, can -- can then
19 offer the extensions from competitors.

20 And if we're at a 95 percent rate today
21 because of the -- the price and the quality of what we
22 offer, then it's -- from our experience, we're going
23 to be offering this to our clients. They will be self
24 -- they'll be self-selecting our channel as opposed to
25 a broker channel if they wanted the choice.

1 But the choice will always be there if
2 they want it.

3 MR. CURTIS UNFRIED: Okay. Well, just
4 on that point, if -- do you agree with me that, if
5 somebody was dissatisfied with their broker, that they
6 could find ano -- they could go find another broker to
7 transaction with, correct?

8 MR. BENJAMIN GRAHAM: Yes, they can,
9 yeah.

10 MR. CURTIS UNFRIED: And agree that
11 that does empower consumers in a way that -- and also
12 fosters healthy competition amongst brokers?

13 MR. BENJAMIN GRAHAM: It does. It
14 empowers brokers to perform even better.

15 MR. CURTIS UNFRIED: However, if MPI
16 were to control such sales, the consumer doesn't have
17 such choice, correct?

18 MR. BENJAMIN GRAHAM: Of going to a
19 different broker.

20 MR. CURTIS UNFRIED: Well, if MPI is
21 controlling sales, there isn't any choice, you're
22 dealing with MPI or --

23 MR. BENJAMIN GRAHAM: Yeah, that's
24 correct.

25 MR. CURTIS WENNBERG: But we're not

1 controlling sales. And that's what Mr. Graham
2 mentioned, is that we're looking at a shared model.

3 MR. CURTIS UNFRIED: Well, is one (1)
4 of the potentials, so.

5 MR. CURTIS WENNBERG: It's the
6 potential we're saying for the last number of days
7 here --

8 MR. CURTIS UNFRIED: Okay.

9 MR. CURTIS WENNBERG: -- and months.

10 MR. CURTIS UNFRIED: Now, in the cost
11 of the service provision, we obviously have canvassed
12 the fact that brokers are compensated for the revenue
13 that's derived from the premiums.

14 And, again, you can confirm that out of
15 this model, the taxpayer doesn't pay any fixed or
16 variable costs incurred by the brokers, like, real
17 estate expenses, overhead, long-term disability, et
18 cetera?

19 MR. BENJAMIN GRAHAM: From MPI's
20 perspective.

21 MR. CURTIS UNFRIED: From -- or -- or
22 the customer or MPI.

23 MR. BENJAMIN GRAHAM: No, that's not
24 factored into that, no.

25 MR. CURTIS UNFRIED: Or that's not

1 correct?

2 MR. BENJAMIN GRAHAM: No, no, that's -
3 - you were correct.

4 MR. CURTIS UNFRIED: Yeah, the broker?

5 MR. BENJAMIN GRAHAM: Yes. And I'd --
6 I'd assume that that would be the same for every other
7 product that's sold through a brokerage from private
8 insurers, as well, yeah.

9 MR. CURTIS UNFRIED: And the 3 --
10 we've already discussed the 3 percent per year that's
11 paid --

12 MR. BENJAMIN GRAHAM: M-hm.

13 MR. CURTIS UNFRIED: -- for Basic.
14 But you would agree that one (1) advantage of this
15 model is that it lessens the exposure of the ratepayer
16 to any unexpected event or trend that could negatively
17 impact premiums?

18 MR. BENJAMIN GRAHAM: Yeah, can you
19 repeat the question?

20 MR. CURTIS UNFRIED: One (1) of the
21 advantages of -- of having this particular model in
22 place is that it lessens the exposure of the ratepayer
23 to any unexpected event or trend that could negatively
24 impact premiums, meaning, if you have something that
25 results in pre -- your premiums going down, you know,

1 from currently 1.4 million -- 1.4 million down to a
2 billion dollars --

3 MR. BENJAMIN GRAHAM: Okay.

4 MR. CURTIS UNFRIED: -- you're still
5 only paying the 3 percent on Basic?

6 MR. BENJAMIN GRAHAM: That's correct.
7 Yeah, there's a direct correlation.

8 MR. CURTIS UNFRIED: Yes.

9 MR. BENJAMIN GRAHAM: Sorry for the
10 confusion.

11 MR. CURTIS UNFRIED: Yeah. No
12 problem.

13

14 (BRIEF PAUSE)

15

16 MR. CURTIS UNFRIED: Turning now to
17 the -- what we discussed earlier, the agreement
18 between MPI and MGEU that was disclosed as part of
19 these proceedings. I just wanted to confirm that
20 there is a no layoff memorandum of agreement contained
21 therein?

22 MR. STEVE SCARFONE: Which document is
23 that, Mr. Unfried?

24

25 (BRIEF PAUSE)

1

2 MR. STEVEN SCARFONE: Is this -- is
3 this the accord that -- the initial accord from 2008
4 that's on the screen --

5 MR. CURTIS UNFRIED: No. This is MGEU
6 just with the --

7 MR. STEVEN SCARFONE: Oh.

8 MR. CURTIS UNFRIED: -- call centre
9 employees, but it -- you know, we'll come back to
10 that.

11 MR. STEVEN SCARFONE: Okay.

12

13 (BRIEF PAUSE)

14

15 CONTINUED BY MR. CURTIS UNFRIED:

16 MR. CURTIS UNFRIED: Okay. Maybe just
17 put it this way, our -- I guess Ms. Hora might be or
18 whoever would be the best -- are you aware of there
19 being a no layoff provision in the agreement with
20 MGEU?

21 MR. BENJAMIN GRAHAM: I believe this
22 is something like that in that, yeah. But until I see
23 the exact wording, I -- I'd rather wait for that.

24 MR. CURTIS UNFRIED: Okay.

25

1 (BRIEF PAUSE)

2

3 MR. CURTIS UNFRIED: And,
4 Mr. Wennberg, yesterday you discussed the importance
5 of benchmarking within the insurance industry and
6 indicated that MPI wants to be average, and you'd
7 given the example of car repair costs. You don't want
8 to be the high or the low. Do you recall that?

9 MR. CURTIS WENNBERG: Yes, I do.

10 MR. CURTIS UNFRIED: And I take it
11 that you would have also done a similar benchmarking
12 for the purposes of broker commissions?

13 MR. CURTIS WENNBERG: We have seen
14 different elements when it comes to broker
15 commissions, yes.

16 MR. CURTIS UNFRIED: Okay. And you
17 could confirm that Manitoba does pay the lowest broker
18 commissions on a percentage basis in Canada?

19 MR. CURTIS WENNBERG: We -- we --
20 there is an anomaly of ICBC where from the Basic
21 rates, they have a -- a flat fee, and so it would
22 depend on the value of the vehicle.

23 So -- however, I think in terms of
24 your -- your -- the underlying questioning, yes, it is
25 lower than on average. And one (1) of the things that

1 you want to do when you're determining what you pay
2 for is -- is what you're getting, too.

3 So what we would do with any of our
4 partners is determine is what -- is it apples to
5 apples? So is what a broker in other markets do for
6 a -- an insurer the same as what brokers in Manitoba
7 do for the insurer.

8 And so that's probably been
9 historically the rationale for -- for less for -- for
10 Basic or not just us but other -- other markets where
11 there's only one (1) provider.

12 MR. CURTIS UNFRIED: Yeah. And the
13 closest comparison again we have is Saskatchewan with
14 SGI.

15 MR. CURTIS WENNBERG: Saskatchewan or
16 ICBC, yeah.

17 MR. CURTIS UNFRIED: Yeah. And in
18 Saskatchewan, they pay -- was it 4.8 percent?

19 MR. BENJAMIN GRAHAM: They do. And --
20 and I -- I guess the only --

21 MR. CURTIS WENNBERG: Four point seven
22 five (4.75).

23 MR. BENJAMIN GRAHAM: -- the
24 difference there is the five (5) year renewal.

25 MR. CURTIS WENNBERG: Yeah.

1 MR. BENJAMIN GRAHAM: So a customer is
2 required to go to a broker, and they are paid for a --
3 per visit as compared to a trailing commission model.

4 MR. CURTIS WENNBERG: Yeah. And it's
5 four point seven five (4.75) when they go in -- in
6 person, and it's a percent less if they use the SGI's
7 online model.

8 BOARD MEMBER GABOR: Sorry. Can I
9 interrupt for a second 'cause I'm -- I'm a little
10 confused in this area. You raised that before in
11 relation to SGI -- SGI's Basic insurance. Correct?

12 MR. BENJAMIN GRAHAM: Yes.

13 BOARD MEMBER GABOR: And then I have
14 it that you put forward, Mr. Unfried, that it's
15 2.28 percent Basic commissions for total expenses in
16 Manitoba.

17 MR. CURTIS UNFRIED: In -- yes, in
18 Manitoba.

19 BOARD MEMBER GABOR: Okay. But am I
20 correct that that is total corporate expenses, or is
21 that total Basic expenses?

22 MR. BENJAMIN GRAHAM: Yeah. That's --
23 that was the question that we raised around -- there
24 was -- we didn't think it was an apples to apples --

25 BOARD MEMBER GABOR: Well, that's the

1 concern I have which is if you wanted -- I'm concerned
2 about for final submission.

3 If you want to do the comparison to
4 Saskatchewan, I would assume that what we need is the
5 percentage of commissions for Basic to total Basic
6 expenses, not to total corporate expenses, because
7 otherwise, we're comparing apples to oranges.

8 MR. STEVEN SCARFONE: Mr. Gabor, that
9 evidence is in MPIC's rebuttal.

10 BOARD MEMBER GABOR: Okay.

11 MR. CURTIS UNFRIED: But it's -- it's
12 3 percent in Manitoba and 4.7 percent in Saskatchewan
13 -- four point seven five (4.75) in Saskatchewan.

14 BOARD MEMBER GABOR: Well, I --

15 MR. STEVEN SCARFONE: Well, all I
16 know is that we --

17 BOARD MEMBER GABOR: As long as we
18 deal with it.

19 MR. STEVEN SCARFONE: Yes.

20 BOARD MEMBER GABOR: I just want to
21 make sure the record's correct because I was taking
22 notes, and I was sort of going, I don't want to have
23 this -- I want -- I want this clarified before we just
24 hit final submission. That's --

25 MR. BENJAMIN GRAHAM: And that -- that

1 was the -- the question we raised around the -- the
2 Basic commissions was being calculated on total
3 corporate expense or total corporate premiums. And
4 that was the -- that was the concern --

5 BOARD MEMBER GABOR: Right.

6 MR. BENJAMIN GRAHAM: -- that we had.

7 BOARD MEMBER GABOR: Thank you.

8 MR. BENJAMIN GRAHAM: Thank you.

9

10 (BRIEF PAUSE)

11

12 CONTINUED BY MR. CURTIS UNFRIED:

13 MR. CURTIS UNFRIED: We segued into a
14 bunch of trailing commissions. You'd agree that
15 obviously this was something willingly negotiated by
16 your predecessors at MPI?

17 MR. CURTIS WENNBERG: Yes.

18 MR. CURTIS UNFRIED: And did you make
19 any inquiries to determine the reasons why trailing
20 commissions were agreed to by MPI at the time?

21 MR. BENJAMIN GRAHAM: Again from
22 My Learned Friend Mr. Keith, I learned that as we went
23 to that five (5) year renewal, we wanted to -- as we
24 suspected unless footfall would come into the broker
25 offices that we would compensate them even if a -- a

1 customer did not enter that office. That was to
2 basically ease in the five (5) year renewal process
3 for our broker partners.

4 MR. CURTIS UNFRIED: Okay. What about
5 the possibility that since moving to the five (5) year
6 renewal period, most people still show up at the
7 broker every year to either make a payment or ask
8 questions about their coverage?

9 MR. BENJAMIN GRAHAM: They may do,
10 yes.

11 MR. CURTIS UNFRIED: Okay. Another
12 possibility that MPI worked with the brokers to find a
13 mutually acceptable commission level on everything,
14 including trailing commissions, and that a joint
15 recommendation was made to government that ended up
16 being accepted. Is that --

17 MR. BENJAMIN GRAHAM: I believe that's
18 what occurred, yes.

19 MR. CURTIS UNFRIED: And that MPI does
20 not believe and did not believe that it's paying more
21 than it should or that it is paying an inordinate
22 amount.

23 MR. BENJAMIN GRAHAM: I can't speak on
24 those that negotiated this.

25 MR. CURTIS UNFRIED: Well, presume --

1 I guess it could be a --

2 MR. BENJAMIN GRAHAM: I'm assuming
3 that they believe that that's correct.

4 MR. CURTIS UNFRIED: Or they wouldn't
5 have cut the deal.

6 MR. BENJAMIN GRAHAM: Yes, that's
7 correct.

8 MR. CURTIS UNFRIED: And that there is
9 uncompensated work outside work outside of the renewal
10 process that brokers engage in and that these trailing
11 commissions are to provide some compensation for that.

12 MR. BENJAMIN GRAHAM: It could be seen
13 that way, yes.

14 MR. CURTIS UNFRIED: Okay. And,
15 again, just coming back to the 3 percent on Basic, I
16 have my eyes open with respect to merchant credit card
17 processing fees recently.

18 And I'm just wondering what that
19 3 percent is charged by the broker -- what is -- how
20 does that compare with MPI's payment processing fees
21 with Visa or Mastercard? Roughly the same?

22

23 (BRIEF PAUSE)

24

25 MR. CURTIS WENNBERG: The -- the

1 entire bill for credit card payments for us was
2 roughly about \$15 million, and we had made some
3 adjustments based on our accepting of credit card
4 payments and tightening down that.

5 So -- so it'll probably be a couple
6 million dollars less next year because we don't take
7 credit cards for the twelve (12) pay. They -- when
8 you pay every month now, we require you to do debit.
9 The -- the credit card fees are -- are a little
10 expensive sometimes on a per transaction basis. So --
11 so yeah, it's --

12 MR. CURTIS UNFRIED: You don't -- you
13 don't know the actual percentage of what -- what is
14 paid, if it's two (2) and a half, three (3) and a
15 half, four (4) and a half percent per transaction.

16 MR. CURTIS WENNBERG: Yeah. No. It
17 depends on the card type. The blended percentage I --
18 I don't -- I know we went through it a while back, but
19 it -- it's much less than the 3 percent.

20 MR. CURTIS UNFRIED: Okay. So maybe
21 find out that -- provide me with that number?

22

23 (BRIEF PAUSE)

24

25 MR. CURTIS WENNBERG: Subject to

1 check, we do have agreements. These are -- these are
2 negotiated amounts generally. So I'm not sure if
3 that's something that we can release from a
4 confidentiality perspective.

5 Like, there's different prices if you
6 have a -- a premium credit card, you pay upwards of
7 one point five (1.5), 1.7 percent on a transaction.
8 If you have a regular card, you might be paying less
9 than a percent.

10 So those actual prices are -- are part
11 of a negotiated contract. So...

12 MR. STEVEN SCARFONE: So what we could
13 undertake to do, Mr. Unfried, is undertake to review
14 the contracts that Mr. Wennberg has just alluded to to
15 see if there's any confidentiality commitments made by
16 MPIC and if not to provide that percentage to you?

17 MR. CURTIS WENNBERG: Or provide a
18 total dollar amount for the global number? Would that
19 suffice?

20

21 CONTINUED BY MR. CURTIS UNFRIED:

22 MR. CURTIS UNFRIED: No. I was just
23 interested in the percent.

24 MR. CURTIS WENNBERG: You -- you could
25 back that out if we gave you the global number.

1 MR. CURTIS UNFRIED: If we knew the
2 number of transactions paid by credit card, it can be
3 backed out.

4 MR. CURTIS WENNBERG: If we could just
5 get you our dollar figure -- the total dollar figure
6 for the year, you could back it into Basic and
7 Extension.

8 MR. CURTIS UNFRIED: But we wouldn't
9 know how many credit card transactions were -- were --
10 I'll just leave it at that.

11

12 (BRIEF PAUSE)

13

14 MR. CURTIS UNFRIED: And again, just
15 getting back to the SGI you had mentioned before and
16 I just wanted to clarify, they -- they currently pay
17 4.75 percent commission for in-person insurance
18 transaction handled by brokers under their Basic
19 compulsory insurance plan but 1 percent less, namely
20 3.75 percent, commission to brokers for Basic
21 insurance transactions processed directly by consumers
22 online? That's correct?

23 MR. CURTIS WENNBERG: That's how we
24 understand it, yes.

25 MR. CURTIS UNFRIED: Okay. And,

1 Mr. Wennberg, when you were discussing the SGI model
2 yesterday, you said words to the effect of that there
3 could be involvement of a broker in the online
4 transaction if -- if necessary, I think was the term
5 you used. Do you recall saying that?

6 MR. CURTIS WENNBERG: Okay. I don't
7 directly recall but --

8 MR. CURTIS UNFRIED: Okay.

9 MR. CURTIS WENNBERG: -- yeah.

10 MR. CURTIS UNFRIED: But you'd agree
11 with me that another reason why the SGA model -- SGI
12 model has a broker involved is for the purposes of
13 liability, so that if something does go wrong, it's
14 ultimately the broker who transacted -- that is
15 responsible. Correct?

16 MR. BENJAMIN GRAHAM: Again, that
17 could be a consideration. I wasn't part of the
18 conversations between SGI or their fund
19 representatives, the provincial government, and the
20 brokers.

21 MR. CURTIS UNFRIED: And I'll get
22 document number CAC-1-1(h).

23

24 (BRIEF PAUSE)

25

1 MR. CURTIS UNFRIED: And in that
2 question -- it's just I guess at the top of page 8 --
3 CAC asked how 1 percent increase in Basic insurance
4 rate would affect broker compensation.

5 In response, MPI stated that such an
6 agreement would result in additional broker
7 commissions approximately point four (0.4) million or
8 \$400,000. Is that -- is that correct? You see that
9 there?

10 MR. CURTIS WENBERG: Yes.

11 MR. CURTIS UNFRIED: And so it'd be
12 accurate to say that in years when the PUB orders a
13 reduction in Basic insurance rates, there's going to
14 be a corresponding reduction on broker commissions
15 paid as well. Correct?

16 MR. CURTIS WENBERG: All things
17 equal.

18

19 (BRIEF PAUSE)

20

21 MR. CURTIS UNFRIED: And with IBAM --
22 I'd like to go to IBAM-2-23(d) as in Donald.

23

24 (BRIEF PAUSE)

25

1 MR. CURTIS UNFRIED: And in this
2 document, IBAM asked what percentage of reassessment
3 transaction are handled by brokers.

4 And in response, MPI provided a data
5 table that indicates the percentage of reassessment
6 transaction handled by brokers annually range from
7 3 percent to 7 percent from 2010/'11 through to
8 2018/2019. Do you see that?

9 MS. CAROL HORA: Yes.

10 MR. CURTIS UNFRIED: Now if we could
11 please bring up MPI Exhibit 43 at page 9?

12

13 (BRIEF PAUSE)

14

15 MR. CURTIS UNFRIED: And -- so this is
16 MPI's rebuttal evidence, and the corporation confirmed
17 that IBAM's inference that the six (6) to 7 percent
18 reference provided in response to IBAM 2-23 did not
19 represent the percentage of reassessment transaction
20 handled by brokers but rather represented the
21 percentage of reassessment transactions handled by
22 brokers in which the coverage change was initiated at
23 the time of reassessment. Is that correct?

24 MS. CAROL HORA: Yes, that's correct.

25 MR. CURTIS UNFRIED: Okay. Now if I

1 read Figure 1 correctly, there were approximately one
2 point eight (1.8) million transactions issued in 2018
3 and '19? Is that correct?

4 MS. CAROL HORA: Yes.

5 MR. CURTIS UNFRIED: And again if --
6 in that same response, MPI indicated that the six (6)
7 to 7 percent figure represented reassessment
8 transactions handled by brokers in which a coverage
9 change was initiated by the customer. Correct?

10 MS. CAROL HORA: Correct.

11 MR. CURTIS UNFRIED: But MPI cannot
12 say with certainty that it was the customer who -- who
13 initiated the coverage change in every one of these
14 cases. Correct?

15 MR. CURTIS WENNBERG: Do you mean --
16 so a customer is at a brokerage office, and in
17 50 percent of the cases, the customer says, hey, I
18 don't want a two hundred dollar (\$200) deductible; I
19 want a one hundred dollar (\$100) deductible.

20 And then the other 50 percent of the
21 cases, the broker says, you should have some more
22 third-party liability. Is that what you're referring
23 to, that we don't know what that split is?

24 MR. CURTIS UNFRIED: What I'm saying
25 is you do not know if it's the customer who initiated

1 the coverage change.

2 MR. CURTIS WENNBERG: Yeah. We don't
3 know that what -- what happened in that visit to --

4 MR. CURTIS UNFRIED: Correct.

5 MR. CURTIS WENNBERG: -- cause the --

6 MR. CURTIS UNFRIED: You just know
7 that a transaction was made. You don't know who
8 initiated it.

9 MR. CURTIS WENNBERG: Absolutely not.

10 MR. CURTIS UNFRIED: So on that --
11 with that understanding, you'd agree that in some
12 cases the coverage change may have, in fact, been
13 initiated or at least identified by the broker who was
14 servicing that customer:

15 MR. CURTIS WENNBERG: Confirmed.

16 MR. CURTIS UNFRIED: And, again, would
17 you -- happen to have any data that would determine
18 the coverage change as to whether or not they're
19 initiated by customers or initiated by brokers?

20 MS. CAROL HORA: No, we do not.

21 MR. CURTIS UNFRIED: Now, I'd like to
22 draw attention to --

23 MR. BENJAMIN GRAHAM: Sorry, could I
24 just ask if, in the spirit of transparency, if the
25 broker community actually measures that, and they have

1 that data available, it might help us with
2 understanding it as well.

3 MR. CURTIS UNFRIED: Okay.

4 MR. BENJAMIN GRAHAM: Yeah. Thank
5 you.

6 MR. CURTIS UNFRIED: I'd like to draw
7 attention to page 11, line 19. And this is with
8 respect to IBAM's initial question, which was the
9 percentage of all reassessment transaction handled by
10 brokers:

11 "MPI further explained in the
12 rebuttal evidence that the number of
13 reassessment transaction payments
14 handled by brokers is somewhere
15 between four hundred and eighty-
16 seven thousand (487,000) and eight
17 hundred and twenty-one thousand
18 (821,000) visits annually."

19 Do you see that?

20 MS. CAROL HORA: Yes.

21 MR. CURTIS UNFRIED: And in the -- in
22 the conclusion that's provided, MPI estimates that
23 somewhere between 22 percent and 63 percent of
24 renewals and reassessments are handled by brokers,
25 correct?

1 MS. CAROL HORA: Yes. It's a large --
2 large variance, but --

3 MR. CURTIS UNFRIED: I was going to
4 say --

5 MS. CAROL HORA: -- we -- we can't
6 track it specifically.

7 MR. CURTIS UNFRIED: And you'd have
8 recognized, given the -- the -- the large extreme
9 between those two (2) numbers, that it could represent
10 a significant difference in broker work ethic either
11 way?

12 MS. CAROL HORA: Yes.

13 MR. CURTIS UNFRIED: Or work -- work
14 effort.

15 MR. CURTIS WENNBERG: Yeah, one (1) of
16 the things that the McKinsey study was really telling
17 us was that a lot of customers are wanting the online
18 piece and that brokers are going to be moving towards
19 more complex transactions.

20 What you see here could represent an
21 awful lot of payments, and what our analysis on the
22 reassessments really provided is that no -- no matter
23 what's happening out there, if there are a lot of
24 consultations with a broker that don't actually result
25 in a change in the -- in the insurance coverage --

1 what we wanted to find out is, okay, in the end, how
2 much change actually is there out there in the
3 underlying coverage. And what that 90 percent is
4 representing is it's not a lot of change.

5 So you would -- you would -- you would
6 expect that if your insurance is good for five (5)
7 years, if you haven't changed in year two (2), you
8 haven't changed again in year three (3), do you really
9 need to go in year four (4) and year five (5) to not
10 change your insurance again, with an -- an insurance
11 broker advising you on that transaction? So that was
12 the one (1) thing.

13 The other thing on the payments is that
14 it is one (1) of these more automated types of things,
15 non-complex in many cases. But we've never really
16 advertised our online payment function. Like, that is
17 one (1) of the things that we at MPI haven't done a
18 good job of of just telling the customers some of the
19 convenient avenues they have. And so you've got a
20 number of visits here that we think are customers not
21 understanding some of the more convenient options we
22 now have.

23 MR. CURTIS UNFRIED: Okay. Earlier in
24 these proceedings, MPI stated something to the effect
25 of in God we trust; all other, bring data.

1 Would you agree with me that one (1) of
2 the reasons trailing commissions may be paid by the
3 insurer during the term of the policy, again, is to
4 compensate for the work effort associated with
5 servicing customers and policies between renewal
6 periods?

7 MR. BENJAMIN GRAHAM: It could be used
8 that way. Correct.

9 MR. CURTIS UNFRIED: Yeah. And would
10 you also agree that while some flat fees are paid to
11 brokers for certain insurance and -- and non-insurance
12 transactions processed between renewals, the flat-fee
13 schedule is not exhaustive and does not fully capture
14 all the situations for which brokers are called to
15 service customers?

16 MR. BENJAMIN GRAHAM: Yeah. Agreed.

17 MR. CURTIS UNFRIED: Yeah. And just
18 an example. For example, a flat fee is -- is paid for
19 taking a driver's -- or, sorry, taking a policy or
20 driver's licence payment, but obviously, one (1) it
21 wouldn't be paying for answering insurance or driver's
22 licence questions when the customer comes in the door.

23 MR. BENJAMIN GRAHAM: Yeah. It --
24 it's an interesting example, because you might have a
25 cancellation of a policy. Say someone leaves the

1 province. If they do that, a broker would get a flat
2 fee for that transaction as well as retain the rest of
3 the six (6) months of the premium commission even
4 though the policy's not in force.

5 So there are some anomalies in that
6 model, but, I mean, ICBC issue flat fees for every
7 transaction, even the purchase of a new insurance
8 policy or a reassessment renewal.

9 MR. CURTIS UNFRIED: Okay. Mr.
10 Graham, yesterday, you were talking about new ins --
11 when you were working in Asia, they have new insurance
12 products that were being developed for the purpose of
13 catering to the different needs of clientele and
14 changing with an evolving market.

15 Do you know when the last time Basic
16 Autopac was changed?

17 MR. BENJAMIN GRAHAM: The policy --
18 the coverage itself?

19 MR. CURTIS UNFRIED: Yes.

20 MR. BENJAMIN GRAHAM: I believe -- I
21 believe the five hundred (500) deductible was in 1997,
22 and I believe the third-party liability coverage was
23 on my sixth birthday in 1983.

24 MR. CURTIS UNFRIED: Okay. Because
25 the reason I ask is that Manitoba is the only

1 jurisdiction that we're aware of that has a five (5)
2 year renewal period. And I know what -- this question
3 was asked, why, and nobody knew the answer. And I
4 guess, is it not partly due to the fact that there has
5 not been any evolution or need to innovate or
6 introduce new products here in Manitoba during this
7 particular period of time?

8 MR. BENJAMIN GRAHAM: Yeah. That
9 could be one (1) of the reasons. Correct.

10 MR. CURTIS UNFRIED: And -- and you
11 also testify --

12 MR. CURTIS WENNBERG: Well, actually,
13 just on that point, the -- the market we have here is
14 -- is evolving, so what we shared in some of the road
15 safety is that the average cost to fix a vehicle these
16 days is actually going up and up. And part of the
17 normal risk share of insurance is that you do have
18 some sort of -- some sort of cost, some amount, when
19 you're claiming the insurances.

20 As we move on, with the rising cost to
21 fix vehicle or other things, we do want to have a
22 deductible that reflects that sort of a risk share
23 arrangement. We also are seeing new things like
24 leasing cars or the IRI coverages and other things.
25 We need to keep -- we need to keep evolving our

1 product set and those -- those points, so that -- that
2 will happen a little bit more so.

3 MR. CURTIS UNFRIED: But 1983 -- that
4 was a long -- you'd agree...

5 MR. CURTIS WENBERG: Oh, very -- very
6 much so. It's one (1) of the components we're looking
7 at.

8 MR. CURTIS UNFRIED: And if --
9 assuming there is going to be some introduction of
10 some new products or evolution, presumably, you would
11 be having to get away from that five (5) year renewal
12 period.

13 MR. CURTIS WENBERG: Not necessarily.
14 If -- if these are really more subsidiary products or
15 Extension products on what's already an excellent
16 Basic product, where we have the -- the benefit as --
17 as being provided by a company that's very good with
18 claims and we all share ownership, it -- it may not
19 necessarily have to change that five (5) year renewal.

20 And -- and whether a broker sells a
21 customer an online policy or MPI sells an online
22 policy, we can both set up robo-advisor types of
23 reminders or -- or -- or elements within the system to
24 -- to do an 'are you sure' type of moment when you're
25 buying the insurances. But -- but that would exist on

1 a broker website as well as ours.

2 MR. BENJAMIN GRAHAM: I -- I believe
3 the first level of product review on the Basic Autopac
4 would be really focussed on those three (3) major
5 components of MIV, deductible, and TPL.

6 MR. CURTIS UNFRIED: And Mr. Graham,
7 you'd also testified yesterday that you had internal
8 discussion in which you had discussed the possibility
9 of moving away from trailing commissions and instead
10 paying a higher commission and/or higher commissions
11 in remote locations. Do you recall saying that?

12 MR. BENJAMIN GRAHAM: I think I said
13 that this morning, yes.

14 MR. CURTIS UNFRIED: This morning.

15 MR. BENJAMIN GRAHAM: Yeah, I ran
16 through it this morning.

17 MR. CURTIS UNFRIED: And did you ever
18 convey or discuss those possibilities with IBAM at any
19 time?

20 MR. BENJAMIN GRAHAM: Yes, I did.

21 MR. CURTIS UNFRIED: Can you -- you
22 provide an approximation as to when?

23 MR. BENJAMIN GRAHAM: There was some
24 discussions with government. I believe those
25 occurred, I'm going to say, June, July, and then we

1 had subsequent conversations with IBAM after that. So
2 I would say... August last year. Yeah.

3 MR. CURTIS UNFRIED: And -- and do you
4 recall who was present at the meeting from IBAM?

5 MR. BENJAMIN GRAHAM: Yeah, I believe
6 it was the negotiating committee.

7 MR. CURTIS UNFRIED: I'd now like to
8 turn to the highlighted broker cards, Exhibit 14.

9

10 (BRIEF PAUSE)

11

12 MR. CURTIS UNFRIED: Again, it --
13 obviously, these documents had been provided, but I --
14 I deemed it -- for the purposes of the questioning on
15 -- on the agreements that have obviously been -- this
16 has subsequently renewed -- that the preamble to the
17 agreement states:

18 "The partnership between MPI and its
19 network of independently owned and
20 operated brokerages has provided
21 significant benefit and value for
22 Manitobans for many years. It has
23 enabled MPI to fulfil its mandate
24 granted through legislation and
25 regulation, and to accomplish its

1 corporate mission."

2 It then sets that mission, namely, it
3 would be to provide Manitobans with guaranteed access
4 to products, coverage, and value. And it goes on, of
5 course, to state that the -- the aforementioned
6 relationship has been beneficial not only to MPI, but
7 to the broker network, but also to the motor and
8 insurance paying public.

9 And if you could just continue to
10 scroll down the page a little bit further. And a
11 little bit more, please.

12

13 (BRIEF PAUSE)

14

15 MR. CURTIS UNFRIED: And again, under
16 the meetings with brokers, they talk about -- and
17 again, I recognize this was before your time, Mr.
18 Graham, but under meetings with brokers, you talk
19 about:

20 "The new service delivery model was
21 designed to maximize compensation
22 based on professionally managing the
23 customers' overall business
24 portfolio, detailed forecasting,
25 analytics, and data modelling

1 provided specifics about the
2 financial impact of the proposed
3 changes.

4 So the -- clearly at -- at that time,
5 they had various figures in mind at the time they were
6 doing modelling for this particular agreement,
7 correct?

8 MR. BENJAMIN GRAHAM: I'd like to
9 think so, yes.

10 MR. CURTIS UNFRIED: If you could
11 continue scrolling down, please.

12

13 (BRIEF PAUSE)

14

15 MR. CURTIS UNFRIED: And again, Mr. --
16 actually, Mr. Williams had already talked about the --
17 I believe the consensus to build on -- that -- that
18 had been reached between the parties at that
19 particular time. And again, this was -- discussion
20 was introduced about the five (5) year renewal cycle
21 for both insurance policies and drivers licences, and
22 that:

23 "Based on negotiations, MPI and IBAM
24 would create a joint formal
25 agreement to be submitted to

1 government, and the fees and
2 structure -- the fee structure
3 included would be incorporated into
4 existing legislation in the form of
5 regulations."

6 Do you see that there?

7 MR. BENJAMIN GRAHAM: Yes, I do.

8 MR. CURTIS UNFRIED: Okay. If you
9 could scroll down a bit further.

10

11 (BRIEF PAUSE)

12

13 MR. CURTIS UNFRIED: And in this
14 particular area here, they talk about:

15 "The processing of renewals has
16 become a low value transaction for
17 most cons -- customers who reinsure
18 the same value every year. MPI
19 research has shown that 86 percent
20 of these renewals are clean. That
21 is to say, there's no change in
22 coverage on these vehicles. The
23 customers are simply paying the
24 invoices billed."

25 And we've already talked about, you

1 know, being a clean transaction already. And goes on
2 to state that:

3 "The customer traffic and
4 consideration was given to the
5 effects of reduced customer traffic
6 in the offices of brokers, and that
7 would translate into lower service
8 levels, and inherently impact broker
9 revenue. MPI research has found,
10 however, that over 60 percent of MPI
11 customers visit their brokers during
12 the year for reasons other than
13 renewing an insurance policy.
14 Therefore, there is conference that
15 brokers will continue to have
16 opportunity in non-renewal years to
17 counsel their MP cust -- MPI
18 customers on coverage and offer
19 value added products and services."

20 Again, I -- for the purposes of the
21 discussion here today, that -- at least at that time,
22 the survey and numbers that were shown by MPI indicate
23 that people were, in fact, coming in for more than
24 just their vehicle search at a time be it for home
25 insurance, liability insurance, whatever.

1 Correct?

2 MR. BENJAMIN GRAHAM: Yes.

3 MR. CURTIS UNFRIED: Yes. If you can
4 continue scrolling.

5

6 (BRIEF PAUSE)

7

8 MR. CURTIS UNFRIED: And the online
9 selling, again, Mr. Williams has referred to this
10 earlier, but during the term of this agreement, MPI
11 will not endeavor to provide customers the option of
12 redoing vehicle registration insurance or drivers
13 licence online. Although that this agreement has been
14 extended on three (3) separate occasions, that
15 provision has not been changed and remains in effect,
16 correct?

17 MR. BENJAMIN GRAHAM: Unfortunately,
18 yes.

19 MR. CURTIS UNFRIED: And --

20 MR. BENJAMIN GRAHAM: We wouldn't be
21 having a lot of these discussions if -- if it was done
22 ten (10) years ago.

23 MR. CURTIS UNFRIED: Continue on,
24 please.

25

1 (BRIEF PAUSE)

2

3 MR. CURTIS UNFRIED: And again, in the
4 -- what this -- the new compensation model, again,
5 they're setting out what was discussed. They
6 discussed the two (2) extreme possibilities, where --
7 identified where brokers would continue be compensated
8 at current levels, or broker compensation on
9 transactions while in Basic Auto, that would
10 effectively be reduced by a factor corresponding with
11 the actual reduction in renewals.

12 Both of these were identified as non-
13 starters. Then a compromise had to be arrived at. It
14 was recognized that any reduction in compensation
15 needs to be gradual in order to provide the broker
16 network -- network with reasonable opportunity to --
17 to prepare and adapt its business models.

18 Therefore, the implementation of
19 changes to compensation models needs to be phased in.
20 Moreover, it was recognized that the loss of
21 remuneration based on revenue derived from renewal of
22 Basic Autopac services needs to be offset by increases
23 in other remuneration streams.

24 And so this is the -- I won't repeat
25 the question from Mr. Williams yesterday, but this is

1 where the idea of reduction in commission fees for
2 Basic would be reduced in exchange for commissions on
3 Extension being increased?

4 MR. BENJAMIN GRAHAM: I believe that's
5 correct.

6 MR. CURTIS UNFRIED: Okay. And if
7 could you continue to scroll down. And...

8

9 (BRIEF PAUSE)

10

11 MR. CURTIS UNFRIED: And then there's
12 some guiding -- general guiding principles you could
13 scroll down past here.

14

15 (BRIEF PAUSE)

16

17 MR. CURTIS UNFRIED: And it also
18 highlighted, there, it says:

19

20

21

22

23

24

25

"After customers, MPI's other pillar
of operations involves the broker
network. MPI has made a commitment
in the past to maintain the broker
network as its primary distribution
channel. This agreement serves to
reinforce this commitment."

1 And again, that provision still remains
2 in effect to this day, correct?

3 MR. BENJAMIN GRAHAM: Yes, that's
4 correct. Brokers are still our primary distribution
5 channel, not an exclusive one.

6 MR. CURTIS UNFRIED: Okay.

7

8 (BRIEF PAUSE)

9

10 MR. CURTIS UNFRIED: You could
11 continue scrolling faster.

12

13 (BRIEF PAUSE)

14

15 MR. CURTIS UNFRIED: And there is also
16 discussion here. You're talking about the smaller,
17 rural brokerages earlier, but there was a provision
18 here that:

19 "If, for whatever reason, some
20 brokerages are not able to maintain
21 viability through and after the
22 transition to the new service
23 delivery model, that MPI deems its
24 customer's disability to suffer
25 unduly as result, MPI may, at its

1 own discretion, provide assistance
2 or relief to the strategic agencies
3 in order to maintain their
4 viability."

5 So that's -- again, it's different
6 wording, but that was one (1) of the things you're
7 considering at this time?

8 MR. BENJAMIN GRAHAM: A very similar
9 principle, yes.

10

11 (BRIEF PAUSE)

12

13 MR. CURTIS UNFRIED: Just keep --
14 sorry, keep going.

15

16 (BRIEF PAUSE)

17

18 MR. CURTIS UNFRIED: Just leave it.
19 You know, that will be fine.

20 So the -- again, this is to provide
21 some background as to what was being discussed back
22 then. Of course, there was a letter from Ward Keith
23 to ext -- the last extension of the broker accord and
24 I'll read from it. It indicate -- it states:

25 "As previously stated, MPI is

1 committed to working collaboratively
2 with brokers through IBAM to inform
3 these service delivery strategies
4 moving forward. There is discussion
5 about the two (2) year extension.
6 We'll provide both organizations
7 with the time necessary to define
8 the long-term service delivery
9 strategy for MPI products and
10 services, inclusive to online, self-
11 serve, and mobile service options to
12 meet the evolving needs of our
13 customers."

14 I take it, Mr. Wennberg, and Graham,
15 and others on the panel, that you still intend to work
16 with IBAM in that collaborative fashion going forward?

17 MR. BENJAMIN GRAHAM: Absolutely.

18 MR. STEVEN SCARFONE: Just -- just to
19 be clear, it's -- the letter that you read from, Mr.
20 Unfried, is that the letter dated November 12th, 2018?

21 MR. CURTIS UNFRIED: Correct.

22 MR. STEVEN SCARFONE: That's the --
23 that's the letter?

24 MR. CURTIS UNFRIED: Correct. I
25 believe it's on the last page of this exhibit.

1 MR. STEVEN SCARFONE: Okay.

2 MR. BENJAMIN GRAHAM: Sorry. Can you
3 just repeat the question?

4

5 CONTINUED BY MR. CURTIS UNFRIED:

6 MR. CURTIS UNFRIED: That the -- the --
7 - reference in the last letter from Mr. Keith, so I --
8 thank you.

9 "The two (2) year extension will
10 provide both organizations with the
11 time necessary to define the long-
12 term service delivery strategy for
13 MPI products and services, inclusive
14 of online, self-serve, and mobile
15 service options to meet the evolving
16 needs and expectations of our
17 customers. As previously stated,
18 MPI is committed to working
19 collaboratively with brokers through
20 IBAM to inform these service
21 delivery strategies moving forward."

22 I just wanted to confirm, although that
23 letter was dated November the 12/2018, that MPI, and
24 the -- that the panel -- that you'd be involved --
25 still intend to work with IBAM in that --

1 MR. BENJAMIN GRAHAM: Yeah,
2 absolutely, and I think we were both collaboratively
3 trying to come up with an answer on what that future
4 service delivery model would be.

5 Unfortunately, if you read any
6 newspaper in this town, there's obviously a -- we're --
7 -- reached a little bit of an impasse, so the brokers
8 are stating that all online transactions should go
9 through a broker.

10 We're saying that it should be able to
11 be done through a broker as well as MPI, so providing
12 customers with that extra layer of choice. We have
13 reached out, and we're just waiting on the final
14 agreement --

15 Can I continue?

16 MR. CURTIS UNFRIED: Yeah.

17 MR. BENJAMIN GRAHAM: That's fine. I
18 have reached out to the agreed conciliator, so my --
19 had a number of discussions with, I believe -- maybe
20 Mr. Wainikka can refresh -- Mario Reimer's title. SI
21 believe he's now the Chair of the Board -- President,
22 sorry. He's the President of IBAM, so we had a number
23 of discussions and we -- I'm just waiting now for a
24 signed agreement to kick off that conciliation, and
25 I've -- I've told Mario that as soon as we have a

1 signed conciliation contract, that we'll be holding a
2 -- a joint meeting with that conciliator.

3 MR. CURTIS UNFRIED: And just -- you
4 had mentioned what -- reading these papers. There's
5 also a lot of -- at least what I've read, some
6 misconceptions or misinformation. One (1) of them has
7 to do with, you know, the statement being that the --
8 the directive that was issued for the conciliation --
9 again, we're not getting into the -- the specifics
10 because it's going to be moving forward, but reference
11 was made to the fact that the directive states that
12 MPI agrees not to institute any new online services
13 during the conciliation process, but that term, in
14 essence, is lifted from the 2008 broker accord that I
15 referred to earlier.

16 MR. BENJAMIN GRAHAM: It might have
17 been, yes.

18 MR. CURTIS UNFRIED: Okay. And
19 similarly, it had also been reported that IBAM raised
20 concerns over MPI running services online and that
21 this led to MPI delaying the launch of MPI going
22 online two (2) to five (5) years, and of course we've
23 heard evidence already but we know that that's not
24 true, correct?

25 MR. BENJAMIN GRAHAM: What was the

1 exact quote again, sorry?

2 MR. CURTIS UNFRIED: That the
3 Insurance Brokers Association of Manitoba raised
4 concerns over MPI running services online, leading MPI
5 to delay the launch two (2) to five (5) years.

6 MR. CURTIS WENNBERG: What -- what
7 quote was that from? Can you give us some context for
8 that?

9 MR. CURTIS UNFRIED: It was a Winnipeg
10 Free Press article of August the 25th.

11 MR. CURTIS WENNBERG: Okay. It could
12 have been in reference to some of the smaller online
13 services. We had been notifying the IBAM group
14 through the negotiating committees when we did the --
15 the 2012 agreement was coming due.

16 One (1) of the big notifications that
17 we had is that we needed to bring some more things
18 online, and -- and one of them was the Class 5, 6, as
19 an example. There was a few other things as well, but
20 that -- that was the one. And so we are working on
21 that and working on more things that we could bring
22 online, and -- and -- and we were asked to -- to not
23 do that. So it could have been a reference to that
24 piece.

25 We are -- I guess we're -- we're

1 speculating.

2 MR. CURTIS UNFRIED: If you'd bring up
3 IBAM-MPI-2-27.

4

5 (BRIEF PAUSE)

6

7 MR. CURTIS UNFRIED: And it'll be B
8 and C. And Question B, where it has:

9 "Is customer self-service now
10 dependent on the delivery
11 implementation of the LSM project?"

12 The answer was:

13 "Yes."

14 And the other question was, C:

15 "If an MPI/MPI broker agreement that
16 considered customer self-service
17 were in place for future delivery
18 service today, would MPI be in a
19 position to launch customer self-
20 service?"

21 And as you will see, the answer
22 provided was:

23 "No. As IBAM is aware, MPI requires
24 the legacy systems modernization
25 project to deliver the type of

1 modern experience that customers
2 expect. MPI's existing technology
3 platforms are not amenable to doing
4 so."

5 MR. CURTIS WENNBERG: Yes. Yes. So
6 the context behind this is that, as we did try to
7 build some of the -- the technology and the customer
8 experience required for things like Class 5, 6, and a
9 customer portal and others, our underlying systems
10 within AOL or -- or CARS, even our -- our customer
11 claim system, it - it -- it showed us that the
12 underlying systems aren't built for that type of
13 experience today, and so -- and so from -- from our
14 own perspective and from our own planning, we won't be
15 doing anything more online until we move forward with
16 the legacy systems modernization.

17 MR. CURTIS UNFRIED: And that's
18 understandable. I'm not -- in that I -- it's not as
19 simple as just slapping up a website and -- and going
20 to business. I'm not -- it takes years -- I think
21 maybe four (4) years down the line or -- I think it
22 was mentioned yesterday, but it -- it's -- it's not as
23 simple as just putting up a website, so.

24 MR. CURTIS WENNBERG: Well, it's --
25 there's more to it than that too. Like, when we think

1 about the -- the reason we want to collaborate with
2 brokers, and we still do, as Mr. Graham said, it's
3 important to us, because if you think about a shared
4 model, there's not just the MPI experience that
5 customers have to go through, but customers will also
6 be going through broker online, and they don't have
7 that today, and with brokers, they are in a
8 competitive market and you could have five (5)
9 different very large international brokers who are
10 offering an online service with their different Robo
11 advisors to take a customer through a transaction, and
12 there can be some very small Manitoban brokerage
13 providers.

14 How our customers go through those, we
15 -- we want to watch that. We -- we don't want to
16 confuse our customers depending on what channel they
17 choose or what broker they choose from their online
18 experience. So we do want to get IBAM's input into
19 what that customer journey or experience would look
20 like.

21 MR. CURTIS UNFRIED: As far as, you
22 know, again being a -- obviously a -- the company the
23 size that you are, whenever there is a -- the
24 implementation of a new or strategic initiative, part
25 of the due diligence that you would undertake would be

1 to look at other jurisdictions or other projects
2 perhaps and -- you know, to find out what went right
3 and what went wrong and try to learn from those.

4 MR. BENJAMIN GRAHAM: Sorry, was that
5 a question or a statement?

6 MR. CURTIS UNFRIED: Question.

7 MR. BENJAMIN GRAHAM: Yes. That's
8 exactly correct.

9 So each year I have an annual meeting
10 with the CEO of both ICBC and SGI. It's hosted in
11 Vancouver because the weather is a lot better there,
12 and we actually -- I -- I stayed back an extra day and
13 we spent a full day with a few members that presented
14 the NOVA project here at the PUB to run through what
15 went well, what didn't, what pitfalls to advise. So
16 the ICBC team was kind enough to spend a full day
17 sharing their experiences to make sure that we don't
18 have the same troubles that they do.

19 MR. CURTIS UNFRIED: And again I know
20 that you're -- I think it's through your IT
21 Department, that talked about some of the difficulties
22 of trying to be an innovator as opposed to a follower.
23 I know there's the \$60 million rate down on IT where
24 they were attempting an innovation obviously in good
25 faith, but it just never went anywhere.

1 Have you looked at other direct online
2 examples in Canada, direct to consumer online such as
3 Sonnet?

4 MR. BENJAMIN GRAHAM: We look at the
5 websites and the way that try to transact with
6 customers, yes, and we also look at some of the ways
7 that other companies are being innovative and
8 measuring driver performance through mobile
9 applications and the impact that that could have on
10 the premiums that customers pay.

11 MR. CURTIS UNFRIED: Okay. Have you
12 looked at -- are -- are you aware of Wawanesa's
13 attempt at going direct to consumer in Quebec?

14 MR. BENJAMIN GRAHAM: Yeah. Very
15 interesting. I don't want to speak on behalf of
16 Wawanesa, but going direct to consumers in a -- in a
17 new market as a Manitoban company growing out into the
18 Quebec provincial market was an interesting one,
19 especially with -- I don't believe they had a strong
20 bricks and mortar presence in that province, so -- I'm
21 very well aware of that.

22 MR. CURTIS UNFRIED: Pull up Exhibit
23 Number 15.

24

25

(BRIEF PAUSE)

1 MR. CURTIS UNFRIED: Just scroll down
2 a bit to the highlighted... Scroll up.

3

4 (BRIEF PAUSE)

5

6 MR. CURTIS UNFRIED: Sorry, just maybe
7 go up a little bit more.

8

9 (BRIEF PAUSE)

10

11 MR. CURTIS UNFRIED: This one isn't
12 highlighted. Or do you got -- do you have a hard
13 copy?

14

15 (BRIEF PAUSE)

16

17 MR. BENJAMIN GRAHAM: I'm assuming
18 you're looking for the quote from --

19 MR. CURTIS UNFRIED: Yeah, the quote
20 in --

21 MR. BENJAMIN GRAHAM: -- Carol --

22 MR. CURTIS UNFRIED: Yeah, the quote
23 in --

24 MR. BENJAMIN GRAHAM: -- Jardine,
25 yeah.

1 MR. CURTIS UNFRIED: The quote being
2 from -- from Carol Jardine, President of Canadian
3 Property and Casualty Operations Wawanesa.

4 And she says:

5 "Anyone who thinks it's easy to do
6 direct insurance is extremely naive.
7 I've been in business -- in this
8 business for over forty (40) years.
9 The one (1) thing I know is that
10 brokers look after their customers
11 better than the directs. Brokers
12 know what their customers need and
13 want. And brokers will provide the
14 value that a customer requires,
15 which is choice."

16 And I guess you don't share that
17 particular point of view?

18 MR. BENJAMIN GRAHAM: In relation to
19 the experience that maybe Carol's referring to there,
20 I -- I'm not naive and I don't think it's going to be
21 an easy process.

22 But, again, providing the customer that
23 choice I think is the -- the key to our decision-
24 making process.

25 MR. CURTIS UNFRIED: Okay. And you'd

1 agree that, in -- in removing the broker through a
2 direct online model, there will be, you know, some --
3 you're -- you're basically relying on a computer
4 system and/or artificial intelligence for the purposes
5 of assisting customers with their insurance choices?

6 MR. CURTIS WENNBERG: Potentially.

7 And as you're starting into a new environment, in a --
8 in a choice of selection of other providers, you could
9 be getting adversely selected, particularly in the
10 first couple of years as you establish.

11 This is also true in other financial
12 services products where, if you're ever starting
13 something new or you're entering a new market, you end
14 up with a J-curve phenomenon, which you -- you showed
15 the group today with the economicals launch.

16 It's -- it's very often that you get
17 into losses in the first couple of years either
18 because of adverse selection or -- or finding your way
19 to scale.

20 And -- and this would be advice we
21 would take if, let's say, MPI was going into a
22 different market and going to challenge into a for
23 provet -- for private market -- or sorry, for profit
24 pilot market, we would have different circumstances
25 upon which to play, and it would be very interesting,

1 but our market is different than that.

2 MR. BENJAMIN GRAHAM: Yeah. I -- I
3 just wanted to reiterate the fact that we are a Crown
4 corporation, so there -- there are some fundamental
5 differences between the experience of Wawanesa
6 entering into the Quebec market versus a captive
7 provincial market that we have here.

8 MR. CURTIS WENNBERG: Yeah.

9 MR. CURTIS UNFRIED: And another --
10 again, dealing with direct online, you're assuming
11 that the customer who's come to the website will be
12 able to understand the products and -- and what
13 they're purchasing from your website, obviously?

14 MR. BENJAMIN GRAHAM: To the best of
15 our ability, that's correct.

16 MR. CURTIS UNFRIED: And the re --
17 unfortunately, the reality, of course, that you would
18 have no way of knowing otherwise, it would be that the
19 consumer may not be educated enough to understand what
20 exactly they're buying, correct?

21 MR. CURTIS WENNBERG: Well, we hold
22 Manitobans in much higher esteem than that. We -- we
23 think that they've had a long history with MPI. And -
24 - and what we see from their transactions is that they
25 trust MPI, both for the Basic, and then also for the

1 Extension.

2 If there was a different type of a
3 market, then you've got all kinds of search criteria
4 and other things.

5 I -- I lived in Ontario. And you
6 really didn't know for your postal code who actually
7 covered you to -- with the lowest -- you know, the
8 more appropriate prices, where if, with my motorcycle,
9 there was maybe two (2) in ten (10) that would even
10 offer the coverage.

11 It's -- it's just a very different
12 phenomena upon which a broker provides some pretty --
13 pretty different value proposition than in other
14 markets.

15

16 (BRIEF PAUSE)

17

18 MR. CURTIS UNFRIED: Another -- again,
19 without -- again, twenty (20) years from now, it might
20 be a different -- different world. Well, it will be a
21 different world we live in.

22 But issues, such a customer being
23 intoxicated, partially incapacitated, I mean, there's
24 simply no way for you to know what type of binds that
25 that person may be in at the time they're buying their

1 insurance, correct?

2 MR. BENJAMIN GRAHAM: That's correct.

3 MR. CURTIS UNFRIED: Okay. In fact,
4 there's not even -- you can't even be certain if the
5 person who's buying the insurance is who they say they
6 are. I mean, it could be a wife buying for a husband,
7 husband buying for a wife.

8 You have no way of knowing?

9 MR. CURTIS WENNBERG: In a shared
10 model, both brokers would be going online and offering
11 it and MPI would be going online and offering it. If
12 there are some extreme cases like this that we want to
13 work together with brokers to determine how we jointly
14 determine to reaffirm these things, we'll -- we'll
15 entertain that with brokers, but remembering that
16 we're open to both brokers and us being online.

17 And I think you were mentioned earlier
18 today that your client is also accepting that online
19 transactions for these types of events are -- are
20 okay, they are for it. Their only issue is direct.
21 Isn't that right?

22 MR. CURTIS UNFRIED: Correct.

23 MR. CURTIS WENNBERG: Okay.

24 MR. CURTIS UNFRIED: Yeah.

25

1 (BRIEF PAUSE)

2

3 MR. CURTIS UNFRIED: Has -- has MPI
4 decided or have you considered how you're going to
5 address the increase in legal liability and exposure
6 that you will have on an online platform?

7 MR. STEVE SCARFONE: That's probably a
8 question that Mr. Wennberg isn't qualified to respond
9 to.

10 MR. CURTIS UNFRIED: Okay.

11

12 CONTINUED BY MR. CURTIS UNFRIED:

13 MR. CURTIS UNFRIED: So, I was going
14 to look Exhibit -- ask that Exhibit 17 -- or Exhibit
15 16 be pulled up, please. And -- and this is the terms
16 of Sonnet, as we've heard, it is Canada's 100 percent
17 online direct insurer.

18 And if you could scroll down a little
19 bit further. I just found it interesting to see how
20 they've dealt with the shortcomings of a direct to
21 consumer online model when selling something important
22 as insurance.

23 If you go one (1) more page, please...

24

25 (BRIEF PAUSE)

1 MR. CURTIS UNFRIED: Two (2) more.
2 There we go, the dis -- disclaimer. And so, again,
3 Sonnet advertises the Canada's 100 percent online
4 insurer. And anybody buying insurance from Sonnet is
5 bound to accept their terms and conditions as they are
6 set out on the website.

7 And as you will see, pursuant to this
8 disclaimer:

9 "Sonnet does not guarantee the
10 quality, accuracy, completeness, or
11 timeliness of the information or
12 other website content provided.
13 Sonnet assumes no obligation to
14 update the information or other
15 website content or advise on further
16 developments concerning topics
17 mentioned.

18 Information or other website content
19 contained on this site may contain
20 typographical errors. Information
21 or other content provided may be
22 changed without notice.

23 Access to the site is provided on an
24 as is and as available basis. You
25 should not assume that this site

1 will be error free or that the site
2 will operate without interruptions.
3 Sonnet disclaims all warranties,
4 representations and conditions
5 regarding the use of this site or
6 other website content provided and
7 all implied warranties and
8 conditions of merchant ability,
9 fitness for a particular purpose non
10 ...whether expressed or implied or
11 arising from the course of daily
12 usage or trade practice.
13 The use of the site and the website
14 content is at your own risk. And
15 Sonnet is not responsible for any
16 content or information contained on
17 the site, including but not limited
18 to content or information that you
19 may find undesirable or
20 objectionable."

21 The point I'm making with this is
22 they've gone to the extreme of -- although they are
23 offering an online service, they are basically
24 disavowing any responsibility for their information
25 set out on the website.

1 Does MPI ever see an instance where
2 similar terms of use would be implemented should they
3 go direct online?

4 MR. STEVE SCARFONE: Well, certainly,
5 Mr. Unfried, that passage that you just read reads
6 like something one (1) of your partners would have
7 written.

8 And as you well know, that disclaimer,
9 although it -- it's designed to protect Sonnet in
10 these circumstances, we both know that they can rely
11 upon that. It doesn't necessarily mean it would be
12 upheld by a court in the event of any dispute.

13 So --

14 MR. CURTIS UNFRIED: Yeah.

15 MR. STEVE SCARFONE: -- I would expect
16 in response to your question that MPIC would try and
17 protect itself in a similar manner but with no
18 guarantees that such a disclaimer would help them in
19 any great way.

20 MR. CURTIS WENNBERG: From Mr.
21 Shijicks's (phonetic) per -- perspective, this is
22 actually a neat exhibit in terms of why MPI offers
23 such value to Manitobans that, as someone in a -- in a
24 different market may have multiple different types of
25 these things to read, not just on top of the price, we

1 are here to serve all Manitobans anyway.

2 So, we -- as you'll find with our
3 existing pieces, we just don't need the same level of
4 fine print in -- in our -- in our documents. And the
5 same should hold true as we move to any other
6 channels. And I thank you for raising this.

7

8 CONTINUED BY MR. CURTIS UNFRIED:

9 MR. CURTIS UNFRIED: And, Mr. Graham,
10 again, coming back to SGI, you'd -- at last year's --
11 at last year's GRA you indicated you had looked at
12 SGI, that they had a very strong online presence.

13 You said, I remember twenty (20) years
14 ago buying insurance online, and yet we still can't do
15 it here in -- in Manitoba. And you're aware, of
16 course, that SGI does use a broker cha -- an online
17 broker channel, correct?

18 MR. CURTIS WENBERG: I am aware of
19 that, correct.

20 MR. CURTIS UNFRIED: And I know one
21 (1) of the issues we had talked about earlier was the
22 50 percent uptake that -- in -- in transactions that
23 you believe Manitobans would potentially get to.

24 Are you aware of the fact that SGI has
25 offered website services since 2008?

1 MR. BENJAMIN GRAHAM: I'll -- I'll
2 take your word for that, yeah.

3 MR. CURTIS UNFRIED: Yeah. And are
4 you aware of the fact that over that period of time,
5 eleven (11) years, their uptake has been about 1
6 percent a year, that they're currently sitting at
7 about 13 percent?

8 MR. BENJAMIN GRAHAM: Yeah. Sure.

9 MR. CURTIS UNFRIED: Okay.

10

11 (BRIEF PAUSE)

12

13 MR. CURTIS UNFRIED: And with respect
14 to SGI, if you could now go to Exhibit 17, please.

15

16 (BRIEF PAUSE)

17

18 MR. CURTIS UNFRIED: And this is
19 obviously posted on SGI's website. And I just asked a
20 few questions based on it.

21 MR. BENJAMIN GRAHAM: Can I just --
22 just ask a question here. Is this SGI auto fund or is
23 this their private SGI Canada, which is only
24 competitive business?

25 MR. CURTIS UNFRIED: We could check.

1 (BRIEF PAUSE)

2

3 MR. BENJAMIN GRAHAM: I'm not too
4 sure. It just re -- specifically refers to SGI
5 Canada. It may have the same verbiage on the SGI auto
6 fund, as well. I'm not too sure.

7 MR. CURTIS UNFRIED: You know, I was
8 going to -- I was just about to suggest to take a
9 break. At this time might be a good time, if that's
10 okay.

11 THE CHAIRPERSON: Can you tell me how
12 much longer you anticipate being?

13

14 (BRIEF PAUSE)

15

16 MR. CURTIS UNFRIED: Forty-five (45)
17 minutes. I know I've gone longer than I had
18 anticipated, but --

19 THE CHAIRPERSON: Okay. And that's
20 fine then. We'll take a break to twenty (20) to 3:00.
21 Is that all right? Does that give you enough time?

22 MR. CURTIS UNFRIED: Sure. Yeah.

23 THE CHAIRPERSON: Thank you.

24

25 --- Upon recessing at 2:27 p.m.

1 --- Upon resuming at 2:40 p.m.

2

3 THE CHAIRPERSON: Okay, thank you.

4 Mr. Unfried...?

5 MR. CURTIS UNFRIED: I defer to Ms.

6 Sokal.

7 THE CHAIRPERSON: Ms. Sokal.

8

9 CONTINUED CROSS-EXAMINATION BY MS. JENNIFER SOKAL:

10 MS. JENNIFER SOKAL: So, Mr. Graham,
11 we just want to go back to a comment that you've made
12 a few times over the course of the day with respect to
13 the distinction between online -- the online provision
14 and the direct online provision of the service
15 delivery.

16 When responding to the question you had
17 said that brokers have demanded a hundred percent
18 control of all transactions; is that correct?

19 MR. BENJAMIN GRAHAM: The stance was
20 that all online transactions -- transactions, sorry, I
21 need to have my coffee a bit quicker, should go
22 through a broker.

23 MS. JENNIFER SOKAL: Okay. So I will
24 draw your attention to -- it's actually Exhibit 18 of
25 -- from IBAM. I just sent it to everyone by email but

1 I had titled it as Exhibit 20 but it will be 18.

2

3 --- EXHIBIT NO. IBAM-18: Email sent on June 20,
4 2019 from Grant Wainika
5 president of IBAM to Mr.
6 Wennberg.

7

8 CONTINUED BY MS. JENNIFER SOKAL:

9 MS. JENNIFER SOKAL: So this is an
10 email sent on June 20, 2019 from Grant Wainika
11 president of IBAM at -- to you and Mr. Wennberg. Do
12 you remember this email?

13 MR. BENJAMIN GRAHAM: We're -- I think
14 we've shared a number of emails but, sure.

15 MS. JENNIFER SOKAL: Okay. So I'll
16 just draw your attention to the highlighted portion of
17 this email and I'll read it in.

18 "There was also discussion with
19 respect to MPI going online. This
20 is something IBAM and its membership
21 remained opposed to unless MPI and
22 IBAM can agree on some specific
23 services moving to an online direct
24 model. We will continue to press to
25 have this addressed in the guiding

1 principles."

2 Can you confirm that this paragraph
3 represents an intention of IBAM to allow for some --

4 MR. BENJAMIN GRAHAM: Yeah, I -- I can
5 provide the context around that. I believe the
6 conversation went down the track that IBAM
7 fundamentally would like all transactions to go
8 through them at which time, if that was the
9 underlining principle, that then IBAM would come back
10 to us and -- I -- I forget the term that was used but
11 discuss what options they feel were more relevant for
12 us to do online direct.

13 MS. JENNIFER SOKAL: Okay. So you
14 would agree then that the tone of this email reflects
15 IBAM's more pragmatic approach that they are not
16 demanding a hundred percent of all transactions?

17 MR. BENJAMIN GRAHAM: Yes or something
18 like -- well, it's very difficult to do when something
19 like five (5) or six (6) is already online direct with
20 us so.

21 MS. JENNIFER SOKAL: Perfect. And
22 actually, that's where I was about to head. So can
23 you confirm that brokers and MPI did come to an
24 agreement on the launch of Class 5 and 6 online
25 booking for road tests and knowledge tests?

1 MR. BENJAMIN GRAHAM: Yes, we did, and
2 if -- if we needed to, I'm sure we could present a
3 number of emails around the discussions that were had
4 over a -- a very long time about us moving online for
5 five (5) and six (6). There was initial opposition (sic)
6 to it fundamentally by IBAM.

7 MS. JENNIFER SOKAL: But an agree --
8 an agreement was reached.

9 MR. BENJAMIN GRAHAM: Formally, yes.

10 MS. JENNIFER SOKAL: Absolutely.
11 Okay. And this agreement allows MPI to deliver this
12 service directly to the customer without the
13 assistance --

14 MR. BENJAMIN GRAHAM: That's correct,
15 yes.

16 MS. JENNIFER SOKAL: Okay. Perfect.
17 Thank you. I will turn questioning over to
18 Mr. Unfried.

19 MR. BENJAMIN GRAHAM: Thank you.

20

21 (BRIEF PAUSE)

22

23 CONTINUED CROSS-EXAMINATION BY MR. CURTIS UNFRIED:

24 MR. CURTIS UNFRIED: That's right.

25 Thank you. Just before the break, I was going to

1 refer to the SGI website, but I think I'll -- what
2 I'll rather do is -- if you'd please bring up
3 PUB-IBAM-1-3 Appendix C which is the IBAS (sic) SGI
4 Auto Fund strategic accord.

5

6 (BRIEF PAUSE)

7

8 MR. CURTIS UNFRIED: And this document
9 confirms that SGI recognizes that the current motor
10 licencing issuing environment including broker
11 issuers, issuer only offices --

12 MR. BENJAMIN GRAHAM: Sorry. Where --
13 where is that in the --

14 MR. CURTIS UNFRIED: Right -- right
15 there.

16 MR. BENJAMIN GRAHAM: Where are you
17 reading? I'm sorry.

18 MR. CURTIS UNFRIED: SGI recognizes --

19 MR. BENJAMIN GRAHAM: Yeah.

20 MR. CURTIS UNFRIED: -- that the
21 current motor licencing issuing environment including
22 broker issuers, issuer only offices, and SGI branches
23 will continue to be service providers of Auto Fund
24 products and services in Saskatchewan. SGI also
25 recognizes that issuers will continue to be the sole

1 providers of Auto Fund products in those transactions
2 delivered online via My SGI.

3 Can you confirm that IBAM has requested
4 a similar commitment from MPI?

5 MR. BENJAMIN GRAHAM: Yes, they
6 have -- they have asked for a -- I believe it is
7 exclusive. I feel -- believe the term was either sole
8 or exclusive. That's correct.

9 MR. CURTIS UNFRIED: And can you --

10 MR. BENJAMIN GRAHAM: As compared to
11 the current one which is primary.

12 MR. CURTIS UNFRIED: And you can also
13 confirm that MPI has refused to provide the same level
14 of assurance that Saskatchewan has provided to their
15 brokers?

16 MR. BENJAMIN GRAHAM: I confirm that
17 is absolutely correct.

18 MR. CURTIS UNFRIED: Okay. Similarly,
19 if you could please go to PUB-IBAM-1-3 Appendix B as
20 in Bob. This is the accord with British Columbia.

21

22 (BRIEF PAUSE)

23

24 MR. CURTIS UNFRIED: If you could
25 scroll down.

1 (BRIEF PAUSE)

2

3 MR. CURTIS UNFRIED: On page 1.

4

5 (BRIEF PAUSE)

6

7 MR. CURTIS UNFRIED: And you'll see
8 here on page 1, the -- the fourth paragraph states the
9 broker's the sole distributor of auto plan. The
10 three (3) parties recognize the need to be responsive
11 to change in customer expectations on how a complex
12 insurance product can be delivered in a cost-effective
13 manner whilst at the same time ensuring that the
14 customer has the right coverage for their unique
15 circumstances.

16 And if you go further down to page 5
17 section -- at 2.1, it states that:

18 "ICBC will give its brokers an
19 unqualified guarantee that the
20 broker will remain the sole
21 distributor of auto plan over the
22 horizon covered by this strategic
23 accord."

24 MR. CURTIS UNFRIED: Again, can you
25 confirm that ICBC has provided assurances, in fact

1 unqualified guarantee, that brokers will be the sole
2 distributor of auto plan in BC?

3 MR. BENJAMIN GRAHAM: Yeah. According
4 to this, they have. Yes.

5 MR. CURTIS UNFRIED: And again, can
6 you --

7 MR. BENJAMIN GRAHAM: I believe so.
8 And -- and building that, I believe Mr. Nick Jimenez,
9 who's my peer at ICBC, was quoted -- I believe it was
10 in Thompson's Insurance News discussing their
11 commitment to the brokers.

12 We were requested by IBAM by give a
13 very similar level of guarantee according to that
14 quote. We actually did a search in replace of ICBC
15 with MPI and sent that letter back to the brokers
16 association and was deemed not sufficient to give them
17 the level of guarantee that they wanted.

18

19 (BRIEF PAUSE)

20

21 MR. CURTIS UNFRIED: So you're saying
22 that you -- you have -- you are prepared to provide
23 the same level of assurance to brokers in Manitoba
24 based on --

25 MR. BENJAMIN GRAHAM: We won't be

1 using the language that it's in this accord or the --
2 the SGI one. It was a specific quote about their
3 commitment to the broken network, I believe it was.
4 I -- I think I can source that letter if it's -- if
5 it's required to be entered into evidence or an
6 undertaking.

7 MR. CURTIS UNFRIED: So you weren't
8 prepared -- well, I guess you weren't prepared to use
9 the language from the ICBC accord or the SGI accord.

10 MR. BENJAMIN GRAHAM: No. And there
11 was a letter sent -- I believe it was an email
12 exchange between a senior member of the association
13 and the response was sent by the former chair of MPI
14 Brent VanKoughnet to the leadership of IBAM.

15 MR. CURTIS UNFRIED: So currently
16 MPI's the only public insurer in Canada that hasn't
17 provided a level of assurance to the broker network.

18 MR. BENJAMIN GRAHAM: That level of
19 assurance that you're referring to in the --

20 MR. CURTIS UNFRIED: Yes.

21 MR. BENJAMIN GRAHAM: -- the quotes?
22 No, we have not.

23

24 (BRIEF PAUSE)

25

1 MR. CURTIS UNFRIED: And in general,
2 how do you think the current uncertainty with respect
3 to MPI's future service delivery model is impacting
4 brokerages?

5 MR. BENJAMIN GRAHAM: As I mentioned
6 through my presentation at the chamber yesterday, I --
7 I think a level of uncertainty in the market is very
8 difficult especially with the amount of change that's
9 foreseeable in the future. So it's obviously a
10 stressful time for the industry.

11 MR. CURTIS UNFRIED: M-hm.

12 MR. BENJAMIN GRAHAM: I'm -- I've said
13 a number of times I'm hoping that this conciliation
14 can hurry up and that we can move forward with a
15 little bit more level of certainty of whatever the
16 model looks like, at least there'll be a level of
17 informed certainty of where we're headed. Yeah.

18 MR. CURTIS UNFRIED: And on the point
19 that you mean -- I think we all agree that
20 uncertainty -- when you said it isn't good obviously,
21 but it -- it does stifle, you know, any investment and
22 expansion with -- because of the uncertainty that's
23 surrounding it

24 MR. BENJAMIN GRAHAM: Yeah. It
25 would -- it would definitely be playing in the mind of

1 a potential investor who wanted to potentially buy a
2 brokerage, but again, that would be a business
3 decision that would be made by that individual, not
4 MPI.

5 MR. CURTIS UNFRIED: Okay. If you go
6 the SDM panel presentation at MPI Exhibit 62, please?

7

8 (BRIEF PAUSE)

9

10 MR. STEVEN SCARFONE: Sorry,
11 Mr. Unfried. If -- if I could just put something no
12 the record. You made the comment about it being the
13 only public insurer --

14 MR. CURTIS UNFRIED: In Canada.

15 MR. STEVEN SCARFONE: -- in Canada.
16 There is another public insurer in Canada which is
17 Quebec which is public insurance. It -- so I just want
18 to make it clear for the record that there's BC,
19 Saskatchewan, and Manitoba, but there's also Quebec
20 which has not been discussed at all.

21 MR. CURTIS UNFRIED: Yes.

22 MR. STEVEN SCARFONE: I'm sorry. Just
23 to correct your --

24 MR. BENJAMIN GRAHAM: Yeah, that's
25 correct.

1 (BRIEF PAUSE)

2

3 CONTINUED BY MR. CURTIS UNFRIED:

4 MR. CURTIS UNFRIED: And so these --
5 this document here deals with the net motor scores
6 that were discussed yesterday ,and you had indicated
7 that this is a new measurement that's only been in use
8 for about three-quarters. Correct?

9 MR. CURTIS WENNBERG: Correct.

10 MR. CURTIS UNFRIED: And when asked
11 about the comparison of the results from customers who
12 had visited brokers to those who had interacted with
13 MPI, you said that it's not an apples to apples
14 comparison. Correct?

15 MR. CURTIS WENNBERG: Yeah. It wasn't
16 related to this page. It was more on the net promoter
17 score page.

18 MR. CURTIS UNFRIED: Okay. Yeah.
19 Sorry. Page 5.

20 MR. CURTIS WENNBERG: Yeah. That's
21 the one.

22 MR. CURTIS UNFRIED: And you stated
23 there are several reasons why a person may have a net
24 promoter score that is lower at brokers than at MPI
25 that are not due to a lower level of service.

1 Correct?

2 MR. CURTIS WENNBERG: Yes.

3 MR. CURTIS UNFRIED: Why did MPI
4 present this graph when it knew that the comparison
5 would be misleading?

6 MR. CURTIS WENNBERG: I could describe
7 the difference in the -- in what we expected, and
8 that's what I wanted to do.

9 MR. CURTIS UNFRIED: Okay.

10 MR. CURTIS WENNBERG: It is -- it is
11 one of the things that we're doing is trying to
12 understand what our customer experience is through the
13 different channels. And so if it means we adjust the
14 question a little bit, we might do so. We'll -- we'll
15 also maybe take a look at whether we actually do some
16 panels on specific questions.

17 MR. CURTIS UNFRIED: Okay.

18 MR. CURTIS WENNBERG: What we -- we
19 did show in the exact slide in front of this was that
20 brokers actually have a 94 percent satisfaction rate,
21 and we have -- oh, maybe two (2) -- two (2) in front
22 of it.

23 So we're not shying away from
24 suggesting that brokers do a good job, and they
25 satisfy our customers. And -- and so that's what --

1 this is the first time, Mr. Unfried, that we've come
2 to this panel, I think, and shown such a -- an open
3 transparent view of what our customer experience is
4 through our -- our business.

5 And from a service delivery model, it's
6 not just the broker channel that we're dealing with.
7 We have many different channels and many different
8 customer journeys through us. And -- and so this
9 whole section is really about that entire pie. It's
10 not just the broker pie.

11 MR. STEVEN SCARFONE: Mr. Unfried, so
12 Mr. Wennberg is such a good witness and he's always
13 anxious to answer right away, but your question was
14 premised on MPIC having filed a misleading document.

15 So in fairness to Mr. Wennberg, could
16 you explain to him what it is that IBAM thinks was
17 misleading about the document when putting that
18 question to him?

19

20 CONTINUED BY MR. CURTIS UNFRIED:

21 MR. CURTIS UNFRIED: That there were
22 several -- he had -- he later explained that there
23 were several reasons why a person may have a net
24 promoter score that is lower at brokers than at MPI
25 that are not due to a lower level of service. And

1 based on the face of that document, you would think
2 otherwise.

3 MR. CURTIS WENBERG: But that was the
4 point of describing that and why we also felt there's
5 some qualifying factors here.

6 MR. CURTIS UNFRIED: And my -- don't
7 be -- clear here that you responded by saying you were
8 -- you were able to supplement and province additional
9 information that it doesn't show up on the face of
10 this document.

11 MR. CURTIS WENBERG: Yes.

12 MR. CURTIS UNFRIED: Yeah.

13 MR. CURTIS WENBERG: Yeah. And there
14 was no intent to mislead, and really, this whole
15 section is about understanding what our customer
16 experience is.

17 MR. CURTIS UNFRIED: Okay. And please
18 turn to the survey results at page 19.

19

20 (BRIEF PAUSE)

21

22 MR. CURTIS UNFRIED: And is this the
23 only iteration of these results, or are there's -- or
24 is there a more fulsome report made regarding this
25 survey?

1 MR. CURTIS WENNBERG: This is the only
2 iteration that I'm aware of, but we will be looking
3 further at -- at these.

4 MR. CURTIS UNFRIED: You said this
5 study was done recently. You do -- do you know
6 exactly when it was done?

7 MR. CURTIS WENNBERG: This quarter was
8 quarter 1, 2019/20, so it'd be related to the -- yeah,
9 March, April, May.

10 MR. CURTIS UNFRIED: And -- and the --
11 who are the customers who answered these questions?
12 Were they representative of the population?

13 MR. CURTIS WENNBERG: Yeah, should be.
14 So this would be a thousand (1,000) customers. They -
15 - they try and manage them so that it's a
16 representative population, and -- and I think we
17 covered off the general numbers underneath this.
18 There was a thousand (1,000), roughly, in total for
19 insurance and licensing.

20 For this specific page, I believe it
21 was about six hundred(600) in total -- six hundred
22 (600) in total that -- that -- that were in insurance,
23 and then on this page, particularly, there was roughly
24 about a hundred (100) that were doing a new policy or
25 a change in policy upon which you would -- you would

1 expect the question.

2 And -- and again, forgive us. It's our
3 first time actually going through and -- and, you
4 know, boiling down or funnelling down when people can
5 ask -- ask these sorts of questions and receive
6 responses.

7 MR. CURTIS UNFRIED: Okay. And just
8 some of the terminology that's on here, we've got
9 excess value coverage; income replacement indemnity;
10 Extension, being the one apparently that was -- that
11 was mentioned least; leased vehicle protection,
12 another one being low, at 5.6 percent.

13 Given the -- I'm going to use the words
14 of Mr. Graham -- the immaturity of the market here in
15 Manitoba, you'd agree that some of the items listed
16 here are insurance terms that the average consumer
17 wouldn't be familiar with?

18 MR. CURTIS WENBERG: If you're --
19 maybe some of the -- the ones near the bottom. I -- I
20 would agree with that. We -- we also had a -- a group
21 of -- of -- of brokers come to a public review meeting
22 that we hosted last month, and -- and there was --
23 there's still some confusion in that group around the
24 income replacement indemnity and some of the -- the
25 posters that we -- we allow on broker walls or we --

1 we -- we bring to that product. So yeah, that could
2 very well be true.

3 MR. CURTIS UNFRIED: Another
4 possibility being that brokers may use a -- a
5 different term or a different explanation --

6 MR. CURTIS WENBERG: Could be.

7 MR. CURTIS UNFRIED: -- for the
8 product --

9 MR. CURTIS WENBERG: Yeah.

10 MR. CURTIS UNFRIED: -- in order to --

11 MR. CURTIS WENBERG: Yeah, you bet.

12 MR. CURTIS UNFRIED: -- you now, quote
13 unquote, "dumb it down."

14 MR. CURTIS WENBERG: Yeah. And -- and
15 it could very well be, like I was explaining in the
16 slide, this is asking the customer a month or so after
17 they've had a transaction. They may have just simply
18 forgotten that they were, in fact, offered this as a
19 choice. We -- we really don't know.

20 MR. BENJAMIN GRAHAM: The -- the other
21 thing is, I think -- that was explained during Mr.
22 Wennberg's presentation was that something like new
23 vehicle protection -- there's only so many new
24 vehicles registered every year, so that's not 7.4
25 percent of the 100 percent that should have been.

1 Maybe only -- it might only have been 12 percent of
2 the customers actually should have been asked the
3 question, so.

4 MR. CURTIS UNFRIED: Yeah, and -- and
5 a lot of vehicles --

6 MR. BENJAMIN GRAHAM: Yeah.

7 MR. CURTIS UNFRIED: -- are under --
8 you know, if they're undervalued -- or, their value's
9 under fifty thousand dollars (\$50,000), there's not
10 going to be too many brokers that would interact --

11 MR. BENJAMIN GRAHAM: Yeah, you're
12 right.

13 MR. CURTIS UNFRIED: So it's...

14 MS. CAROL HORA: I would like to add,
15 on this piece, this survey was done by telephone, and
16 the company that we hire has additional notes to
17 provide to customers if they have questions on the
18 terminology.

19 MR. CURTIS UNFRIED: And similarly,
20 again, there could be -- the broker -- there could be
21 many products the broker would clearly deem irrelevant
22 given the customer and their particular circumstances
23 at that time.

24 MR. CURTIS WENNBERG: Agreed.

25 MR. CURTIS UNFRIED: With -- with

1 respect to Project NOVA, in -- there was a mention
2 that it will provide the capability for MPI website
3 delivery of services. Does this capability allow for
4 the inclusion of brokers in online service of MPI's
5 website such as is done at SGI's website?

6 MR. CURTIS WENBERG: That's part of
7 what -- when you want to talk to IBAM and to IBAM
8 members about is -- is how does this -- how does this
9 work together? What we want to have is a shared
10 model, so different providers can -- can participate
11 here. But that's still to be determined.

12 MR. BENJAMIN GRAHAM: I'm sure you're
13 aware, Mr. Unfried, that if you were to -- if you log
14 on to -- if you searched, it might be Steve Scarfone
15 Insurance Brokers from Regina -- if you went to that
16 website, it would normally contain simply a link.

17 So if you needed to do business with
18 SGI, they normally just provide a link to the login
19 for, I think the -- it's called MySGI, which is your
20 personal online account with them, and then a lot of
21 the information is provided through the MySGI portal.
22 It's just simply a link on a broker's website.

23 MR. CURTIS UNFRIED: Okay. And we
24 heard from the IT panel on Wednesday that MPI intends
25 Project NOVA will deliver capabilities to service

1 customers with P&C insurance coverage, drivers and
2 administration, and physical repair claims. When does
3 MPI believe that Project NOVA will deliver that
4 capability for P&C insurance?

5 MR. BENJAMIN GRAHAM: I'll have to go
6 back and have a look at the -- the very preliminary
7 Gantt charts that we have. I believe it's been phased
8 so that the claims piece will be coming last. We'll
9 be doing some special risk extension first through a
10 pilot program. I -- I don't know the exact time
11 frame, but it's -- it's -- I think it's the second
12 work stream that we have.

13 MR. CURTIS UNFRIED: Okay.

14 MR. BENJAMIN GRAHAM: Hopefully, by
15 next Tuesday. That would be very helpful.

16

17 (BRIEF PAUSE)

18

19 MR. BENJAMIN GRAHAM: Mr. Unfried,
20 I've just confirmed with the two (2) gentlemen that
21 have significant roles on NOVA that we believe the --
22 the rollout of the P&C should be around -- and the
23 driver licensing should be early 2023.

24 MR. CURTIS UNFRIED: Thank you.

25

1 (BRIEF PAUSE)

2

3 MR. CURTIS UNFRIED: And with respect
4 to, you know, this particular business model that
5 you're -- you're pursuing, you know, in the -- the
6 concept of online services, again, recognizing that
7 IBAM and -- and MPI both believe that there should be
8 more online services available for consumers -- in --
9 in the province; it's just a question of how it should
10 be implemented.

11 And similarly, with bro -- the concept
12 of broker commission, what I was having difficulty
13 with coming into this hearing is why these two (2)
14 particular areas had not been considered previously or
15 at least been such a focus previously.

16 You know, in general terms, I mean, the
17 iPhone came out in June of 2007. You know, that
18 obviously changed everything. You've got your
19 predecessors in -- Ms. McLaren and Mr. Guimond, both
20 knowledgeable and successful in their roles, and
21 again, recognizing that you bring in a new perspective
22 from -- you know, coming from overseas, I couldn't
23 understand whether or not this was a situation where,
24 you know -- were -- were Mr. Guimond and/or Ms.
25 McLaren asleep at the switch, or is there some other -

1 - other potential reasons?

2 And what I decided to -- I -- I would
3 do is I put together a list of potential reasons why
4 these had not been considered previously, and for the
5 purposes of referring to them and for referring the
6 panel to it, it will be marked as Exhibit number 19.

7

8 (BRIEF PAUSE)

9

10 MR. STEVEN SCARFONE: So Madam Chair --

11 THE CHAIRPERSON: Just one (1) moment.

12 Just one (1) moment, please.

13 I think that if you want to ask
14 questions related to a list, relating to what factors
15 may or may not have been taken into consideration, you
16 need to ask the questions rather than trying to put it
17 in as an exhibit.

18 MR. CURTIS UNFRIED: Well I -- I was
19 going to ask the -- I could ask the questions first,
20 and then put it in as an exhibit, but I'm just trying
21 to save time, again --

22 THE CHAIRPERSON: As long as you're
23 asking questions related to it.

24 MR. CURTIS UNFRIED: Abso -- abs --
25 it's literally -- per question, each -- each question

1 --

2 THE CHAIRPERSON: Okay.

3 MR. CURTIS UNFRIED: -- and -- and in
4 the int -- and -- and I'll refer to it now.

5 MR. STEVEN SCARFONE: Madam Chair,
6 just before Mr. Unfried begins with those questions,
7 it seems a little unorthodox for Mr. Unfried to be
8 putting to Mr. Graham his list that sets out why he
9 thinks Mr. Graham's predecessors may not have adopted
10 a certain strategy.

11 THE CHAIRPERSON: I expect that we --

12 MR. STEVEN SCARFONE: That's -- that's
13 argument.

14 THE CHAIRPERSON: -- we may hear that
15 Mr. Graham doesn't have a response to those questions,
16 because he doesn't know what was in their minds.

17 DR. BYRON WILLIAMS: Madam Chair, if -
18 - if I might, with the Board's permission, just --
19 normally, one expects if an exhibit's being tendered
20 as evidence, it would be evidence.

21 I'm not sure this is actually evidence.
22 So I'm -- it's obviously the panel's decision and not
23 ours.

24 THE CHAIRPERSON: No, I agree. I
25 don't think it's evidence. I think that the questions

1 need to be asked. I mean, you can -- you get them on
2 the record, or you can submit a list, but the -- it's
3 the questions as opposed to --

4 MR. CURTIS UNFRIED: I was just trying
5 to save time, so I -- I understand your position.

6 THE CHAIRPERSON: Thank you.

7

8 CONTINUED BY MR. CURTIS UNFRIED:

9 MR. CURTIS UNFRIED: So we'll start
10 with the online services world. Again, the first two
11 (2) are the same. Our predecessor did not consider
12 prices were incompetent. I don't think there's any
13 reason to believe that.

14 Another possibility is although the
15 online insurance world is growing in Canada, and
16 although MPI could probably handle most business
17 directly, they made a decision not to and made a
18 commitment not to go direct-to-consumer.

19 Do you have any reason to believe that
20 was one (1) of the reasons why they did not go online
21 sooner?

22

23 (BRIEF PAUSE)

24

25 MR. BENJAMIN GRAHAM: I have no idea.

1 MR. CURTIS UNFRIED: Okay.

2 MR. BENJAMIN GRAHAM: I -- I guess the
3 other part of that response is the agreement was done
4 in 2008, and there was a specific component in that
5 that said no online services would be delivered.

6 I don't understand why -- the -- the
7 background for what's behind that.

8 MR. CURTIS UNFRIED: MPI wants
9 Manitobans to truly have professional insurance
10 advice?

11 MR. CURTIS WENBERG: If they choose
12 it.

13 MR. CURTIS UNFRIED: Okay. Autopac
14 agents, independent insurance brokers, are required to
15 offer more lines of business than just MPI. MPI
16 insists that the customer have the right to select
17 coverages provided by other markets?

18 MR. BENJAMIN GRAHAM: Sure, and they
19 still will.

20 MR. CURTIS UNFRIED: Thank you. MPI
21 has a website that permits certain transactions.
22 Those transactions that can safely be transacted via
23 the internet have already been completed. However,
24 two (2) areas have not been included on the website,
25 physical inventory, for example, licence plates,

1 registration cards, and for consumer protection,
2 though there is involving personal information. They
3 want you to go to a broker to prevent identity theft.

4 MR. BENJAMIN GRAHAM: Yeah, I'm -- I'm
5 trying to understand what response you want me to
6 make, considering I wasn't involved in --

7 MR. CURTIS UNFRIED: It --

8 MR. BENJAMIN GRAHAM: -- in any of
9 these decisions.

10 I'm involved in trying to potentially
11 change some of them, but I didn't make any of the
12 original decisions.

13 MR. CURTIS UNFRIED: And MPI made the
14 decision to embed its technology with their business
15 partner, such as brokers. This allows MPI to work
16 with them and have the lowest prices in Canada?

17 MR. BENJAMIN GRAHAM: Do I repeat the
18 same answer? I -- I don't know. I -- I honestly,
19 don't know, Mr. Unfried. Sorry.

20

21 (BRIEF PAUSE)

22

23 MR. CURTIS UNFRIED: Is the -- I
24 could, like I say, cut through to the chase, is that
25 this line of questioning, again, I -- I felt I had an

1 obligation to put it to the panel here today, given
2 the significance of the issues of broker commission
3 and the issue of online sales.

4 And the reason why -- in -- including
5 trailing commissions. And the reason why these --
6 these questions were being put is I felt I -- I have
7 an obligation to put them to the witnesses, because
8 there is evidence from the transcripts in the prior
9 proceedings that specifically address each and every
10 one of these questions.

11 THE CHAIRPERSON: That's fine, but I
12 think that they have to be asked as questions as
13 opposed to responding to an assumption based on what
14 occurred many years ago. If you want to ask the
15 question specifically related to the issues that
16 you've identified, that's fine.

17 MR. CURTIS UNFRIED: What I'm just
18 trying -- I'm trying to find -- find the easiest way
19 to deal with it, here. I've got -- do I -- you want
20 me to put the transcript -- it -- of -- of the
21 predecessors to what was said at a particular time?

22 THE CHAIRPERSON: You could do that, I
23 suppose, and ask Mr. Graham to comment on it. But
24 again, I think that it's a question of what the
25 relevance is in relation to what's occurring in 2019

1 versus what's occurred in 2008.

2 MR. CURTIS UNFRIED: It's -- it --
3 there are -- it's as -- it's as recent as 2017 and
4 2016.

5 THE CHAIRPERSON: Well then ask the
6 questions, please.

7

8 (BRIEF PAUSE)

9

10 CONTINUED BY MR. CURTIS UNFRIED:

11 MR. CURTIS UNFRIED: You have reason
12 to -- you have reason to believe that MPI has not gone
13 online due to the fact that they made the decision not
14 to go direct-to-consumer?

15 MR. BENJAMIN GRAHAM: Again, speaking
16 on behalf of my predecessors, I -- I don't know the
17 reasoning behind that.

18 MR. CURTIS UNFRIED: Okay.

19 MR. BENJAMIN GRAHAM: I do believe
20 that if there was a question of them approaching the
21 broken network about moving online, again, it would
22 have been in breach of the -- the current agreement.

23 MR. CURTIS UNFRIED: And do you have
24 reason to believe that the reason why MPI has not gone
25 online is because MPI wants Manitobans to have truly

1 professional insurance advice?

2 MR. BENJAMIN GRAHAM: Sure.

3 MR. CURTIS UNFRIED: Do you have
4 reason to believe that Autopac agents, independent
5 insurance brokers, are required to offer more lines of
6 business than just MPI, and that MPI has insisted the
7 cust -- the customer has the right to select coverages
8 provided by other markets?

9 MR. BENJAMIN GRAHAM: Yeah, the -- the
10 number of other coverages that a -- an insurance
11 broker wants to sell is their decision, not ours.

12 MR. CURTIS UNFRIED: And do you have
13 reason to believe that another reason why MPI made the
14 decision to embed its technology with their business
15 partners, such as brokers, that this allows MPI to
16 work with them to have lowest prices in Canada?

17 MR. BENJAMIN GRAHAM: That could be a
18 component. I pent -- I potentially believe that
19 online sales could consistently lower them further.

20 MR. CURTIS UNFRIED: And do you have
21 reason to believe that MPI made the decision not to go
22 direct-to-consumer because the impact on customer
23 service would be horrible?

24 MR. BENJAMIN GRAHAM: No.

25 MR. CURTIS UNFRIED: Do you have

1 reason to believe that they made the decision not to
2 go online because from a consumer protection and
3 customer service perspective, you can't beat what the
4 brokers are doing at the price they're paying MPI?

5 MR. BENJAMIN GRAHAM: No.

6 MR. CURTIS UNFRIED: Do you have
7 reason to believe that they did not go online because
8 in terms of customer service and identity protection,
9 it wasn't worth changing, and MPI could not provide
10 this type of service on its own?

11 MR. BENJAMIN GRAHAM: I do not know.

12 MR. CURTIS UNFRIED: Another reason --

13 MR. STEVEN SCARFONE: Just -- sorry to
14 interrupt, Mr. -- Mr. Unfried, but it seems to me,
15 Madam Chair, that the -- the response provided earlier
16 by Mr. Graham was the most reasonable one, and that
17 was that the accord in 2008 contains a provision that
18 the parties agreed not to pursue online services.

19 MR. CURTIS UNFRIED: But they're --

20 THE CHAIRPERSON: Yes, and I expect
21 that his answers are reflecting that.

22 MR. CURTIS UNFRIED: But it will --
23 it's -- it's far more than just that one (1) provision
24 in the agreement. It's the entire broker network as a
25 whole, and the commitments that were made during that

1 time, and in the renewal years, as I'll -- I'll be
2 getting to shortly.

3 The reason why they didn't go --
4 another reason why they decided not to go online was
5 because licence is a primary form of identification
6 and change of address online allows for identity
7 theft.

8 MR. BENJAMIN GRAHAM: I don't know.

9 MR. CURTIS UNFRIED: The reason why
10 they decided not to go online was because they made
11 the decision to use brokers and brokers alone.

12 MR. BENJAMIN GRAHAM: You can still do
13 transactions with MPI. I don't believe that was a
14 driver of the decision.

15 MR. CURTIS UNFRIED: The tra -- we get
16 the -- the transcripts -- and again maybe I should
17 have started with this one, but --

18 MR. CURTIS WENNBERG: While you're
19 bringing that up, it -- it's it's tough for us to
20 clarify the decisions made at a point in time. We
21 call that sometimes in business, armchair quarter-
22 backing, somebody else's choices and what they are
23 facing at a certain point in time.

24 We always hesitate to do that because
25 you don't know what environment they're facing.

1 One (1) of the things that Mr. Graham,
2 Ms. Hora, and a number of other people here, including
3 myself have done, is harness the experience of the
4 people that are in MPI and radically change some of
5 our approaches, many of which the PUB has seen here,
6 and the people of Manitoba see the benefits of.

7 So whether certain decisions were made
8 in the past, whether it's how we handle certain
9 claims, how we measure customer experience, et cetera,
10 et cetera, when you know better, you do better, as
11 Oprah says, and that's what we're trying to do at this
12 point.

13 MR. CURTIS UNFRIED: But the point
14 here though, sir, is aside from the commissions and
15 aside from the online environment, is that -- what you
16 -- I'll refer you to is that there were several
17 commitments and agreements that were made by MPI that
18 are still binding on the parties here today that are
19 not encapsulated in the accord.

20 MR. CURTIS WENNBERG: Yeah. We were
21 trying over the last number -- year and a half or so
22 to actually get into -- online in the discussion, as
23 Mr. Graham referred to it, some of the different
24 treatments and compensation, which I -- I know aren't
25 subject to debate here, but we've been trying to do

1 it.

2 And as you saw in the 2008, actually
3 what that was doing was the same thing. It was
4 signalling with a lot of notice period and with
5 adjustments to compensation, a method of doing the
6 five-year renewal, which actually was increasing the
7 efficiency in terms of how we sell insurance in
8 Manitoba.

9 So we're almost doing a similar thing
10 here where we're giving long lead time and notice
11 about an industry disruption event that - that can
12 help consumers, and -- and that's really what we're
13 still trying to do.

14 MR. STEVE SCARFONE: So -- and I don't
15 mean to be -- again, I don't mean to interrupt, but I
16 can see where I can see where my learned friend is
17 going.

18 I would caution him and remind the
19 Board that to the extent that he's going to raise
20 commitments made in the past that aren't, as he say --
21 said, encapsulated in the broker accord from 2008, he
22 would be having to overcome the parol evidence rule.
23 And so bear that in mind, Madam Chair, that we have a
24 written agreement and the law would say that any
25 extraneous terms outside of that agreement are not to

1 be considered.

2 MS. KATHLEEN MCCANDLESS: Just as a
3 point of clarification, Mr. Scarfone, are you
4 objecting to this line of questioning or just making
5 comment?

6 MR. STEVE SCARFONE: I -- I --
7 basically it's -- it's an anticipatory objection
8 because I know where Mr. Unfried's going.

9 MR. CURTIS UNFRIED: Can I just have a
10 moment with my friend? I think I might be able to
11 have a way to resolve -- a way to resolve this. Just
12 one moment.

13

14 (BRIEF PAUSE)

15

16 MR. STEVE SCARFONE: So, Madam Chair,
17 -- oh.

18 MR. CURTIS UNFRIED: Madam Chair, if I
19 could just tell you the reason why I was going about
20 the way -- or he's attempting to go about the way I
21 was doing this is that I did not want to fall victim
22 to the rule of Browne and Dunn in that, as you know --
23 and I recognize the Rules of Evidence don't always
24 apply to a tribunal, but as you know, when there is
25 evidence that has been given on behalf of a

1 corporation in a prior proceeding or an individual in
2 a -- in a prior proceeding, if we intend to rely or --
3 or use it in any way, shape, or form, including in
4 closing arguments, we have an obligation to put it to
5 the witnesses while they're here.

6 We cannot in effect sit on it and then
7 wait till the end of the hearing and then put it in as
8 -- as evidence and refer to it then, because then if -
9 - Mr. Scarfone would be up objecting, saying, well,
10 you know, MPI didn't have the opportunity to respond.
11 It's Browne and Dunn and you're -- you're out of the
12 box.

13 So that's -- was the concern I had and
14 -- and I was attempting to do what I did, but Mr.
15 Scarfone and I just spoke with the -- with the
16 assistance of Mr. Williams and we've reached an
17 agreement under which it -- the documentation that I
18 have here will be filed as an exhibit, that --

19 THE CHAIRPERSON: Transcripts, yes,
20 okay.

21 MR. CURTIS UNFRIED: The transcripts.
22 Yes, the transcripts can used as an exhibit, and that
23 Mr. Scarfone -- it could be referred in argument, but
24 Mr. Scarfone, of course, can raise arguments as to the
25 weight that should be given to that -- those

1 transcripts and the statements contained therein.

2 THE CHAIRPERSON: Mr. Scarfone...?

3 MR. STEVE SCARFONE: Yes, that's
4 correct, Madam Chair. So the Corporation would
5 consent to these particular transcripts going in just
6 for that sole purpose, and we won't raise Browne v.
7 Dunn in closing, but we're not, of course, waving our
8 right to rely on any other arguments, including the
9 parol evidence rule, but we recognize that these are -
10 - these are transcripts from witnesses that were under
11 oath before this Board.

12 THE CHAIRPERSON: Okay, thank you.
13 Mr. Unfried...?

14 MR. CURTIS UNFRIED: Thank you.

15 MS. JENNIFER SOKAL: Could we go back
16 to Exhibit 62, please?

17 THE CHAIRPERSON: Can you answer the
18 question with regard to the number of this exhibit?

19 MS. JENNIFER SOKAL: Of this exhibit?

20 THE CHAIRPERSON: Yes, please.

21

22 (BRIEF PAUSE)

23

24 MS. JENNIFER SOKAL: Okay. So this
25 will be Exhibit 20. Sorry about the delay there. Or

1 sorry, Exhibit 19. We aren't going to be putting in
2 the original Exhibit 19 that we had sent out.

3

4 --- EXHIBIT NO. IBAM-19: Transcripts

5

6 CONTINUED CROSS-EXAMINATION BY MS. JENNIFER SOKAL:

7 MS. JENNIFER SOKAL: Could we please
8 turn to MPI Exhibit 62, Slide 20?

9 So just coming back to the capability
10 that's referred to here, as far as MPI is concerned,
11 this capability translate to sensibility and that,
12 just because something can be done, should it always
13 be done?

14 MR. CURTIS WENNBERG: Just some --
15 because something can be done doesn't always
16 necessarily mean it should be done.

17 MS. JENNIFER SOKAL: Perfect. Thank
18 you.

19 MR. CURTIS WENNBERG: You're asking me
20 though a little bit more about this. So, are you
21 referring to the top line, "Project NOVA will provide
22 us the capability"?

23 MS. JENNIFER SOKAL: Yes.

24 MR. CURTIS WENNBERG: Yeah. So, this
25 is the once in a -- once in a long time event where we

1 can actually change our systems and do what is
2 sensible for our customers.

3 And what a lot of customers have said -
4 - which they -- it's -- it's similar in many other
5 jurisdictions, as well. They want the ability to go
6 online with a trusted provider like us, an
7 organization which they own a piece of, and buy their
8 insurances.

9 And so then, in this regard, yes, very
10 much it is sensible for us to adopt this, as well.

11 MS. JENNIFER SOKAL: Okay. Turning to
12 the third bullet point, risk is lower, customer risk
13 in choosing self-service is lower in Manitoba with
14 MPI, you explained that a bit yesterday, but could you
15 explain it a bit further and how the risk would be
16 lower in Manitoba?

17 MR. CURTIS WENNBURG: Yeah. I believe
18 this is in our Information Request response either
19 once or twice. We talked about it yesterday and I'll
20 go through it again at the highest levels.

21 Because we have a low de -- a low
22 deductible, lots of options and coverage within the
23 Basic -- the Basic insurance here in Manitoba, even if
24 a customer chooses that, they -- they have a good
25 degree of coverage.

1 In Ontario, for example, where I came
2 from, it's not uncommon to start the deductible choice
3 just on say collision damage at two thousand dollars
4 (\$2,000).

5 And so, if there's a customer that
6 can't absorb that fifteen hundred dollar (\$1,500)
7 spread on the deductible between five hundred (500)
8 and fifteen (1,500), that is a risk that a broker can
9 help them think about and talk about.

10 The other piece we referred to earlier
11 today, as well, and I used say a motorcycle example,
12 you just have -- you don't even know who's going to
13 cover you in the postal code that you are.

14 So, even just searching and shopping
15 for insurances in different markets, a broker's a
16 strong value add in terms of that.

17 Then in terms of the choices you make,
18 there may be compounding things that you do, like,
19 bundled discounts or other things, where a broker can
20 help educate you on some of that. We don't -- we
21 don't have some of those because of the nature of us
22 and our offerings.

23 And then, finally, in terms of the
24 coverages and which insurance cov -- companies cover
25 you really well or, you know, which ones do use fine

1 print. And I thank you for your exhibit from about an
2 hour and a half ago regarding that, that brokers do
3 help you and they understand in -- in general practice
4 with many -- many experiences how to -- how to wade
5 through that for particular customer needs. And we
6 don't have that here in Manitoba either.

7 So, when we talk about the compensation
8 levels, you have to think about that apples to oranges
9 scenario, too. And -- and that's what this is,
10 meaning that the risk is lower if a customer does move
11 online.

12 And remember what we're saying is we
13 acknowledge that you agree, too, that Manitobans can
14 go online. They can renew insurance and they can
15 reassess their insurance online through some of your
16 members' sites or our site.

17 So, I -- I think you're not opposed to
18 -- to them doing this. And -- and this is what they
19 mean if they do it with MPI, as well.

20 MS. JENNIFER SOKAL: So, that was
21 actually a very good segue because I was about to ask
22 you about the share delivery model of having broker
23 websites and BMPI website competing against one
24 another.

25 MR. CURTIS WENBERG: Okay.

1 MS. JENNIFER SOKAL: Do you think that
2 it's reasonable to expect that, if someone Googles or
3 puts into a search engine Insurance Manitoba, that a
4 broker website would come up?

5 MR. CURTIS WENNBERG: Is it reasonable
6 to expect a broker website?

7 MS. JENNIFER SOKAL: Would you --
8 would you expect a broker we -- would you accept --
9 expect MPI's website to be the first result in that
10 search?

11 MR. CURTIS WENNBERG: I would expect,
12 however it runs, there would be multiple companies
13 that might come up in there.

14 MS. JENNIFER SOKAL: Would you expect
15 that a consumer that is not informed, perhaps a new
16 driver or someone who's bought their first car,
17 wouldn't necessarily understand how the broker system
18 works or how MPI works in general and they might
19 search Manitoba Insurance and the first results would
20 be Manitoba Public Insurance and broker websites would
21 not be on that same list?

22 MR. BENJAMIN GRAHAM: I don't know how
23 it would through a Google search, for example. But I
24 know that it would be -- the onus would be on the
25 broker network itself to promote the services that it

1 provides.

2 And if you refer back to that
3 Saskatchewan model, again, it is simply a link on a
4 website that literally takes you directly to the SGI
5 website anyway.

6 MS. JENNIFER SOKAL: Do you think it's
7 reasonable to ask an independent, a single brokerage,
8 to compete with a \$1.3 billion Crown corporation and
9 online environment?

10 MR. CURTIS WENNBERG: One (1) of the
11 concerns that we're wanting to talk to IBAM about is
12 some of the competition impacts. So, if -- if the top
13 ten (10) brokers in Manitoba are larger companies that
14 also serve other jurisdictions beyond Manitoba, what
15 will that do to some of the smaller brokerages.

16 And so, we'll have this issue as your
17 client wants to go online, too. We'll -- we'll have
18 this issue definitely to -- to deal with.

19 As we look at broker size in Manitoba,
20 it's evolved over the last five (5) years, too. Like,
21 big -- big broker is something that we call five (5)
22 locations plus have moved from 48 percent of our
23 commissions and -- and compensation to now 54 percent,
24 so big brokers are growing.

25 And smaller brokers that are one (1) --

1 one (1) outlet and less are -- are -- they were 27
2 percent in 2013, and then gone down to 25 percent.
3 And the medium sizes have gone down by another 4
4 percent.

5 So, the big brokers are coming in and
6 more non-Manitoban brokers are coming into our market.
7 So, if they have much better online systems and -- and
8 marketing for people to go into those online, we do
9 want to understand what that means to the smaller
10 outlets who -- who could be affected.

11 And as we went out in the outset in --
12 in the online services -- ser -- service deliver model
13 presentation, we -- we are wary of our coverage issues
14 here. We want to make sure that there are some
15 brokerage outlets where, for that in-person visit,
16 it's still within a reasonable -- reasonable distance
17 to those customers.

18

19 CONTINUED CROSS-EXAMINATION BY MR. CURTIS UNFRIED:

20 MR. CURTIS UNFRIED: Just and -- and
21 I've got probably two (2) questions just with respect
22 to the comparison to SGI's online website, of course.
23 The difference in Saskatchewan is that SGI is not
24 competing with the brokers on the same -- on that
25 particular platform, correct?

1 MR. CURTIS WENNBERG: SGI does all of
2 it. And they ask -- the drop-down menu. And that's
3 how they allocate the compensation. So, they can --
4 that is one (1) method that we would talk to IBAM
5 about.

6 But one (1) method is MPI. You go to
7 our site. You do a drop-down menu, and -- and however
8 that works. You can choose I don't have a broker or
9 I'm part of these -- these broker sets. And then a
10 rural one has the same experience as, let's say, a
11 very large broker who's got international experience
12 and -- and developers.

13 MR. CURTIS UNFRIED: And -- and what
14 SGI's done is that you basically type in your area
15 code as to where you live in Saskatchewan. You get a
16 drop-down menu of brokers in the area. And then the
17 consumer gets to select which one he or she wants to
18 use. And that way, it levels the playing field.

19 So, the only concern that -- as you
20 could appreciate -- and just to echo what Ms. Sokal
21 has mentioned, I mean, with MPI going into competition
22 against, like, a mom and pop broker in Deloraine,
23 Manitoba trying to compete with a \$1.4 billion
24 government-backed monopoly on such things as Google ad
25 buys, for example, web presence -- it's -- it's just a

1 non-starter.

2 And so the -- again, I recognize that
3 additional decisions need to be made, but as you can
4 appreciate, we're -- we're hopeful that something
5 other than MPI being in direct competition with these
6 mom and pop operations will ultimately result at the
7 end of the day.

8 MR. BENJAMIN GRAHAM: Sorry. What was
9 the name of that -- it was Deloraine?

10 MR. CURTIS UNFRIED: Deloraine.

11 MR. BENJAMIN GRAHAM: So I -- I
12 assuming that the resident in Deloraine would make a
13 choice whether they feel they want to go through a
14 broker website or go to a broker office or go directly
15 to MPI. That -- again, we continually state that we
16 want to give a customer a choice. So it should be
17 that person's choice whether they -- they want to go
18 through Steve Scarfone Insurance Brokers and go
19 through their website versus MPI's directly.

20 So it's -- I believe a lot of the onus
21 is on the broker itself to provide that value to the
22 customer which enables that customer to say, I see the
23 value of that broker discussion, the broker feedback.
24 I'm now going to make sure that they get their
25 commission as part of that model.

1 MR. CURTIS UNFRIED: Despite the fact
2 that -- that that would result in less consumer
3 protection and less choice at the end of the day,
4 given removing the broker from the -- from the
5 transaction.

6 MR. BENJAMIN GRAHAM: I'm -- I'm a
7 little bit confused about giving the customer less
8 choice. We're -- we're not looking at replacing any
9 of the existing channels.

10 We're simply saying that we would
11 augment it through -- either going through MPI online
12 or going through a broker online. I actually think
13 we're expanding the choice for customer by two (2)
14 options.

15 MR. CURTIS UNFRIED: But you're taking
16 away their ability to buy Extension insurance from
17 others.

18 THE CHAIRPERSON: Mr. Unfried, can you
19 ask him a question.

20 MR. CURTIS UNFRIED: Sure. I think we
21 are at an end of that particular issue on it, so
22 I'll -- I'll leave it at that for now.

23

24 (BRIEF PAUSE)

25

1 MR. CURTIS UNFRIED: That concludes my
2 questioning this afternoon. Thank you.

3 THE CHAIRPERSON: Thank you,
4 Mr. Unfried. It's 3:35. We have commercially
5 sensitive information questions for follow up. I
6 believe the Board will have some questions. Is this
7 panel available on Monday morning?

8 MR. BENJAMIN GRAHAM: I believe I'm
9 available as of approximately 10:00 a.m.

10

11 (BRIEF PAUSE)

12

13 MR. BENJAMIN GRAHAM: If I can just
14 reiterate, I believe for the commercially sensitive
15 information, I don't know if I was required for that.
16 I still need to discuss with my -- with my colleagues.

17 THE CHAIRPERSON: Mr. Williams...?

18 DR. BYRON WILLIAMS: Thank you. I've
19 indicated to legal counsel for MPI the areas that
20 we're going to cover which relate to the agreements
21 with chiropractors and different industry
22 associations.

23 So obviously, it's a choice of Manitoba
24 Public Insurance. You know what the issues are.
25 That's your choice what -- what your... Mr. Wennberg,

1 I'm sure, could -- could answer them, but that's your
2 --

3 MR. BENJAMIN GRAHAM: Mr. Wennberg
4 would, like most things, probably be able to answer
5 them better than myself anyway. So...

6 THE CHAIRPERSON: Thank you. If
7 Mr. Wennberg then is available at nine o'clock on
8 Monday morning, can we adjourn until then? And
9 immediately following the CSI, we'll carry on with the
10 questions from the Board and, I'm assuming, some
11 redirect from counsel. Our questions will be posted,
12 Mr. Wennberg, as well.

13 DR. BYRON WILLIAMS: Madam --
14 Madam Chair, might I ask the diligence of the -- the
15 Board just for -- PUB counsel did advise me and MPI
16 has -- one (1) of the questions that I asked of the
17 MPI panel yesterday, we -- we brought up from the
18 record, but it was evidence that had -- that had
19 subsequently been amended.

20 So I have, like, two (2) questions just
21 to -- I could do it on -- it's for the public record.
22 I don't need to do it now, but just rather than
23 flipping back and forth on the public record, I leave
24 that -- I could do that now if that's --

25 THE CHAIRPERSON: Sure. That's fine.

1 Why don't you go ahead and do that.

2

3 RE-CROSS-EXAMINATION BY DR. BYRON WILLIAMS:

4 DR. BYRON WILLIAMS: And,

5 Mr. Wennberg, you have before you the response -- the
6 revised response to CAC-MPI-1-1(k)?

7 MR. CURTIS WENNBERG: Yes.

8 DR. BYRON WILLIAMS: And you'll recall
9 yesterday I asked you some questions about the
10 Figure 2 in trailing commissions for the 2018/'19
11 year, sir? Do you recall that, or even if you don't,
12 will you accept that, subject to check?

13 MR. CURTIS WENNBERG: Yes.

14 DR. BYRON WILLIAMS: And -- so let's
15 just focus on that. Sir, based upon the revised
16 figures with the trailing commissions written in
17 2018/'19 in total be \$48.4 million, sir?

18 MR. CURTIS WENNBERG: Correct.

19 DR. BYRON WILLIAMS: And in terms of
20 the Basic trailing commissions for the '18/'19 year,
21 sir, would it be fair to suggest they're in the range
22 of \$24.4 million?

23 MR. CURTIS WENNBERG: Yes.

24 DR. BYRON WILLIAMS: Thank you,
25 Madam Chair. And I apologize for the confusion

1 yesterday.

2 THE CHAIRPERSON: Thank you,
3 Mr. Williams. Thank you, panel. We'll be adjourned,
4 and we'll go to commercial sensitive information on
5 Monday morning with Mr. Wennberg, and then we'll see
6 Mr. Graham --

7 MR. BENJAMIN GRAHAM: Yeah. And I'll
8 join as soon as I can.

9 THE CHAIRPERSON: Okay.

10 MR. BENJAMIN GRAHAM: Yeah. Thank
11 you.

12 THE CHAIRPERSON: And sorry, one (1)
13 further comment. Can Ms. Hora be available as well on
14 Monday at nine o'clock?

15 MS. CAROL HORA: Yes.

16 THE CHAIRPERSON: Thank you. Thank
17 you.

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19 (PANEL RETIRES)

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21 --- Upon adjourning at 3:39 p.m.

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1 Certified Correct,

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6 Donna Whitehouse, Ms.

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