



"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 22, 2019

Pages 2275 to 2627

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| 3 | MPI-89 | Response to Undertaking 33 |
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| 5 | | dated October 17, 2019 |
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| 7 | MPI-91 | Update of RM Figure 17, the summary of premium increases /decreases by major class, |
| 8 | | territory, and vehicle type |
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| 2 | NO. | DESCRIPTION | PAGE NO. |
| 3 | 37 | IBAM to provide the methodology and the report of Probe Research, recognizing that there may be some commercially sensitive questions that are not relevant to the general rate application | 2483 |
| 9 | 38 | IBAM to provide a copy of the participation agreement that's referenced in the 2008 broker accord | 2529 |
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1 --- Upon commencing at 9:02 a.m.

2

3 THE CHAIRPERSON: Good morning,
4 everyone. This morning, we will be continuing with
5 MPI's cross-examination of the experts -- the
6 witnesses for CAC. However, first, I believe that Ms.
7 McCandless has some housekeeping matters to discuss.

8 MS. KATHLEEN MCCANDLESS: Thank you,
9 Madam Chair. Good morning. Just a couple exhibits to
10 enter for the record. They are letters from the
11 Soronow Law Office, from Sidney Soronow, taken in the
12 form of presentations to the Board.

13 So the first is a letter dated October
14 17, 2019, to the Public Utilities Board, and the
15 second is a letter dated October 21, 2019, from Mr.
16 Soronow to the Public Utilities Board, and that would
17 be PUB number 25. Thank you.

18

19 --- EXHIBIT NO. PUB-25: Letters dated October 21,
20 2019, and October 21,
21 2019, from the Soronow Law
22 Office

23

24 DR. BYRON WILLIAMS: Madam Chair, if I
25 might, just before My Learned Friend beg -- begins his

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1 cross, I did have two (2) more introductions to make,
2 just for this morning.

3 Beside Mr. Klassen, to his right is Ms.
4 Christine Williams. She's a third year Robson Hall
5 student, who is, again, a public interest intern with
6 our Centre this term. And to her right is Ms. Chim,
7 C-H-I-M, Undi, who is also a third year Robson Hall
8 law student who is interning with the Public Interest
9 Law Centre for part of this term.

So we welcome you.

11 THE CHAIRPERSON: Thank you. And Ms.
12 McCandless, are there any issues that you wanted to
13 raise in regard to the timing for today, and then
14 potentially later, we'll talk about the balance of the
15 hearing?

16 MS. KATHLEEN MCCANDLESS: Yes. Thank
17 you, Madam Chair. So we did have some discussions at
18 the conclusion of the proceedings yesterday, and I can
19 advise that counsel will be sticking to the -- the
20 limits we discussed.

21 So this morning, Mr. Guerra is
22 completing his cross-examination of the CAC panel. He
23 has advised that will take him fifteen (15) to twenty
24 (20) minutes. Mr. Watchman will be doing his cross-
25 examination of the CAC panel. That should take us

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1 about forty-five (45) minutes.

2 So the first hour of the proceedings
3 will be taken up with the CAC panel. And then if --
4 Madam Chair, if you'd like, I can run through all
5 limits now, or we can -- as counsel begin their --
6 their examinations, I can advise the panel as to what
7 the limit is for that individual counsel.

8 THE CHAIRPERSON: I think that --

9 we'll -- we'll do it in that order, as you suggested.

10 So we'll proceed now with Mr. Guerra.

11

12 CONTINUED CAC WITNESS PANEL:

13

14 WAYNE SIMPSON, Previously Sworn

15 JOHN TODD, Previously Affirmed

16

17 RE-CROSS-EXAMINATION BY MR. ANTHONY GUERRA:

18 MR. ANTHONY GUERRA: Thank you. And
19 just as a housekeeping issue, MPI will be filing as a
20 -- an exhibit its response to PUB Exhibit number 24,
21 which is the October 17th, 2019 letter from Mr.
22 Soronow, in due course.

23 Dr. Simpson, I'd like to speak with you
24 a little bit about the issue of -- of percentage of
25 premiums, or the methodology for determining the

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1 targets of the rate stabilization reserve using the
2 percentage of premiums methodology as it -- it does
3 appear in your report, and there's some discussion
4 about the -- the history of how we got to this -- this
5 point.

6 So just for some clarification, can you
7 confirm again what you refer to -- or what you mean by
8 the term percentage of premiums is a methodology for
9 calculating the targets for the rate stabilization
10 reserve?

11 DR. WAYNE SIMPSON: Yeah. This came
12 out of the Kopstein report and began the ball rolling,
13 if you will, on the question of the size of the rate
14 stabilization reserve, the RSR. And the Kopstein
15 report recommended, and I guess it was accepted, that
16 a -- a suitable reserve would be a target of 15
17 percent and a range of 10 to 20 percent of the
18 premium.

19 MR. ANTHONY GUERRA: And Dr. Simpson,
20 do you -- are you aware of how Kopstein came to
21 determine that the percentage of premiums methodology
22 was appropriate in the context of the 1988 commission?

23 DR. WAYNE SIMPSON: Well, the context,
24 I think, was some sharp increases in rates that
25 constituted rate shock. I have read the report. It's

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1 been a while. I don't remember any particularly
2 careful analysis that led to that result, other than
3 some examination of -- of the sort of levels that
4 would have prevented the kind of experiences that
5 they'd had in the earlier '80s.

6 MR. ANTHONY GUERRA: Were you aware of
7 the -- the areas that Kopstein drew from in terms of
8 preparing the methodology? I would submit to you that
9 in -- in determining that -- the percentage of POP --
10 excuse me, Percentage Of Premiums model was
11 appropriate, Judge Kopstein looked at what was the
12 prevailing methodology in the industry as a whole at
13 that point.

14 Would you agree with that?

15 DR. WAYNE SIMPSON: I honestly have to
16 say I do not remember any lengthy, or careful analysis
17 of the industry, but I read only the report and not
18 background papers, if there were some available.

19 MR. ANTHONY GUERRA: Okay, thank you,
20 Dr. Simpson. You had mentioned yesterday that there -
21 - although maybe there is not a -- a strong connection
22 in the percentage of premiums methodology between the
23 establishment of the -- the targets and the actual
24 risk faced by -- by MPI, there -- there is some
25 connection, correct?

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1 You agree that there's some connection
2 between the -- the way that the percentage of premiums
3 works and the actual risks that it's meant to mitigate
4 against, correct?

5 DR. WAYNE SIMPSON: Well, yes, because
6 it's -- presumably, the risks and the percentage of
7 premiums both scale up to the size of the operation.
8 So as -- it's indexed, if you will.

9 MR. ANTHONY GUERRA: Right.

10 DR. WAYNE SIMPSON: Things that aren't
11 indexed tend to quickly become both out of date and --
12 and less useful. And in this case, using the
13 percentage of premiums indexes the risk to the -- the
14 size of the -- of MPI's business.

15 MR. ANTHONY GUERRA: Right, but it --
16 it only matches that in the sense that it grows as the
17 business grows, and presumably the risks faced by the
18 business grow as well?

19 DR. WAYNE SIMPSON: Right. And this
20 was the criticism of the percentage of premiums
21 approach that led to the RA/VaR analysis, which never
22 really was fully accepted, and then the DCAT, which I
23 think was accepted circa 2010.

24 MR. ANTHONY GUERRA: And you'd agree
25 with me that using the percentage of -- of premiums

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1 methodology in some cases could result in targets that
2 may actually exceed what the real or actual risk faced
3 by the business could be?

4 DR. WAYNE SIMPSON: Sure, if -- if,
5 for example, you're saying that those real risks are
6 things that you can document and quantify in the
7 fashion that the DCAT did, it's certainly possible,
8 although I don't remember it happening in the years
9 from 2010 forward, where the results from the POP
10 would have led to a wider, higher upper threshold, for
11 example, than the -- than the DCAT.

12 MR. ANTHONY GUERRA: Another --
13 another criticism that we've -- we've seen with
14 respect to percentage of premiums methodology is that
15 it's -- it's not collaborative.

16 You would agree with that?

17 DR. WAYNE SIMPSON: I haven't come
18 across that criticism, and I haven't made that
19 observation. I can take as -- as a point, I guess
20 subject to check.

21 MR. ANTHONY GUERRA: Well, I mean, I
22 would submit to you it's -- it's not collaborative in
23 the sense that it doesn't involve any stakeholder
24 input in -- in establishing risk enar -- scenarios,
25 like the DCAT, or the Dynamic Capital Adequacy Test

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1 might.

2 DR. WAYNE SIMPSON: No. It's true.

3 There's a fair amount of collaboration in the
4 development of the DCAT over the years, and I don't
5 think if there's anything like that in the POP. Of
6 course, it was a -- an independent commission, if you
7 will -- one-man commission that -- that made the
8 decision.

9 So in that sense, it was probably more
10 acceptable than if it had been done by MPI alone.

11 MR. ANTHONY GUERRA: And you agree
12 with me that the percentage of premiums methodology is
13 a methodology that the PUB has not endorsed or used
14 for many years.

15 DR. WAYNE SIMPSON: Well, this is a
16 tricky question because I don't think the Board has
17 ever really said we're using this methodology
18 henceforth, and we're going to do this.

19 I think the -- the Board has taken,
20 first of all, a percentage of premiums, later to a
21 lesser extent the RA/VaR and then subsequently the
22 DCAT and in a couple of cases, the MCT.

23 And it has said this year, this will be
24 the range, and it's made some observations about the
25 suitability of particular methods, in particular, I

2291

1 think, both the DCAT and the MCT. It's made some --
2 some of the Board orders have made some observations
3 about the suitability, but I don't think if -- I don't
4 think you can find in the Board's -- Board orders and
5 proceedings that -- that it has said, henceforth,
6 we're going to use this to the exclusion of all other
7 methodologies.

8 MR. ANTHONY GUERRA: And is that why,
9 Dr. Simpson, in the context of last year's GRA -- the
10 2019 general rate application -- you presented to
11 the -- the Board and made a recommendation that the
12 current percentage of premiums and dynamic capital
13 adequacy test methodology should continue to inform
14 the setting of the rate stabilization reserve range?

15 DR. WAYNE SIMPSON: Precisely. My --
16 my impression, based on going through the Board order,
17 was that the percentage of premiums had never been
18 entirely discounted, and the DCAT was sort of coming
19 to the fore, and therefore, some combination of the
20 two (2) would be appropriate. The weights to be
21 attached could be anything from zero to a hundred on
22 the DCAT and probably something less on the -- on the
23 percentage of premiums.

24 MR. ANTHONY GUERRA: And so despite
25 the fact that the premium -- the percentage of

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1 premiums methodology is not directly tied to any
2 actual risks facing MPI and is not collaborative in
3 the sense it doesn't involve any stakeholder input
4 into establishing risk scenarios like the dynamic
5 capital adequacy test, you advocated or recommended
6 the use of that methodology in last year's general
7 rate application. Correct?

8 DR. WAYNE SIMPSON: I observe that the
9 POP had -- had been used and should continue to be
10 used. If you had said what weight to attach to the
11 two (2), I think by that point I would have argued
12 that the DCAT should get a higher weight for the
13 reasons that you just expressed.

14

15 (BRIEF PAUSE)

16

17 DR. WAYNE SIMPSON: And by the
18 concerns that had been expressed about the percentage
19 of premiums approached through time that it wasn't
20 collaborative and it -- it didn't link to the risks
21 that are facing the -- the corporation.

22 MR. ANTHONY GUERRA: The report that
23 you prepared at Exhibit CAC-12-1 for this year's
24 general rate application doesn't comment on the
25 recommendation or doesn't comment or recommend the use

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1 of the percentage of premiums methods for establishing
2 the targets for the rate stabilization reserve. Is
3 that something that you continue to support and
4 recommend?

5 DR. WAYNE SIMPSON: No. I think -- I
6 think the DCAT has -- has shown that it's a very
7 useful tool that deals with the problems that were
8 apparent in the percentage of premiums approach and is
9 not, in my discussions with Ms. Sherry or -- or -- is
10 the best way to move forward.

11 MR. ANTHONY GUERRA: Your report talks
12 about how the hundred percent MCT or minimum capital
13 test target level is a significant change in the
14 procedure that establishes the target to capital for
15 that reserve. You agree with that?

16 DR. WAYNE SIMPSON: Yes.

17 MR. ANTHONY GUERRA: You would also
18 agree though however that the change from the
19 percentage of previous methodology to the operational
20 and invest -- risk analysis or RA/VaR approach was
21 also a significant change. Correct?

22 DR. WAYNE SIMPSON: Well, there
23 never -- RA/VaR was very much an experimental trial,
24 the thing that never really got off the ground because
25 there wasn't sufficient data to really develop a

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1 reliable estimate of the 97.5 percent confidence
2 interval which was the idea behind the methodology.

3 MR. ANTHONY GUERRA: But the use of --
4 sorry -- I don't mean to cut you off there. I
5 apologize.

6 DR. WAYNE SIMPSON: So I -- I can't
7 comment on how the results would differ from -- from
8 the -- the POP because I don't remember that they were
9 ever compared.

10 MR. ANTHONY GUERRA: But the use of
11 the dynamic capital adequacy test for setting the
12 target levels for the rate stabilization reserve, that
13 would constitute a significant change from -- from the
14 use of the premium -- Percentage Of Premium
15 methodology. Correct?

16 DR. WAYNE SIMPSON: Yeah. If the DCAT
17 were used a hundred percent to the exclusion of the
18 POP -- it's never entirely clear -- then that would be
19 a -- a dramatic change in -- I think there's probably
20 been a fairly gradual change from the POP to the DCAT
21 however in terms of reliance on the DCAT as opposed to
22 the POP.

23

24 (BRIEF PAUSE)

25

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1 MR. ANTHONY GUERRA: And I understand
2 from your report that the -- the next leap there, then
3 the change from the dynamic capital adequacy test to
4 the minimum capital test is that significant change
5 once again. Correct?

6 DR. WAYNE SIMPSON: Change from what
7 to what? I'm sorry?

8 MR. ANTHONY GUERRA: So the change
9 from the dynamic capital adequacy test to the minimum
10 capital test then is another significant change in the
11 way in which we establish.

12 DR. WAYNE SIMPSON: Yes. And some
13 fairly specific ways that I've already pointed out
14 and -- and I think really takes us back towards some
15 of the concerns that we had about the percentage of
16 premiums approach in terms of collaboration, in terms
17 of transparency, and in terms of directly relating the
18 relis (phonetic) that the MPI faces to the
19 methodology.

20 MR. ANTHONY GUERRA: And it's fair to
21 say, Dr. Simpson, that you share the same concerns as
22 Ms. Sherry with respect to the use of the minimum
23 capital test in the sense that it's a test designed
24 for private insurance -- private casualty and property
25 insurance companies and not specifically designed to

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1 deal with this -- the unique risks faced by MPI.

2 Correct?

3 DR. WAYNE SIMPSON: That's correct.

4 And it's also an insolvency provision, if you will,

5 not a -- not a methodology used to stabilize rates,

6 which is the purpose of the RSR.

7 MR. ANTHONY GUERRA: And Ms. Sherry
8 has expressed concerns previously that -- that the
9 risk margins used to determine how much capital should
10 be held for those risks are not appropriate for MPI
11 because they are calculated using private company data
12 and with expectations that are not applicable to MPI.
13 Would you agree with Ms. Sherry's characterization of
14 those concerns?

15 DR. WAYNE SIMPSON: Yes.

16 MR. ANTHONY GUERRA: Dr. Simpson, are
17 you aware of what MCT ratios private property and
18 casualty insurers must have as of this quarter or
19 quarter two (2), I should say, of this year?

20 DR. WAYNE SIMPSON: Well, Ms. Sherry
21 isn't here to correct me, so anything I would
22 answer -- I would give would probably be outside my
23 range of expertise.

24 MR. ANTHONY GUERRA: You would have no
25 reason to disagree with me when I say that the -- the

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1 range or the MCT ratio for these types of companies is
2 232 percent or two hundred and thirty-two (232) ratio.

3 DR. WAYNE SIMPSON: Subject to check.

4 DR. BYRON WILLIAMS: Sorry. Could --
5 could you repeat that question, sir?

6 MR. ANTHONY GUERRA: You would have no
7 reason to disagree with me that the private property
8 and casualty insurers in Canada as of Q2 of this year
9 have an MCT ratio of 232 percent.

10 DR. BYRON WILLIAMS: Are you referring
11 to an average, sir?

12 MR. ANTHONY GUERRA: I'm referring
13 to -- I'm referring to an average. Yes.

14 DR. BYRON WILLIAMS: So that question
15 is framed -- is -- you're not seeking then the range
16 for private casualty insurers from the minimum or
17 the -- those that are publicly held companies which
18 might be in the hundred and eighty or otherwise.

19 So just so I understand what you're
20 trying to ask some, you're saying that an average was
21 calculated sometime in the quarter which would be
22 comprised of a variety of different experiences of
23 those companies, sir.

24 MR. ANTHONY GUERRA: That is -- that
25 is the basis for the question -- or for the

2298

1 calculation, I should say. Yes.

2 DR. BYRON WILLIAMS: Dr. Simpson --

3 MR. ANTHONY GUERRA: That --

4 DR. WAYNE SIMPSON: -- with that

5 clarification --

6 MR. ANTHONY GUERRA: Thank you.

7 DR. BYRON WILLIAMS: -- you can answer
8 the question.

9 DR. WAYNE SIMPSON: There would be a
10 fairly wide variation in that -- in that number
11 because it is an average. I don't know why that
12 variation is. I don't what's -- Mr. Williams said
13 it -- I don't know what the minimum is, and I don't
14 know what the maximum is and the characteristics are
15 of the firms that lie at each end, although I suspect,
16 from talking to Ms. Sherry, that companies that are
17 not publically traded like Wawanesa would have much
18 higher --

19

20 CONTINUED BY MR. ANTHONY GUERRA:

21 MR. ANTHONY GUERRA: Right. They
22 would be at the higher end of that --

23 DR. WAYNE SIMPSON: That's right.

24 MR. ANTHONY GUERRA: -- spectrum.

25 DR. WAYNE SIMPSON: That's right.

2299

1 And, of course, MPI is not publically traded either.

2 MR. ANTHONY GUERRA: Right. And --
3 and you would agree that MPI is not asking for a
4 hundred percent -- or sorry -- or 232 percent MCT
5 ratio. Correct?

6 DR. WAYNE SIMPSON: Not for Basic, no.

7

8 (BRIEF PAUSE)

9

10 MR. ANTHONY GUERRA: Just in terms of
11 the proposed capital management plan -- so in your
12 report, you express some concerns between using a
13 target capital versus a target range. Correct?

14 DR. WAYNE SIMPSON: Yes.

15 MR. ANTHONY GUERRA: So your concern
16 is that with a single target, the -- for example a
17 hundred percent MCT -- the balance of the rate
18 stabilization reserve will always be fluctuating above
19 or below that target?

20 DR. WAYNE SIMPSON: Well, if it's --
21 the intent of rate stabilization, it'll fluctuate
22 within -- oh, I see. If -- if you only have a target,
23 not a range?

24 MR. ANTHONY GUERRA: Yes.

25 DR. WAYNE SIMPSON: Yes, that's

2300

1 correct. Yeah.

2 MR. ANTHONY GUERRA: And so the result
3 will be an annual need to either build or reduce
4 capital.

5 DR. WAYNE SIMPSON: That's right.

6 MR. ANTHONY GUERRA: And that would
7 be -- or say would be rate instability. Correct?

8 DR. WAYNE SIMPSON: Yes. That's
9 obviously a degree of rate instability that you
10 wouldn't have with a -- a range built around the same
11 target.

12 MR. ANTHONY GUERRA: Have you had a
13 chance to look at the proposed capital management plan
14 from MPI for the -- this general rate application?

15 DR. WAYNE SIMPSON: Yes.

16

17 (BRIEF PAUSE)

18

19 MR. ANTHONY GUERRA: And you're aware
20 that the capital management plan states that after
21 applying the Basic rate indication and all assumed
22 capital transfers from Extension, MPI then determines
23 the need for a capital build or capital release
24 provision.

25 DR. WAYNE SIMPSON: Right.

2301

1 MR. ANTHONY GUERRA: Except by
2 coincidence, the Basic MCT ratio will never be exactly
3 100 percent at the beginning of the rating year.
4 Therefore, MPI will require a capital build or release
5 provision in each GRA unless capital transfers from
6 Extension can build capital to the 100 percent MCT
7 target in less than five (5) years or a natural
8 decline in the Basic MCT ratio will release capital
9 the 100 percent MCT target in less than three (3)
10 years. You agree that that's part of the capital
11 management plan that MPI has proposed?

12 DR. WAYNE SIMPSON: Yes.

13 MR. ANTHONY GUERRA: So you would
14 agree that the --

15 DR. WAYNE SIMPSON: You're reading
16 from the plan, I gather?

17 MR. ANTHONY GUERRA: I'm reading from
18 the application, but --

19 DR. WAYNE SIMPSON: From the GRA, yes.

20 MR. ANTHONY GUERRA: -- I'm
21 summarizing what is -- what is the content of --

22 DR. WAYNE SIMPSON: That seems
23 familiar, yes.

24 MR. ANTHONY GUERRA: So you'd agree
25 that the proposals are to only seek a capital build if

2302

1 transfers from Extension cannot build up the RSR to
2 100 percent MCT in five (5) or less years and only
3 seek a capital release provision if there's a natural
4 decline to a hundred MCT in three (3) or less years
5 that can reduce instances of a build or request
6 provision by MPI. Sorry, I kind of butchered that
7 question.

8 In other words, what I'm suggesting to
9 you, sir, is that the -- the five (5) year target in
10 the three (3) for a build and a three (3) year target
11 for release, those measures can reduce the instances
12 in which a build or release request would be made by
13 MPI.

14 DR. BYRON WILLIAMS: Before
15 Dr. Simpson answers this question, are you asking
16 Dr. Simpson to assume that the hundred percent minimum
17 is not mandatory?

18

19 CONTINUED BY MR. ANTHONY GUERRA:

20 MR. ANTHONY GUERRA: So in -- in the
21 context of my question, we have to assume that the MCT
22 target of a 100 percent is -- is mandatory.

23 DR. WAYNE SIMPSON: Well, all of these
24 provisions, the execution of which is as yet unclear
25 because they haven't been executed, don't affect the

2303

1 argument that it's less stable than if you had a
2 range, because in a range, you wouldn't have to make
3 those kinds of decisions about natural declines and
4 the nature of rebuild and whether it's five (5) years
5 or three (3) years.

6 The point is not changed. What the --
7 these do is they may moderate the rate of the
8 instability associated with the target level, but they
9 wouldn't illuminate it.

10 MR. ANTHONY GUERRA: Right. Okay. So
11 I -- I take your point. There's still some rate
12 instability, but you would agree that the -- the
13 measures that are being proposed by MPI in its capital
14 management plan would relieve some of that -- that
15 rate instability.

16 DR. WAYNE SIMPSON: They're sensible
17 if you're stuck with a level, but you're better off
18 with a range.

19 MR. ANTHONY GUERRA: Thank you. No
20 further questions.

21 THE CHAIRPERSON: Thank you,
22 Mr. Guerra. Mr. Watchman...?

23 MR. ROBERT WATCHMAN: Thank you,
24 Madam Chair. Before I begin, I would like to enter
25 two (2) exhibits on the record. The numbers were

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1 reserved yesterday so they -- they're earlier than my
2 colleague's exhibits.

3 The first is the Canada ten (10) year
4 bond yield from January 2018 through October 15th,
5 2019, and that will be Exhibit PUB-22.

6

7 --- EXHIBIT NO. PUB-22: Canada ten (10) year bond
8 yield from January 2018
9 through October 15th, 2019

10

11 MR. ROBERT WATCHMAN: The second
12 exhibit is a two (2) page excerpt from my cross-
13 examination of Dr. Simpson from last year's GRA,
14 specifically October 26, 2018, at pages 13-20 and 13-
15 21, and that will become Exhibit PUB-23.

16

17 --- EXHIBIT NO. PUB-23: Two (2) page excerpt from
18 Mr. Robert Watchman's
19 cross-examination of Dr.
20 Wayne Simpson from the
21 2019 GRA, specifically
22 October 26, 2018, at pages
23 13-20 and 13-21

25 THE CHAIRPERSON: Thank you.

2305

1

2 RE-CROSS-EXAMINATION BY MR. ROBERT WATCHMAN:

3 MR. ROBERT WATCHMAN: Good morning,
4 Panel. I'm going to begin my questions for Dr. Todd -
5 - sorry, Mr. Todd on his report. And if we could call
6 that up, Kristen. It's CAC Exhibit 11 -- thank you --
7 at page 3.

8 And here, Mr. Todd, in your report, you
9 make a distinction between regulated and non-regulated
10 services, correct?

11 MR. JOHN TODD: That's correct.

12 MR. ROBERT WATCHMAN: And you also --
13 there's some discussion there -- if we just scroll --
14 no, the other way, Kristen, just a bit. There, at the
15 beginning.

16 You -- you make comment with respect to
17 competitive versus monopoly services.

18 MR. JOHN TODD: You're referring to
19 the first sentence --

20 MR. ROBERT WATCHMAN: Yes.

21 MR. JOHN TODD:

22 "competitive services are frequently
23 offered to the market by affiliates
24 of the monopoly service provider."

25 MR. ROBERT WATCHMAN: Right.

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1 MR. JOHN TODD: That sentence, yes.

2 MR. ROBERT WATCHMAN: Right. So I'm
3 just -- yeah. I'm just focussing on the distinction
4 between what might be considered monopoly and what
5 might be considered competitive.

6 The evidence in these proceedings has
7 been that MPI's Extension insurance has been described
8 as a near monopoly, being 95 percent plus of the
9 market share for some period of time. And I would
10 ask, in the context of your report, is anything short
11 of a full monopoly deemed to be competitive?

12 MR. JOHN TODD: In -- in my
13 terminology, it would be monopoly only if it is either
14 a natural monopoly, as defined in the economic
15 literature, which essentially precludes any
16 competition, or it would be a regulated monopoly,
17 which means through government legislation or
18 regulation, competitors cannot function in that
19 marketplace.

20 But other than that, you can actually
21 have a competitive market where somebody is 100
22 percent market share, and that can still be deemed to
23 be a competitive market. And in the economic
24 literature, the concept is there may be barriers to
25 entry which are not artificial. For example, a

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1 company may be so efficient and it prices so
2 competitively that nobody considers it worthwhile
3 competing with them, so they may have a hundred -- 100
4 percent market share.

5 But that is in the interest of the
6 customers. You don't need competition to have a
7 competitive price, is the technical argument. So the
8 answer, I guess, is no, you don't. There is no number
9 where you would deem it to be a monopoly just because
10 the market share number.

11 MR. ROBERT WATCHMAN: Thank you. Now,
12 regulation of monopoly services is sometimes described
13 as a proxy for competition. Do you share that view?

14 MR. JOHN TODD: I think I missed your
15 first word.

16 MR. ROBERT WATCHMAN: Oh, sorry. The
17 -- the regulation --

18 MR. JOHN TODD: Yes.

19 MR. ROBERT WATCHMAN: -- of a nomo --
20 of a -- of a monopoly service is sometimes described
21 as the proxy for competition.

22 MR. JOHN TODD: Yes, and I think I
23 said that in my opening comments.

24 MR. ROBERT WATCHMAN: Okay. Thank
25 you. If we could turn to page 8 of your report.

2308

1 (BRIEF PAUSE)

2

3 At line 5, you indicate that:

4 "The incentive and opportunity to
5 engage in anti-competitive
6 activities has such broad scope,
7 it's diffic -- it is so difficult to
8 control that regulators off -- often
9 impose extensive structural
10 requirements as the only effective
11 remedy."

12 Now, first of all, is it your view that
13 anti-competitive activities are deemed to be contrary
14 to public interest?

15 MR. JOHN TODD: As a general rule,
16 yes. I'm sure if I worked at it hard enough, I could
17 find a counterexample in some cases, so it's -- I
18 wouldn't be absolute, but in general, an anti-
19 competitive action is going to be anti-competition.
20 That doesn't inherently mean it's contrary to the
21 public interest, but as an economist, in particular,
22 if you are doing something that undermines
23 competition, in general, I'd say it's probably not in
24 the public interest. That would be the starting
25 assumption.

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1 MR. ROBERT WATCHMAN: Given that the
2 Extension insurance is -- MPI holds 95 percent of the
3 market share, do you believe that there is a risk of
4 anti-competitive activity in Manitoba?

5 MR. JOHN TODD: Given the observation
6 on the marketplace, I would -- my starting assumption
7 would be I would assume that is -- is the result of
8 anti-competitive activity. Now, when I use the term
9 'anti-competitive activity' -- I've done work under
10 the Competition Act -- that's not -- I'm not using it
11 in the legal sense of the way the Competition Act
12 would define 'anti-competitive'.

13 I'm using it in the economic sense, in
14 that the types of benefits that I've talked about,
15 Basic potentially providing to Extension, probably are
16 taking place, and that's the reason for the result in
17 the market share. And those, in the way I've designed
18 -- defined them in my evidence, would be anti-
19 competitive in that they're providing, in effect --
20 providing subsidies in the form of information,
21 advantages, customer convenience, and so on.

22 And going back to your earlier
23 question, if the anti-competitive act is convenience,
24 arguably, that's in the public interest. The public
25 probably likes convenience. So my issue came -- comes

2310

1 down to -- to the extent that that means there are
2 easily gained and increased profit or gains on it, tho
3 -- who should have a claim on those gains, given that
4 they are derived from the Basic business? But it's
5 not necessarily contrary to the customers' interest.
6 Customers may like it. I -- I'll recognize that.

7 MR. ROBERT WATCHMAN: Okay, and -- and
8 -- and we know that the Extension line of business is
9 not regulated, correct?

10 MR. JOHN TODD: Correct.

11 MR. ROBERT WATCHMAN: If we could
12 refer to Information Request PUB-MPI-2-11, and second
13 page, please.

14 You see here the target -- profit
15 targets for the Extension line of business, and you
16 see that as of 2018, it was just over 32 percent.

17 MR. JOHN TODD: Correct.

18 MR. ROBERT WATCHMAN: And it -- in
19 your mind, is that an indication of anti-competitive
20 behaviour?

21 MR. JOHN TODD: Again, I mean, I
22 haven't conducted any detailed analysis to have an
23 expert opinion on that, but that would be a reasonable
24 starting assumption for any analysis.

25 MR. ROBERT WATCHMAN: And -- and --

2311

1 and to be fair, in the evidence, those rates -- or,
2 that profit target has been reduced.

3 If we could turn to Information Request
4 PUB-CAC-1-6.

5

6 (BRIEF PAUSE)

7

8 MR. ROBERT WATCHMAN: And here -- or,
9 sorry, if we could just scroll back to the question
10 (b).

11 And the question that was asked related
12 to an example of how a proposed profit sharing scheme
13 would work in the context of this application. And if
14 we could scroll to the answer on the second page --
15 there. And so -- PUB was advised that Mr. Todd was
16 not proposing a revenue sharing mechanism to be used
17 by MPI.

18 But if we could just look down to the
19 last sentence there. The point being made was simply
20 that it would be:

21 "...consistent with general accept -
22 - generally accepted regulatory pra
23 -- principles to allow a utility to
24 earn more than a normal return or in
25 the case of a regulated insurer base

2312

1 rates [I'm assuming that was
2 intended to say 'at'] more than
3 standard reserved ratio provided.
4 It is determined that it is in the
5 interest of the regulated customers
6 and consistent with the regulatory
7 objectives to do so."

8 Do you see that? Do you recall that
9 response?

10 MR. JOHN TODD: Yes, I do. And of
11 course, the important context of that comment is the
12 earlier part of the response to (b), which refers to
13 the distinction between a shareholder and utility,
14 which MPI is not.

15 And the point there was -- that is
16 context for that last sentence -- is that normally, a
17 profit sharings mechanism is meant as an incentive,
18 and an incentive's only effective when you have a
19 share-ol -- shareholder-owned company, where the
20 sharing is with the owner of the company through
21 dividends or whatever.

22 So that whole concept that was
23 mentioned in my evidence is a practice which is
24 normally used only in a case of shareholder-owned
25 companies, not in the cases of a company like MPI.

2313

1 MR. ROBERT WATCHMAN: But by
2 extrapolation, perhaps, can I ask -- is it your view
3 that non-competitive line would be permitted to earn
4 more than a normal return as long as it's in the
5 interests of the ratepayers and consistent with
6 regulatory objectives?

7 MR. JOHN TODD: As a theoretical
8 concept, I would agree with that, but the -- the
9 concept of an incentive is that the sh -- the
10 customers are better off because the incentive
11 encourages the company to do a better job, and in
12 effect, the net benefit to customers goes up.

13 And for example, in Ontario, the gas
14 utilities -- they have a particular union -- has
15 transactional services. The regulator, essentially,
16 on behalf of customers says, we will let you keep a
17 percentage of the money you make on trac --
18 transactional services so the company will put more
19 effort into transactional services, and the board is
20 essentially saying, we're better off giving the
21 customers 50 percent of \$200 million rather than 100
22 percent of \$10 million. And those numbers are not
23 related to any specific --

24 MR. ROBERT WATCHMAN: No.

25 MR. JOHN TODD: -- events, but, you

2314

1 know, just trying to make it clear. The purpose of
2 that sharing is so that you get more gain up front and
3 the net to customers goes up, not down.

4 MR. ROBERT WATCHMAN: Thank you. And
5 just if we could go back to Mr. Todd's report at page
6 10, and if we could scroll down to line 18 -- just a--

7 MR. JOHN TODD: Sorry, 19?

8 MR. ROBERT WATCHMAN: Line 18.

9 MR. JOHN TODD: Eighteen (18), yeah.

10 MR. ROBERT WATCHMAN: It sort of
11 begins there. The stated -- towards the end:

12 "The stated purpose of the RSR will
13 be met if the PUB agrees that the
14 Basic RSR target should be based on
15 a Basic MCT ratio of 100 percent."

16 And then down at line 23, you say:

17 "If the PUB directs MPI to adopt a
18 different Basic R -- RSR capital
19 target."

20 And I -- I take it that you would agree
21 that regulatory practices and policies or methodology
22 must be within the scope and not contrary to governing
23 laws and regulations?

24 MR. JOHN TODD: That's correct. I'd
25 like to just interject. The beginning of the

2315

1 paragraph where you were quoting says:

2 "The implication of MPI's evidence."

3 So I'm talking about MPI's evidence.

4 Don't -- please don't interpret that as me offering my
5 views. I'm talking about that evidence, and within my
6 views, I'm talking about what MPI is saying in its
7 evidence.

8 MR. ROBERT WATCHMAN: No, and I -- and
9 I wasn't. The -- the point I was getting to --
10 perhaps if we could just quickly skip over to page 15
11 at line 17, where we read the last sentence:

12 "As such, the generally accepted
13 utility rate making principles may
14 be overridden by the intent of the
15 Manitoba legislature."

16 Is that --

17 MR. JOHN TODD: Correct.

18 MR. ROBERT WATCHMAN: -- correct? And
19 so even if a particular policy or practice or
20 methodology might be preferred or considered more in
21 line with generally accepted regulatory practices or
22 principles, the regulator can only apply them or adapt
23 -- adopt them if they are consistent with governing
24 laws and regulations, correct?

25 MR. JOHN TODD: I will say that that

2316

1 is a -- requires a legal response, and legal advice
2 I've had in other cases is that there's a difference
3 between a law being legal and a law being binding on
4 the regulator.

5 So assuming it is both a legitimate
6 piece of legislation or regulation and it is
7 applicable to the regulator, the regulator must adhere
8 to its legislation and everything it is required to do
9 by legislation. But that's -- so. With the subject
10 to check, it is a -- I'm not a lawyer.

11 MR. ROBERT WATCHMAN: That's fair
12 enough, Mr. Todd.

13 If we could turn to page 11, and at
14 lines 11 to 17, you indicate that based on the premise
15 that:

16 "Extension insurance is properly
17 characterized as non -- a non-
18 utility service that is being
19 offered by MPI as an option for
20 customers, it follows that it would
21 be consistent with generally
22 accepted regulatory practice for the
23 PUB to determine that the extent of
24 the financial benefits that MPI
25 derives from Extension insurance

2317

1 should be recognized as a benefit to
2 Basic customers in the setting of
3 rates for Basic insurance."

4 Is that your summary?

5 MR. JOHN TODD: Correct. Better than
6 the summary. It's good reading.

7 MR. ROBERT WATCHMAN: So standard
8 regulatory practices in this situation is that you
9 believe that the excess profits realized by the
10 unregulated non-utility services are used, at least in
11 part, to reduce rates for utility customers?

12 MR. JOHN TODD: Correct.

13 MR. ROBERT WATCHMAN: Now, just going
14 to the bottom of that page, and you see the sentence
15 that begins:

16 "Unless it can be demonstrated that
17 from a -- an insurance risk
18 perspective, a higher Extension RSR
19 target" --

20 And I'm going to come back to that.

21 -- "can be justified for Extension
22 that is justified for Basic. It is
23 inconsistent with common practice to
24 permit a regulated utility to earn
25 excess profits on non-utility

2318

1 services unless those excess profits
2 are used to reduce rates for utility
3 services."

4 Do you recall that?

5 MR. JOHN TODD: (NO AUDIBLE RESPONSE).

6 MR. ROBERT WATCHMAN: And so when you
7 speak of excess profits, are you talking about
8 retained earnings?

9 Is that fair to say?

10 MR. JOHN TODD: In a shareholder owned
11 company, where it's regulated on a rate base -- rate
12 of return basis, it's defined as anything above the
13 Board-approved weighted average cost of capital.

14 The way that MPI operates, I think it's
15 -- I'm interpreting it as meaning anything that
16 generates reserves in excess of what the Board
17 determines to be an appropriate reserve range or
18 target.

19 MR. ROBERT WATCHMAN: It --

20 MR. JOHN TODD: It's -- and is making
21 more money than they -- than is defined as what they
22 need in order to carry on their business prudently.

23 MR. ROBERT WATCHMAN: Okay. Kristen,
24 if we could just go up to line 25, again.

25 Okay. Now because you refer there to

2319

1 Extension RSR, standing for rate stabilization
2 reserve, target. And later, and we'll come to it, you
3 also refer to the SRE, or Special Risk Extension RSR
4 target.

5 So is it your understanding that the
6 targets that have been established for the Extension
7 and SRE reserves are rate stabilization reserves?

8 MR. JOHN TODD: No, becau -- the rate
9 stabilization reserve, as I understand it, is Basic,
10 because that's the only rates that are approved by the
11 PUB.

12 This is -- and I'm trying to talk about
13 of standard practice, so I'm trying to draw analogies.
14 So my wording may not have been as precise as it could
15 have been, but the -- the point is that the -- the
16 Board, as I understand it -- well, MPIC is making a
17 proposal around Extension. It is not making a pros --
18 proposal around SRE specifically. And I'm talking
19 about the -- the capital build and res -- release
20 presi -- provisions.

21 But both Extension and SRE benefit from
22 its association with Basic, their MPI offerings. So
23 in my conceptual discussion of standard practice, both
24 Extension and SRE are non-utility services.

25 So I have -- stepping away, in -- in

2320

1 effect, from the evidence of MPI, and past decisions,
2 and so on, I'm talking the standard practice. And if
3 you applied standard -- standard practice from a -- on
4 a de novo basis, we'd say MPI has a monopoly and
5 regulated line of business, Basic, and it has two (2)
6 non-regulated or non-utility lines of business.

7 And standard practice would say those
8 would be completely analogous to Manitoba Hydro's
9 exports, or to businesses such as New Brunswick
10 Power's offering water heater services, and street
11 lighting on a competitive basis. They are multiple
12 services. All of those services in the analogous
13 situations get built into recovering the benefits for
14 the monopoly services.

15 MR. ROBERT WATCHMAN: Yes. I
16 understood that -- I understand that, but the point
17 I'm trying to make here is that the reserves that are
18 set for Extension and SRE in the regulation, is it
19 your understanding that those are solely for the
20 purpose of rate stabilization within those lines of
21 service -- lines of business?

22 MR. JOHN TODD: If you are talking
23 about the regulation...

24

25 (BRIEF PAUSE)

2321

1 MR. JOHN TODD: I think we're straying
2 into legal grounds because I have not -- it's -- the
3 regulation is not part of my evidence. My evidence is
4 based on the assumption that the regulation is not
5 applicable to the Board.

6 MR. ROBERT WATCHMAN: Okay. Perhaps
7 it would help if we could, Kristen, turn to Part 6 of
8 the application, investments, INV Appendix 1. And if
9 we scroll down to page 12 in that document.

10 And the -- this relates to investment
11 portfolios, but -- it's actually the -- page 12 in the
12 document itself. There. If we could leave -- so
13 there is some desc -- no. It's further down.

14

15 (BRIEF PAUSE)

16

17 MR. ROBERT WATCHMAN: If we could
18 scroll down another page.

19

20 (BRIEF PAUSE)

21

22 MR. ROBERT WATCHMAN: And another
23 page. I'm sorry.

24

25 (BRIEF PAUSE)

2322

1 MR. ROBERT WATCHMAN: Okay, I'm sorry.

2 If we could go back to page 12, Kristen. Okay. And
3 you just scroll down towards the bottom of the page.

4 Because there -- and there's a rate
5 stabilization res -- reserve described there. And --
6 all right.

7

8 (BRIEF PAUSE)

9

10 MR. ROBERT WATCHMAN: Okay. Thank
11 you. So you can see the description at the bottom of
12 the page there of the Special Risk Extension. It
13 indicates that:

14 "The objective is to achieve a real
15 return target to remain competitive
16 in the industry and stabilize
17 premiums payable by policyholders."

18 So we see there that there is some
19 intention of rate stabilization in that reserve?

20 MR. JOHN TODD: Yes.

21 MR. ROBERT WATCHMAN: And it -- the
22 description continues:

23 "With a moderate risk tolerance,
24 given the nature of liabilities, SRE
25 claims obligations have a short

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1 duration and are funded by cash
2 generated from ongoing operations."

3 Now it continues:

4 "The majority of assets backing the
5 SRE contain strategic liquidity or
6 funds backing surplus. Therefore,
7 minimal liquidity is required."

8 And there's a similar description for
9 the Extension assets. So it's that -- that phrase,
10 strategic liquid -- liquidity, or funds backing
11 surplus.

12 Do you have any understanding of what
13 that refers to?

14 MR. JOHN TODD: To the extent that
15 that's insurance terminology, it may mean something
16 different than it does to me from -- as -- just as an
17 economist. I understand the strategic, and liquidity,
18 and funds backing surplus.

19 I think what it's -- I think what it's
20 saying, it's -- it's short-term. The kinds of risks
21 that you see with the Basic policies are not being
22 observed here --

23 MR. ROBERT WATCHMAN: Okay.

24 MR. JOHN TODD: -- I think is the
25 essence of what it says to me.

2324

1 MR. ROBERT WATCHMAN: Okay. Thank
2 you. And if we could go back, then, to Mr. Todd's
3 report, where we were.

4

5 (BRIEF PAUSE)

6

7 MR. ROBERT WATCHMAN: And so I -- I
8 take it that it's your -- it's your opinion that
9 whatever reserve or excess profit might be retained
10 should be based upon some risk analysis for each of
11 rate stab -- Basic rate stabilization, Extension
12 reserve, and the Special Risk Extension reserve.

13 Is that correct?

14 MR. JOHN TODD: That's correct. The
15 reserves for MPI, to me, looking at standard regular
16 practice, are equivalent to the retained earnings, if
17 you want, in other Crown corporations such as Manitoba
18 Hydro, or New Brunswick Power, which are there for the
19 -- the same reasons, which is largely to protect
20 against shocks to their financial system which would
21 require large rate increases, if a rate instilled a
22 rate shock.

23 So it's -- it's all the same -- it's
24 the same purpose, ultimately --

25 MR. ROBERT WATCHMAN: Thank you.

2325

1 MR. JOHN TODD: -- and which -- and
2 you need -- analysis can be done to say how much is
3 needed, whether you're talking retained earnings in a
4 corporation. And I've done -- I've done that for
5 power utilities. It's -- it's different, but it's the
6 same concept for MPI.

7 MR. ROBERT WATCHMAN: So in other
8 words, it's -- it's not so much the purpose of the
9 reserve, but the risk associated with the reserve?

10 MR. JOHN TODD: The risk -- yeah,
11 yeah. I mean the pur -- the purpose doesn't give you
12 a number. The risk gives you a number.

13 MR. ROBERT WATCHMAN: And I appreciate
14 you're not an actuary, but is it your understanding
15 that the minimum capital test does provide at least
16 some risk analysis by which the reserves could be
17 compared?

18 MR. JOHN TODD: It's an approach, yes.

19 MR. ROBERT WATCHMAN: And so just to
20 clarify, so it's not so much the use of a minimal
21 capital test as it is the relative ratios that have
22 been established for the three (3) reserves, 100
23 percent, 200 percent, three (3) -- 300 percent?

24 MR. JOHN TODD: Yes. My -- my
25 comments have nothing to do with the purpose of the

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1 reserve. They had to do with -- there is a
2 methodology in place. There's a methodology that can
3 be adopted that's being debated. The Board will
4 ultimately decide on what is the, in my terminology,
5 the prudent level of reserves.

6 Once you have a prudent level of
7 reserves, you then have the possibility, but not
8 probability, that at times, there will be excess of
9 reserves, and it's what do you do with those excess
10 reserves?

11 MR. ROBERT WATCHMAN: If we could turn
12 to page 15 of Mr. Todd's report.

13

14 (BRIEF PAUSE)

15

16 MR. ROBERT WATCHMAN: And at line 3,
17 you make the comment:

18 "It should be noted, however, that
19 stability objective may be better
20 served if the RSR target is defined
21 as a range rather than a point
22 value."

23 Do you recall that?

24 MR. JOHN TODD: Yes.

25 MR. ROBERT WATCHMAN: And you have

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1 some understanding of MPI's proposed Capital
2 Management Plan?

3 MR. JOHN TODD: I've looked at it
4 quite carefully, yes.

5 MR. ROBERT WATCHMAN: Well -- good.

6 And so it has the five (5) year phased in, rebuilt
7 three (3) year --

8 MR. JOHN TODD: Correct.

9 MR. ROBERT WATCHMAN: -- phased out
10 release with 5 percent caps either way.

11 Do those features mitigate your concern
12 about the stability objective under a single target
13 capital level?

14

15 (BRIEF PAUSE)

16

17 MR. JOHN TODD: It's a different way
18 of getting at the same purpose. What a range does is
19 provides a high and a low trigger point. And as I
20 view it, what a -- a range says, we expect that every
21 year, actuals will vary from forecast. Within some
22 range -- within the range that's defined, if you -- if
23 you define a range, you say, we are not going to react
24 to that with a -- by either building or releasing
25 capital.

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1 Only when you hit those trigger points
2 do you start to make adjustments. And so that allows
3 the reserve ratio to fluctuate within that range
4 without -- with that response.

5 With the -- MPI's proposal, there are
6 times when there's no response, because they look at
7 the beginning of year, and the end of year, and they
8 look at the -- the trend in the absence of any action.

9 So as I see it, it works in somewhat
10 the same way. So your question is, does it mitigate
11 the concern? Yes. It's a different approach to
12 trying to avoid instability.

13 And I would not be -- you know, the
14 Board will decide, in its view, which is the best way
15 to do it. What a range does is give you more
16 specificity around what does it take to react to a --
17 to a variance?

18 And I'd say again, I -- because I'm
19 always talking with the analogies of standard
20 practice, different -- it's very analogous to the use
21 of revenue to cost ratios in setting of rates for
22 customer classes for Manitoba Hydro, or any -- any
23 hydro or natural gas utility.

24 Some regulators choose to use a target
25 of 100 percent, and therefore the rate increases for

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1 different classes of customers always differ, because
2 everybody's move -- being moved a hundred percent
3 every year.

4 Other regulators have a range, which
5 may be plus or minus 5 percent, or plus or minus 10
6 percent, in order to have smoother across-the-board
7 rate increases, i.e., more rate stability. That's a
8 judgment call, and the mechanism is also a judgment
9 call.

10 MR. ROBERT WATCHMAN: So fair to say
11 you -- you would prefer the range over the phased-in
12 rebuild and release?

13 MR. JOHN TODD: Yes, and perhaps I --
14 well, it's -- it's not my choice. I would say a range
15 is more consistent with standard practice -- standard
16 utility practice. I look at that revenue to cost
17 ratio approach; the standard approach is a range, not
18 a mechanism that would be analogous to what MPI is
19 proposing. That's all I'm saying.

20 MR. ROBERT WATCHMAN: Okay. Thank
21 you, Mr. Todd. I'm now going to ask Dr. Simpson a few
22 questions. And some may be similar, but they are
23 intended to be specific to your report, Dr. Simpson.

24 And if we could then turn to Dr.
25 Simpson's report, which is CAC Exhibit 12-1. And I'm

2330

1 going down to page 4.

2 And just to put it into context for
3 you, Dr. Simpson, you were -- you're talking here with
4 respect to your first concern about the significant
5 change in -- in procedure. And in the middle of the
6 page, page 4...

7

8 (BRIEF PAUSE)

9

10 MR. ROBERT WATCHMAN: You indicate
11 there:

12 "MPI is requesting reversion to a
13 methodology that also has no direct
14 link to specific root -- risks
15 rooted in historical experience of
16 MPI."

17 And so I take it that -- basically what
18 you're saying is that there is -- there is -- with the
19 MCT approach, that there's a loss of anico --
20 analytical foundation that reflects Basic's risk
21 characteristics from the process of establishing a
22 Basic target capital level?

23 DR. WAYNE SIMPSON: Yes.

24 MR. ROBERT WATCHMAN: And I, again, I
25 -- I -- the same question I asked of -- of Mr. Todd,

2331

1 but you -- you would agree that the -- the PUB as the
2 regulator must act within the scope of and not
3 contrary to governing laws and regulations?

4 DR. WAYNE SIMPSON: Yes.

5 MR. ROBERT WATCHMAN: And so although
6 you -- you indicated there that MPI is requesting
7 reversion, you accept that unless the reserves
8 regulation is found to be either invalid or
9 inapplicable, the use of the MCT for target capital
10 purposes is not optional for MPI?

11 DR. WAYNE SIMPSON: Yeah, I used the
12 word 'requesting' because the -- the legal situation
13 was unclear to me, and I think unclear in general at
14 the time that I wrote it.

15 MR. ROBERT WATCHMAN: Thank you.

16 DR. WAYNE SIMPSON: I stand to be
17 corrected.

18 MR. ROBERT WATCHMAN: If we could turn
19 to page 5 of the -- the first paragraph, the second
20 sentence there:

21 "Reverting to a tab -- capital --
22 sorry -- reverting to a target
23 capital level invites rate
24 instability, as premiums are driven
25 by the inevitable deviations from

2332

1 the level -- from that level.

2 Deviations in one direction may be
3 offset by deviations in the other
4 direction in succeeding years."

5 And again, similar to my question to
6 Mr. Todd, you're familiar with the proposed Capital
7 Management Plan with its phase in of build and
8 release?

9 DR. WAYNE SIMPSON: Yes.

10 MR. ROBERT WATCHMAN: And do you
11 believe -- I believe you said in response to Mr.
12 Guerra's question that it does moderate the
13 instability somewhat, but would you say that a rate --
14 a range is preferred over a single target level?

15 DR. WAYNE SIMPSON: Well, it moderates
16 it because instead of -- of achieving the -- the
17 target in one (1) year, you achieve it in five (5).
18 So if there's a deviation from target, you don't move
19 as quickly, which I think is -- is prudent.

20 I -- I think what they're -- they're
21 trying to do is offset some of the inevitable rate
22 instability that the target introduces, but a range
23 would be more stable.

24

25 (BRIEF PAUSE)

2333

1 MR. ROBERT WATCHMAN: If we could turn
2 to Information Request PUB-CAC-1-1?

3

4 (BRIEF PAUSE)

5

6 MR. ROBERT WATCHMAN: And you'll see
7 the question there that was:

8 "Assuming the rates reserve
9 regulation is not invalid, did Dr.
10 Simpson and Ms. Sherry have an
11 interpretation of that regulation
12 and a modification to the proposed
13 capital management plan that would,
14 in effect, support the use of a
15 basic target capital range."

16 And if we scroll down to the response,
17 basically you indicated that you don't feel that the
18 excessive amount of reserves would not support any RSR
19 range centred on an arbitrary hundred percent MCT.

20 DR. WAYNE SIMPSON: Well, I think the
21 context there is we think a hundred MCT is -- is --
22 leads to excessive reserves for MPI and to support a
23 range around that standard. For example, it would set
24 a higher upper threshold than the hundred percent MCT
25 already establishes.

2334

1 MR. ROBERT WATCHMAN: So -- so then I
2 take it that -- and basically, you don't have any
3 recommendation in respect of the capital management
4 plan?

5 DR. WAYNE SIMPSON: Well, if the
6 hundred percent is a -- is a target and if it's
7 directed to be a target, then I don't think we do.
8 The hundred percent MCT could be a target upper
9 threshold which would at least mitigate some of our
10 concerns -- it wouldn't alleviate them -- but it
11 mitigates some of the concerns about the excessive
12 reserves held by MPI.

13 And, in fact, that has been a -- a
14 basis for recommendations -- in previous GRAs that the
15 hundred percent MCT standard be used to set the upper
16 threshold, although the Board did reject that.

17 They used it once. I think they
18 introduced it in 2015/'16, and then after that,
19 they -- they shied away from it --

20 MR. ROBERT WATCHMAN: Thank you.

21 DR. WAYNE SIMPSON: -- for the reasons
22 that I've -- I've stated about excessive conservatism
23 implied by the hundred percent MCT.

24 MR. ROBERT WATCHMAN: Thank you. If
25 we could go back to Dr. Simpson's report -- and so

2335

1 we're just going down to the next portion of your
2 report which -- in which you discuss your concern that
3 the hundred percent MCT reflects more risk than
4 necessary.

5 And if we go down about seven (7) or
6 eight (8) lines, there's a sentence beginning:

7 "Note that the intention is to
8 protect motorists, not MPI's capital
9 position from unanticipated and non-
10 repeating events that would affect
11 MPI's net income and result in a
12 rate shock to motorists."

13 And my question is that you make a
14 distinction between protecting motorists and
15 protecting MPI's capital position, but aren't those
16 two (2) things aligned?

17 DR. WAYNE SIMPSON: The -- no. That
18 wasn't the -- my intent was to say that the focus
19 should be on how much protection motorists want, not
20 how much protection MPI deems appropriate or desirable
21 from their -- from their -- their financial
22 standpoint.

23 MR. ROBERT WATCHMAN: Okay.

24 DR. WAYNE SIMPSON: I think those --
25 there's a natural tension there that MPI would want to

2336

1 hold higher reserves than motorists would deem
2 necessary in order to protect them from rate
3 instability and rate shock.

4 MR. ROBERT WATCHMAN: Okay. So the
5 concept of rate stabilization is good for both MPI and
6 the motorists. It's just the level of that reserve
7 that's at issue.

8 DR. WAYNE SIMPSON: Yeah. This is the
9 point I made about the fundamental tradeoff that
10 motorists can more and more protection at higher and
11 higher cost, but it's not clear, from what I
12 understand the hundred percent MCT to be doing, that
13 the level of protection that it's buying is consistent
14 with what motorists would choose to do --

15 MR. ROBERT WATCHMAN: Thank you.

16 DR. WAYNE SIMPSON: -- based on
17 limited evidence.

18 MR. ROBERT WATCHMAN: Okay. Thank
19 you. If we could turn to page 7 of Dr. Simpson's
20 report.

21 And in your evidence yesterday, you
22 spoke about this research that was conducted, and I
23 just wanted to scroll down to the quote there. Thank
24 you.

25 In respect of the survey, it's

2337

1 discussing there what the participants were advised
2 of. And the second sentence there -- it was:

3 "Further explain that the premiums
4 associated with coverage for adverse
5 events that can be expected every
6 year would be minimal while there
7 would be a much higher cost
8 associated with premiums for an
9 event occurring once in every two
10 hundred (200) years."

11 You recall that?

12 DR. WAYNE SIMPSON: Yes.

13 MR. ROBERT WATCHMAN: And what is your
14 understanding of the premiums referred to in that
15 statement? Are we talking premiums that would be
16 limited to what was previously described as the RSR
17 rebuilding fees and --

18 DR. WAYNE SIMPSON: Oh, no, no.

19 Premiums here are the -- are the size of the -- of the
20 rates paid by motorists.

21 MR. ROBERT WATCHMAN: So --

22 DR. WAYNE SIMPSON: I used the word
23 "premiums" there meaning...

24 MR. ROBERT WATCHMAN: So both the
25 indicated rate plus any rebuild fee for the RSR?

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1 DR. WAYNE SIMPSON: Well, I don't know
2 if this was in that context because this is -- this is
3 four (4) years ago when the idea of a rebuild... But
4 whatever -- whatever level affected -- whatever the
5 motorists were paying for the insurance that they're
6 receiving I think is -- is the point, and if that
7 included a rebuild, I guess that would count. Yes.

8 MR. ROBERT WATCHMAN: Would it be fair
9 to rephrase that to say that ratepayers would be
10 expected to pay more as the Basic target capital level
11 increases?

12 DR. WAYNE SIMPSON: Well, that would
13 increase the premiums, and therefore, I guess that is
14 the -- the intent or the mechanism by which premiums
15 would be higher to ensure against greater and greater
16 risk. Yes.

17 MR. ROBERT WATCHMAN: Okay. So -- and
18 in that --

19 DR. WAYNE SIMPSON: I'm quoting -- I'm
20 quoting from the Probe Research --

21 MR. ROBERT WATCHMAN: Understood.
22 Understood.

23 DR. WAYNE SIMPSON: This is the way
24 they phrased it, and I thought it was a pretty good
25 framing, but you're right. This -- this -- in the

2339

1 context of today, this -- this might actually be a
2 better way to phrase it, although I think motorists
3 are confused enough by this setup as it is. So you
4 don't want to be too technical.

5 MR. ROBERT WATCHMAN: Right. And just
6 the other -- the point that I would ask you about
7 there is that the -- the costs here would depend on
8 the magnitude of the adverse event, would it not?

9 DR. WAYNE SIMPSON: Right. The point
10 to convey is -- is insuring, I guess, to one (1) and
11 two hundred (200) year event is -- is considerably
12 more expense than -- than a one (1) in one (1) year
13 event. I think that's -- that's -- there's a scale,
14 and as you go higher in terms of the -- a number of
15 years you're protecting against, the -- the more you
16 pay.

17 And I think people can understand that
18 in the context of things like the floodway where we've
19 had experience thinking about how we design flood way
20 protection, what we're willing to pay for.

21 MR. ROBERT WATCHMAN: Right.

22 DR. WAYNE SIMPSON: Okay.

23 MR. ROBERT WATCHMAN: Thank you. If
24 we could turn then to page 8 of Dr. Simpson's report
25 and down towards the bottom but not quite the bottom

2340

1 there. A little bit more. Thank you.

2 And you see in that -- at the end of
3 the first line -- or the second line now:

4 "Since simulations using a hundred
5 percent MCT criteria to set the
6 target for the RSR could not produce
7 a negative total equity balance with
8 management action in five thousand
9 (5,000) runs, it implies that the
10 criteria corresponded to a
11 probability level of less than a one
12 (1) in five thousand (5,000) year
13 event or 0.0002 percent --"

14 DR. WAYNE SIMPSON: That should be
15 point .02 percent.

16 MR. ROBERT WATCHMAN: Point 0 -- Thank
17 you.

18 DR. WAYNE SIMPSON: I think I
19 corrected it my slides. Yeah.

20 MR. ROBERT WATCHMAN: Thank you.

21 DR. WAYNE SIMPSON: Sorry about that.

22 I --

23 MR. ROBERT WATCHMAN: Well, okay.

24 DR. WAYNE SIMPSON: -- I either should
25 have dropped the percent, or I should have dropped

2341

1 two (2) zeros.

2 MR. ROBERT WATCHMAN: Right.

3 DR. WAYNE SIMPSON: Sorry.

4 MR. ROBERT WATCHMAN: So 0.02 percent
5 probability of occurrence.

6 Would you agree that modeling of low
7 probability events is generally challenging because
8 the events model occur so rarely and don't very
9 frequently appear in a historical experience?

10 DR. WAYNE SIMPSON: Well, I -- I
11 think -- yeah -- I think that's true. The tails are
12 hard to -- to model and maybe that's an argument for
13 something that's not so close to the tail, like a 2.5
14 percent probability of occurrence where it's easier to
15 figure out what that would be. Yeah. I take your
16 point. Yeah.

17 MR. ROBERT WATCHMAN: And MPI has
18 indicated that it recognizes the limitation of its
19 modeling capabilities but feels that the use of the
20 minimum capital test addresses those limitation by
21 relying on the broader base of experience available
22 through the office of the superintendent of financial
23 institutions when calibrating the MCT. Would you
24 agree?

25 DR. WAYNE SIMPSON: I -- I fail to see

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1 the connection to OSFI when OSFI is talking about
2 private insurers in a -- in a different competitive
3 environment with -- dealing with insolvency.

4 And in some general way, there's a
5 relation to risk, but I -- it's certainly far less
6 explicit and, in my view, far less appropriate to
7 MPI's concerns regarding rate stabilization.

8 MR. ROBERT WATCHMAN: Thank you. Now,
9 Kristen, could we turn to Exhibit CAC-12-2.

10 And this, Dr. Simpson, was your report
11 from last year's GRA which was attached as an appendix
12 in the -- this year's GRA, and the title of your
13 report -- or your and Ms. Sherry's report last year
14 was "The Role of the DCAT." And interest rate
15 forecasting in the 2019 GRA? You recall that?

16 DR. WAYNE SIMPSON: Yes.

17 MR. ROBERT WATCHMAN: And we won't
18 turn there if -- unless it's necessary. Do you recall
19 that there was a fair bit of discussion about interest
20 rate forecasting last year? Do you recall that?

21 DR. WAYNE SIMPSON: Yes, there was.

22 MR. ROBERT WATCHMAN: Okay. And the
23 recommendation in your report was to adopt a fifty
24 fifty (50/50) interest rate forecast to determine the
25 breakeven rate indication column --

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1 DR. WAYNE SIMPSON: I suspect this is
2 coming back to haunt me. I'm -- I'm not an interest
3 rate forecaster. I was -- I was expressing my opinion
4 as a general economist, but that's correct. Yes.

5 MR. ROBERT WATCHMAN: And if we could
6 turn to PUB Exhibit 23, which was the
7 cross-examination from last year. And on page 1321,
8 you may recall -- just down the page at line 18 --
9 ultimately though -- sorry, perhaps we should back up
10 to the question that I asked. Thank you.

11 Okay. So:

12 "And perhaps just ignoring for the
13 moment or setting aside the Board's
14 prior position on interest rate
15 forecasting, what would your
16 estimate be for the interest rate
17 forecasts?"

18 And your answer was:

19 "The standard interest rate
20 forecast?"

21 Do you recall that?

22 DR. WAYNE SIMPSON: Yes. I'm not a
23 forecaster, and I suspect these people are far better
24 at it than I am.

25 MR. ROBERT WATCHMAN: And do you

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1 recall --

2 DR. WAYNE SIMPSON: Which remains to
3 be seen.

4 MR. ROBERT WATCHMAN: -- and do you
5 recall that at that time, both the standard interest
6 rate forecasts and, therefore, the fifty fifty (50/50)
7 interest rate forecasting were projecting increases in
8 interest rate?

9 DR. WAYNE SIMPSON: Yes, they were,
10 and they had been for a while.

11 MR. ROBERT WATCHMAN: Yes. And if we
12 could turn to PUB Exhibit 22, and this is the ten (10)
13 year Canada bond yield rate. Just scroll down to the
14 graph a bit just so we can see the dates there.

15 And just -- just in general terms, the
16 last update that was available when we were here last
17 year was the September 30th rate and really we don't
18 need to pinpoint it, but relatively speaking, it was
19 over 2 percent?

20 DR. WAYNE SIMPSON: Yes. About two
21 point six (2.6) by the looks of it.

22 MR. ROBERT WATCHMAN: Yeah. And --
23 and the evidence this year is that as of the end of
24 the -- or the beginning of the 2019/'20 rate year, the
25 rate was down to 1.94 percent?

2345

1 DR. WAYNE SIMPSON: Yeah.

2 MR. ROBERT WATCHMAN: And that's
3 reflected on that graph declining to -- by the end of
4 Q2 on October 31st about 1.16 percent?

5 DR. WAYNE SIMPSON: Yes.

6 MR. ROBERT WATCHMAN: And as of
7 September 30 back up to 1.3 percent.

8 DR. WAYNE SIMPSON: Okay.

9 MR. ROBERT WATCHMAN: So --
10 DR. WAYNE SIMPSON: It looks -- looks
11 like one point six (1.6), but I guess later in
12 October, is it?

13 MR. ROBERT WATCHMAN: Right. That
14 would be October the 15th.

15 DR. WAYNE SIMPSON: Yeah. Okay.

16 MR. ROBERT WATCHMAN: And so it's --
17 suffice it to say that in last year's GRA, the naive
18 rate proved to be the best estimate even though it
19 might have been too conservative?

20 DR. WAYNE SIMPSON: Because it didn't
21 predict any rate increase. That's correct.

22 MR. ROBERT WATCHMAN: And if we could
23 just turn to the transcript from October the 16th of
24 2019?

25 So earlier in these proceedings, my

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1 colleague asked Mr. Johnston to provide a sense
2 directionally of the corporation's financial position
3 had the Board approved a rate based upon the fifty --
4 fifty fifty (50/50) interest rate forecast or the
5 standard interest rate forecast.

6 And if we could just go to the next
7 page -- right there.

8 And Mr. Johnston's response is there.
9 There's no question at all that the use of a
10 fifty fifty (50/50) or a SURF last year would have
11 resulted in premiums based on what we know today that
12 weren't -- weren't high enough. It would have put us
13 in a worse financial position than the -- the approved
14 naive.

15 Do you have any reason to question
16 Mr. Johnston's assessment?

17 DR. WAYNE SIMPSON: No.

18 MR. ROBERT WATCHMAN: Okay. Thank
19 you. Dr. Simpson, Madam Chair, those are all my
20 questions.

21 THE CHAIRPERSON: Thank you,
22 Mr. Watchman. Mr. Unfried, do you have any questions
23 for this panel?

24 MR. CURTIS UNFRIED: Yes.

25

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1 CROSS-EXAMINATION BY MR. CURTIS UNFRIED:

2 MR. CURTIS UNFRIED: Good morning. I
3 just have one (1) quick question actually for Mr.
4 Todd, and as much as I'd like to discuss the finer
5 thing of behavioural economics, which I find
6 interesting as well, there's one (1) area that I'd
7 just like to follow up on.

8 And that had to do with your discussion
9 about the issue of subsidization between Basic and
10 Extension yesterday. And you'll recall that in answer
11 to a question posed by Mr. Scarfone, you were very
12 careful when he was asking you about the question of
13 money being transferred from one to another.

14 Do you recall that line of questioning
15 yesterday?

16 MR. JOHN TODD: Correct. And I think
17 you're referring to transfers that were related to
18 reserves above target ratios?

19 MR. CURTIS UNFRIED: Yes. And -- and
20 you were careful in answering it because you didn't
21 want to limit the concept of subsidization to only be
22 money. Is that what I understood your evidence to be?

23 MR. JOHN TODD: Yes. And the context
24 of that, of course, is standard regulatory practice --
25 the way the regulators view it --

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1 MR. CURTIS UNFRIED: Yeah.

2 MR. JOHN TODD: -- in other
3 situations, yes.

4 MR. CURTIS UNFRIED: Yeah. And that -
5 there are other ways that a -- that there could be
6 subsidization other than money.

7 MR. JOHN TODD: Yeah. And I think
8 I -- I've tried to refer to that as benefits being
9 provided as opposed to --

10 MR. CURTIS UNFRIED: Yes.

11 MR. JOHN TODD: -- money.

12 MR. CURTIS UNFRIED: Correct.

13 MR. JOHN TODD: Yes.

14 MR. CURTIS UNFRIED: And on that note,
15 currently brokers in Manitoba are able to offer both
16 Basic and Extension to consumers in Manitoba.
17 Obviously, the Basic is directly from MPI. However,
18 they are also able to offer Extension insurance from
19 competitors of MPI.

20 This panel has heard evidence that MPI
21 is considering a business model under which MPI would
22 be offering direct to consumer only Extension products
23 of their own without the involvement of a broker.

24 And in your opinion, would you consider
25 this potentially a business model to be a further

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1 subsidization of the Extension by MPI?

2 MR. JOHN TODD: On the surface from
3 your description -- I have not looked at it in
4 detail -- that would appear to be providing increased
5 benefit to --

6 MR. CURTIS UNFRIED: Yes.

7 MR. JOHN TODD: -- the Extension.

8 Yes.

9 MR. CURTIS UNFRIED: Okay. Thank you.

10 THE CHAIRPERSON: Thank you,
11 Mr. Unfried. Mr. Gabor...?

12 BOARD MEMBER GABOR: Mr. Todd, I have
13 a question for you. And I'd be interested in your
14 comments about the theoretical prospect that you can
15 have a competitive market if you have more than -- if
16 you have a number of players in the market but the one
17 party has a hundred percent of the market because it
18 provides a superior service or has a lower cost or --
19 or whatever. That was your position?

20 MR. JOHN TODD: That is the -- what
21 the economic literature says, but I would be careful
22 in the wording. I'm -- I may have stated it as less
23 precisely than I should have. You can have
24 competitive pricing without competition, and the goal
25 is to get a competitive price. Right?

2350

1 So I'm trying to think. So M-3
2 produces sticky notes --

3 BOARD MEMBER GABOR: 3-M.
4 MR. JOHN TODD: Sorry, 3-M. And I'm
5 not sure anybody else does. They may or may not. But
6 if they are, you know -- created the concept and
7 produced it at a price that nobody else is, we can get
8 into that market and underprice them and get market
9 share.

10 They may be the only people selling the
11 -- the -- the sticky notes. That doesn't make
12 it a monopoly. The only way they retain that dominant
13 position or even absolute 100 percent market share
14 position is by having a price that is at lea -- is
15 competitive.

16 BOARD MEMBER GABOR: Does consumer
17 knowledge come into play? I'm just wondering if you
18 have a market where there are a number of players but
19 the consumer only knows of one (1) of them, is that
20 still a competitive market?

21 MR. JOHN TODD: That's getting into
22 the anti-competitive activities, and I think that's
23 very relevant in this market. If customers -- in a
24 market which is truly competitive and people know
25 through advertising, then there's not a barrier to

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1 entry to other participants. And barriers to entry
2 are really important in the -- in the concepts around
3 competitive markets.

4 In this case, where customers have to
5 go in and get Basic insurance, then customer
6 information takes on a different dimension. And I
7 think the point you're getting at is that if customers
8 come in and they only see one (1) option, and it would
9 be difficult for them to understand the other options
10 in the marketplace, that becomes a barrier to entry.
11 That becomes contrary to competition, non-level
12 playing field, however you want to call it.

13 And you could have excessive pricing
14 that -- and still have a 99 percent market share. And
15 therefore, while I'm saying -- is a high market share
16 is -- would be suggestive there's absence of
17 competition -- but you have to look at the details,
18 because there are specific circumstances in which a
19 high market share can be consistent with competitive
20 pricing.

21 But most economists would have a
22 starting point to say, if it's a high market share,
23 probably, it's a market failure that's giving rise to
24 that, not somebody who's just making it impossible for
25 anybody to compete with them.

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1 BOARD MEMBER GABOR: Okay. Thank you.

2 THE CHAIRPERSON: Thank you. Mr.

3 Williams...?

4

5 RE-DIRECT-EXAMINATION BY DR. BYRON WILLIAMS:

6 DR. BYRON WILLIAMS: Just a -- a
7 couple questions, and if we could bring up PUB -- or,
8 sorry, MPI Exhibit 74.

9 To the panel generally, and just by
10 preamble, obviously, there was a discussion with this
11 exhibit in terms of line 15, the 2015/16 year, and the
12 PUB-approved RSR range of 231 to 366 million. You
13 remember that, panel?

14 DR. WAYNE SIMPSON: Yes.

15 DR. BYRON WILLIAMS: And Dr. Simpson,
16 you also had a bit of a discussion with -- with PUB
17 counsel in terms of the 100 percent MCT as an upper
18 range. You remember that conversation as well?

19 DR. WAYNE SIMPSON: Yes. The MCT --
20 100 percent MCT came up as a proposal in the GRAs
21 going back, actually, quite a few years.

22 DR. BYRON WILLIAMS: And if we look at
23 the 366 million, based upon your knowledge of prior
24 PUB decisions, can you indicate what, if any, test
25 that was related to?

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1 DR. WAYNE SIMPSON: I distinctly
2 remember that that was associated with 100 percent
3 MCT, and -- and that large jump from 178 million the
4 year before would likely be the adoption of the 100
5 percent MCT standard for that GRA.

6 DR. BYRON WILLIAMS: And Dr. Simpson,
7 to your knowledge, has the Public Utilities Board ever
8 accepted the 100 percent MCT as a minimum standard?

9 DR. WAYNE SIMPSON: Implicitly, and
10 not -- as a lower standard, no. And the only time it
11 was proposed was in an initial -- initial case where
12 MPI proposed a 50 percent MCT as a lower threshold,
13 but they have abandoned that in favour of the DCAT.

14 DR. BYRON WILLIAMS: Okay. No further
15 questions.

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

18 It's approximately 10:25 right now, and
19 the next panel will be the insurance brokers of
20 Manitoba panel, so we'll break until quarter to 11:00
21 and then carry on with that panel. Thank you. Thank
22 you very much for attending.

23

24 --- Upon recessing at 10:25 a.m.

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

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1 THE CHAIRPERSON: Thank you. Ms.
2 McCandless, do you have any opening comments? We move
3 to...

4 MS. KATHLEEN MCCANDLESS: Thank you,
5 Madam Chair. So we are now proceeding with the
6 Insurance Brokers Association of Manitoba direct
7 evidence. In my discussions with counsel at the end
8 of the day yesterday, I confirmed that the direct
9 examination will take no more than an hour and thirty
10 (30) minutes.

11 THE CHAIRPERSON: Thank you. Mr.
12 Unfried, would you please introduce your panel, and
13 then we'll have them sworn.

14 MR. CURTIS UNFRIED: Sure. Good
15 morning, Madam Chair. To my immediate right is Mr.
16 Grant Wainikka. That's W-A-I-N-I-K-K-A. He is the
17 CEO of IBAM.

18 Next to him is Ms. Val Hutsal. She's a
19 broker from Brandon.

20 Next to her is Mr. Bre -- Brett
21 McGregor. He's from Wawanesa. He has six (6)
22 different brokerages in and around the Brandon area.

23 And then last but not least, on the far
24 right is Ms. Tara Chammartin, and it's spelled C-H-A-
25 M-M-A-R-T-I-N, and she is with La Salle Insurance here

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1 in Winnipeg.

2 THE CHAIRPERSON: Thank you.

3 MR. CURTIS UNFRIED: And I could
4 confirm to the panel that each of them are obviously
5 here today to provide evidence to their best in -- of
6 their knowledge and ability. They are not, of course,
7 being called as experts in the true sense of the word,
8 and that they are obviously all members of IBAM.

9 However, they are here, and as set out
10 in the pre-filed testimony, the purpose of their
11 evidence here today is going to be for setting out the
12 role that brokers play in providing MPI service to
13 Manitobans, the value that is provided by brokers to
14 Manitobans, the costs associate with providing MPI
15 services to Manitobans, and the commissions that are
16 paid for those services in comparison to other
17 jurisdictions in Canada.

18 So having said that, by way of
19 background, I -- I'll just have each of the panel
20 members advise the -- the panel, Board, and Board here
21 today a little bit more background information about
22 yourself. I'll start with Ms. Chammartin on the end.

23 THE CHAIRPERSON: Shall we swear them
24 or --

25 MR. CURTIS UNFRIED: I'm sorry. Yes.

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1 THE CHAIRPERSON: -- affirm them
2 first?

3 MR. CURTIS UNFRIED: I'm sorry.

4 THE CHAIRPERSON: Thank you.

5 MR. CURTIS UNFRIED: Yes, we'll swear
6 them.

7

8 IBAM PANEL:

9 GRANT WAINIKKA, Affirmed

10 VALERIE HUTSAL, Sworn

11 BRETT MCGREGOR, Sworn

12 TARA CHAMMARTIN, Sworn

13

14 EXAMINATION-IN-CHIEF BY MR. CURTIS UNFRIED:

15 MR. CURTIS UNFRIED: Thank you. And
16 jus -- just before we start with the background there,
17 I -- just by way of a housekeeping matter, there'll be
18 four (4) exhibits that'll be referred to that I'd like
19 to read in at this point. They've been provided al --
20 already to the Board.

21 Exhibit 21 is referred to as an ICBC
22 website, 'buy or renew your insurance' web page
23 printout.

24

25 --- EXHIBIT NO. IBAM-21: ICBC website 'buy or

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1 renew your insurance' web
2 page printout
3

4 MR. CURTIS UNFRIED: Exhibit 22 is an
5 ICBC website renewal reminder web page.

6

7 --- EXHIBIT NO. IBAM-22: ICBC website renewal
8 reminder web page
9

10 MR. CURTIS UNFRIED: Exhibit 23 is a
11 SGI Canada governance and policy web page.

12

13 --- EXHIBIT NO. IBAM-23: SGI Canada governance and
14 policy web page
15

16 MR. CURTIS UNFRIED: And Exhibit 24 is
17 a series of Google searches.

18

19 --- EXHIBIT NO. IBAM-24: Series of Google searches
20

21 CONTINUED BY MR. CURTIS UNFRIED:

22 MR. CURTIS UNFRIED: So Ms.
23 Chammartin, if you could just take a moment to tell us
24 a little bit about yourself and La Salle Insurance.

25 MS. TARA CHAMMARTIN: Sure. Good

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1 morning. My name is Tara. I am a operations manager
2 and partner at La Salle Insurance and our group of
3 offices, which is six (6) in Manitoba -- five (5) in
4 Winnipeg and one (1) in rural Manitoba in La Salle.

5 I'm a past director and president of
6 the Insurance Brokers Association of Manitoba, and I'm
7 also a past director of the Insurance Brokers
8 Association of Canada's board of directors. I've been
9 in the business for twenty-five (25) years, so I've
10 got a -- a pretty good understanding of the operations
11 and all sides of the insurance world as it's related.

12 MR. CURTIS UNFRIED: And I understand
13 you have a CAIB designation. I just wonder what that
14 is.

15 MS. TARA CHAMMARTIN: Yes, I do. That
16 is the Canadian Accredited Insurance Brokers
17 designation that is offered across Canada. There's
18 four (4) different levels of education that you have
19 to take to obtain that designation. And I'm also,
20 actually, a previous facilitator of this course for
21 our province and was a -- the chair of the
22 professional development committee for the Insurance
23 Brokers Association of Manitoba as well as Canada.

24 MR. CURTIS UNFRIED: Thank you. Mr.
25 McGregor.

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1 MR. BRETT MCGREGOR: I'm Brett
2 McGregor. As Mr. Unfried said, I have six (6) offices
3 in southwestern Manitoba, employ sixty (60) employees.
4 Our offices are two (2) in Brandon, one (1) in Virden,
5 one (1) in Shilo, one (1) in Carberry, and one (1) in
6 Wawanesa.

7 I also have my Canadian Accredited
8 Insurance Broker designation. I have my Chartered
9 Insurance Professional designation, my Fellow
10 Chartered Ins -- Insurance Professional designation
11 through the Insurance Institute of Canada, as well as
12 an MBA designation. And I've been a licensed
13 insurance broker for sixteen (16) years.

14 MR. CURTIS UNFRIED: Okay. Ms.
15 Hutsal.

16 MS. VALERIE HUTSAL: My name is
17 Valerie Hutsal. I -- I'm a co-owner and manager of an
18 insurance brokerage in Brandon. I began my career
19 working for my father after school and on weekends in
20 his rural brokerage, and then I was offered a position
21 for a large insurance company, a national insurance
22 company out of Winnipeg. And while I was working in
23 Winnipeg, I was an underwriter for personal lines,
24 commercial, and marketing department.

25 During that time period, I obtained my

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1 computer programming diploma, and I started courses in
2 the Insurance Institute. In 1995, I graduated with my
3 CIP designation, which is Chartered Insurance
4 Professional. In 1993, I married my husband, Greg,
5 who was an owner of an insurance company in Brandon,
6 and I moved to Brandon and went back to my roots as an
7 insurance broker. And it's been twenty-six (26) years
8 that I've been an insurance broker, thirty-eight (38)
9 years in insurance.

10 I have two (2) daughters; one (1) just
11 graduated from the Asper School of Business at U of M,
12 taking accounting and international business. My
13 youngest daughter is graduating May of next year from
14 the Asper School of Business, and she took supply
15 chain and marketing, and she's hoping to be third-
16 generation insurance broker.

17 MR. CURTIS UNFRIED: Thank you. Mr.
18 Wainikka.

19 MR. GRANT WAINIKKA: Sure. Thank you,
20 counsel. I -- I've been the CEO of -- of IBAM for
21 approximately two (2) years. Previous to that, I was
22 a lecturer in the Department of Economics at the
23 University of Manitoba as well as at the Asper School
24 of Business as well as at the University of Winnipeg.
25 And prior to that, I was in the telecommunications

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1 business at both Mani -- MTS and at Rogers
2 Communications.

3 MR. CURTIS UNFRIED: Okay. And just -
4 - obviously, you're the CEO of IBAM. I'm just
5 wondering if you'd take a moment to advise the panel
6 as to what IBAM is and its mandate.

7 MR. GRANT WAINIKKA: Certainly. IBAM
8 is a not-for-profit organization. It is membership-
9 driven. We have approximately two thousand (2,000)
10 individual members that -- that work in about a
11 hundred and thirty (130) different brokerages in a --
12 in approximately three hundred and five (305) or so
13 locations across the province.

14 Our mandate is to advocate for the
15 broker and the consumer of property and casualty
16 insurance in Manitoba. We fulfill that in three (3) -
17 - three (3) key areas, the first of which is
18 professional development. So we try and insure that
19 we offer courses and we keep our broker force relevant
20 as to trends in the insurance world so that they can
21 better inform and advise their clients.

22 So we put courses on. We work with the
23 Insurance Council of Manitoba to have a full
24 understanding of regulator requirements and to ensure
25 that protections, including consumer protections, are

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1 well-known by our broker force.

2 We also put on a number of a -- a -- a
3 -- events. These range from sort of in --
4 informational sessions on technological advancement
5 and how to bring more innovation to your brokerage, to
6 career fairs, to conferences, where we -- where we,
7 again, hold educational sessions in these sorts of
8 things.

9 And the third area in which we focus is
10 on advocacy, and here, we, you know -- we'll sometimes
11 take positions on -- on specific issues such as
12 climate change and its impact on -- on -- on consumers
13 of insurance and so on.

14 So those are our three (3) main areas
15 of -- of focus.

16 MR. CURTIS UNFRIED: Thank you. And
17 is every brokerage in the province of Manitoba a
18 member of IBAM?

19 MR. GRANT WAINIKKA: No, but the vast
20 majority are. I would put it in the high nineties
21 (90s), and it's completely voluntary here. So
22 regulation differs from province to province, but here
23 it's completely voluntary, and we have almost 100
24 percent participation.

25 MR. CURTIS UNFRIED: Thank you. And

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1 as far as the members of IBAM go, what would the --
2 approximately be the size of each individual member as
3 -- as -- as far as its --

4 MR. GRANT WAINIKKA: Want their height
5 and weight?

6 MR. CURTIS UNFRIED: No, sir. The
7 size as far as their general descriptors -- is number
8 of employees.

9 MR. GRANT WAINIKKA: Well, it varies.
10 So it varies from sort of -- there are many Ma-and-Pa
11 types of -- types of storefronts out there. I
12 mentioned Deloraine has become a -- a key town of
13 late, and I -- I would say that's an example of that.
14 There are others that have more brokers working under
15 one (1) roof, and there are some brokerages like Mr.
16 McGregor's where -- where he has six (6) different
17 offices, and there are -- there are other brokerages
18 that are like that, so it's not uniform. It's --
19 yeah.

20 MR. CURTIS UNFRIED: And I understand
21 that IBAM recently conducted a study to determine
22 community involvement of its members.

23 MR. GRANT WAINIKKA: Yes, we did. We
24 surveyed our members last year, and that was
25 subsequently followed up with a Deloitte report, which

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1 has been tabled. And what we have found is that the
2 broker community in 2017, actually, donated \$3 million
3 to local charities and local causes -- six thousand
4 (6,000) of them, in fact, across -- across Manitoba.

5 These are hockey rinks. These are
6 fundraising for families that have fallen into
7 difficulty. These are town fairs. This is what we're
8 talking about.

9 MR. CURTIS UNFRIED: Okay. Thank you.
10 I'd now like to briefly discuss the
11 qualifications that are needed to become a broker in
12 Manitoba, and I'll maybe have Ms. Chammartin advise
13 the panel of that.

14 MS. TARA CHAMMARTIN: Sure. There --
15 there's a couple of different options, one (1) through
16 the Insurance Brokers Association of Manitoba. You
17 have a couple of selections for courses that you can
18 take, and -- followed by an exam, and if you were to
19 achieve the results in that exam, you can then apply
20 for a licence through the Insurance Council of
21 Manitoba.

22 And you can also take an exam that is
23 regulated by the Insurance Council of Manitoba. That
24 is your other option. So there's three (3) different
25 courses that you can take through IBAM to achieve

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1 that, I guess, licensing requirement, and one (1)
2 through -- directly through the Insurance course --
3 or, Council of Manitoba, sorry.

4 MR. CURTIS UNFRIED: And -- and what
5 is the Insurance Council of Manitoba?

6 MS. TARA CHAMMARTIN: The Insurance
7 Council of Manitoba is the regulatory body of all
8 insurance brokers across the province.

9 MR. CURTIS UNFRIED: Thank you. And
10 are there any type of background checks required prior
11 to obtaining licensure?

12 MS. TARA CHAMMARTIN: Yeah,
13 definitely. We have to go through a criminal record
14 check in order to satisfy the reckire -- requirements
15 for that -- submit the required ID requirements to
16 also confirm your identify of who you are.

17 MR. CURTIS UNFRIED: Thank you.

18 MR. BRETT MCGREGOR: Mr. Unfried,
19 could I just add. We also, in our application
20 process, have to declare whether we've ever been the
21 subject of bankruptcy or fraud charges or anything
22 like that that may not show up on a criminal record
23 check.

24 MR. CURTIS UNFRIED: Yeah. Thank you.

25 I'd now like to have you discuss the

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1 qualifications of your staff within a brokerage. Ag -
2 - again, I don't -- I'll maybe ask Mr. McGregor,
3 coming down the line.

4 MR. BRETT MCGREGOR: Sure. Yeah. So
5 the qualifications of our staff -- many of our staff
6 will have achieved the Canadian Accredited Insurance
7 Broker designation that we -- that we mentioned. I
8 didn't do the count. I know Val has a count for her
9 office, but my office -- everyone would either be
10 pursuing that designation or achieved it, and then
11 once achieved that, they would move on to the
12 subsequent desig -- designations.

13 There's the CPIB designation, Canadian
14 Professional Insurance Broker, or there's the CIP
15 route through the Insurance Institute. Yeah.

16 MS. VALERIE HUTSAL: So in my office,
17 I have ten (10) people that I employ, and out of the
18 ten (10) people, two (2) of them are chartered
19 insurance professionals like myself, so I'd be one (1)
20 of them. I have one (1) other employee that is.

21 I have five (5) of my staff that are
22 Canadian Accredited Insurance Brokers. Four (4) of
23 them have the honours out of that -- that program. So
24 now I've got -- that's four (4) -- that's six (6) --
25 or five (5), six (6), seven (7). I've got three (3)

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1 left. Three (3) are in -- right now, are taking the
2 CAIB program, and they're halfway through. So all of
3 my staff are either accredited or in the program.

4 MR. CURTIS UNFRIED: Thank you. And
5 is there a cost for the brokerage to license the st --
6 your staff? And if so, what is an approximation?

7 MR. BRETT MCGREGOR: Yeah. There's --
8 there's definitely costs involved. So, you know,
9 depending on the option you take, the cost can vary,
10 but, you know, often for brokers in Brandon, we're
11 often sending staff into Winnipeg for a week-long
12 course, paying mileage, hotels, food, things like
13 that, as long as -- as well as a salary during that
14 time period.

15 So, you know, I think the -- the direct
16 dollar cost is somewhere in the range of about fifteen
17 hundred (1,500) to two thousand (2,000), and then if
18 you added our internal training costs on top of that,
19 that number would grow by quite a bit.

20 MR. CURTIS UNFRIED: Thank you. Thank
21 you. And as far as the -- the staff goes, are -- is
22 anybody in your office able to provide insurance
23 advice to consumers when they come into your office?

24 MS. TARA CHAMMARTIN: Absolutely not.

25 MR. CURTIS UNFRIED: And -- and what

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1 are the requirements or what are the -- who is able to
2 provide the advice to those customers when they come
3 in?

4 MS. TARA CHAMMARTIN: A licensed
5 insurance broker, yeah.

6 MR. CURTIS UNFRIED: Yeah.

7 MS. TARA CHAMMARTIN: So.

8 MR. CURTIS UNFRIED: And as I
9 understand it, in dealing with MPI, we'll now turn to
10 Autopac. There has been some evidence given as to a
11 system that brokers are able to log in to, and I was
12 wondering if you could maybe tell us a little bit
13 about that.

14 MS. TARA CHAMMARTIN: Sure. I can
15 touch on that if you want. The MPI system, which is
16 also known as IWS, Insurance Workstation System -- you
17 have to provide proof of your licensing requirements,
18 photo ID again, and your errors and omissions
19 insurance in order to be issued a user ID from
20 Manitoba Public Insurance for our staff to be actual
21 authorized and able to access that program directly in
22 their offices.

23 MR. CURTIS UNFRIED: Okay. And so if
24 somebody doesn't have that specific authorization and
25 code, they're not able to log in to the IWS system?

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1 MS. TARA CHAMMARTIN: Correct. Yeah.
2 It's very tightly managed and security lock downs and
3 managed by the operating level three (3) broker in the
4 office that can assign those user IDs once they're
5 okayed by MPI.

6 MR. CURTIS UNFRIED: Okay. And now
7 I'd like to move on, and just in general terms, if you
8 could tell us what a broker does for a consumer when
9 they -- when they do come into your office. Again, no
10 particular choice, but maybe Mr. McGregor.

11 MR. BRETT MCGREGOR: Sure. Yeah, so a
12 broker works with the consumer to assess risk, to
13 discuss the customer's risk tolerance, and to find
14 insurance products that match their -- their risk
15 appetite to provide proper protection, make sure
16 they're properly informed about all the insurance
17 options that they have, and, you know, taking value
18 into consideration, choosing an insurance product or
19 suite of products that makes the most sense for them.

20 MR. CURTIS UNFRIED: Ms. Hutsal, I
21 don't know if you were going to add anything, or
22 you...

23 MS. VALERIE HUTSAL: No. I -- I think
24 Brett has touched on all of the -- the points.

25 MR. CURTIS UNFRIED: Okay.

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1 MS. VALERIE HUTSAL: I think -- no, I
2 just have one (1) thing to add. I think a lot of
3 times, when a consumer comes into our office, they
4 don't realize what they're needing until we have that
5 conversation with them, until we sit down with them
6 or, you know, speak with them and ask them a number of
7 questions.

8 They come in thinking they're wanting
9 one (1) thing, and then when they leave our office,
10 you --you know, their decision has changed.

11 MR. CURTIS UNFRIED: And -- and what
12 are the types of questions that you would be asking
13 them to determine whether or not they have proper
14 coverage, or what is needed for them to have proper
15 coverage?

16 MS. TARA CHAMMARTIN: Things -- you
17 know, the use of their vehicle would be a big one.
18 Are they using it to drive to school? Are they using
19 it to drive to work? Are they not? Are they using it
20 -- things for pizza courier, delivery services? Once
21 you ask and kind of educate the consumer around what
22 the products are and why it's important to know those
23 answers is because that determines the type of
24 coverage they would require on their vehicle to make
25 sure they're adequately protected.

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1 Things like, are you leaving the
2 Province, outside of Manitoba? Once you leave the
3 Province, you can be engaged in a, you know, a lawsuit
4 for third-party liability. If you, you know, just go
5 with what Manitobans tend to do, and sometimes that's
6 the cheapest insurance, they aren't aware that, you
7 know, their Basic limit is two hundred thousand
8 (200,000).

9 Well once he travel into the States,
10 and if you're involved in an accident outside that
11 Province and in the United States, you can purchase up
12 to 10 million liability, so that you are adequately
13 protected.

14 Going to the cabin in Canora, for an
15 example, you're leaving the Province of Manitoba every
16 weekend, and you're travelling into another province
17 that you could be, you know, subject to some sort of
18 third-party liability, claim, or situation.

19 So just making sure that we actually
20 take the time to ask the proper questions, to find out
21 what their requirements are, is to make sure that they
22 are protected in the end.

23 MR. BRETT MCGREGOR: Mr. Unfried, even
24 on the Basic, the use of the vehicle, the weight of
25 the vehicle, and the radius of the use of the vehicle

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1 can all significantly impact the amount of Basic
2 coverage that is available. So even on the Basic
3 product, there is a significant amount of information
4 gathering to even determine how much Basic applies.

5 MR. CURTIS UNFRIED: Okay. Maybe if
6 you just elaborate on that. I gave -- in that the
7 radius of the vehicle, how it -- it would --

8 MR. BRETT MCGREGOR: Yeah. So
9 vehicles that are of a certain weight that are leaving
10 the Province do not qualify for -- will qualify for
11 different levels of coverage under the Basic. So some
12 will get the regular two hundred thousand (200,000),
13 but some qualify for no third-party liability. So you
14 need to make sure that you put an Extension policy in
15 place that provides that coverage.

16 MR. CURTIS UNFRIED: Okay. And
17 obviously, you'd talked a bit about the coverage
18 available for MPI, and -- and obviously others. So I
19 take it that the coverages outside of MPI will
20 determine how much coverage you would recommend to
21 someone who's purchasing from MPI?

22 MS. VALERIE HUTSAL: That -- that's
23 correct. There are some options available to clients
24 that are not sold -- a product sold by MPI.

25 MR. CURTIS UNFRIED: Okay. And what

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1 are some examples?

2 MS. VALERIE HUTSAL: They're called
3 OEM, or original equipment manufactured parts. You
4 can buy insurance with another carrier. If you have a
5 brand-new vehicle, you can buy replacement cost up to
6 seven (7) years, not two (2) years, things like that.

7 MR. CURTIS UNFRIED: Okay.

8 MS. TARA CHAMMARTIN: I think also on
9 that note, the -- the differences in products that are
10 available through another provider other than MPI,
11 things like off-road vehicles, under the Basic off-
12 road vehicle coverage that you get with MPI, you're
13 not including your PIPP benefits, which is your
14 accident benefits, if you're injured personally while
15 riding that operate -- or operating that vehicle.

16 There are other markets out there other
17 than MPI that we are able to offer through our offices
18 that we can advise and provide that information to
19 clients when they come in to inquire about what type
20 of coverage they actually need.

21 MR. CURTIS UNFRIED: And so just to be
22 certain of that, if -- if you're -- if a Manitoban is
23 injured while operating an off-road vehicle, they do
24 not qualify for PIPP?

25 MS. TARA CHAMMARTIN: Not under the

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1 Basic off-road vehicle plan. No. They would have to
2 have either Extension products through MPI or through
3 another provider that we are able to sell through our
4 offices.

5 MS. VALERIE HUTSAL: And --

6 MR. BRETT MCGREGOR: Curtis -- sorry,
7 or Mr. Unfried, I think it's an important note, too,
8 that, you know, that's a good example Tara brings up,
9 the off-road vehicles, you don't qualify for PIPP. So
10 you need to understand that as a customer.

11 And, you know, even as a broker, the
12 product that we are able to sell through MPI has
13 extremely low limits. If you are looking at loss of
14 income for somebody that's permanently impaired, the
15 maximum payout is three hundred and seventy-five
16 dollars (\$375) per week. So you're looking at about
17 eighteen thousand dollars (\$18,000) per year. A
18 permanent -- permanent impairment benefit would be
19 twenty thousand dollar (\$20,000) one (1) time benefit.
20 The medical expenses max out at -- at a hundred
21 thousand dollars.

22 So even the product that we have
23 available to sell through MPI, in my opinion, if -- if
24 I had a twenty-five (25) year old injured, you know,
25 quadriplegic accident, I would be very worried about

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1 the coverage that we even do have available.

2 So as brokers, we need to understand
3 that and be able to advise customers that, and find
4 other products that we could pair with that coverage
5 or replace that coverage with.

6 MR. CURTIS UNFRIED: And you had
7 mentioned that you would -- you obviously ask
8 customers various questions to determine the coverage
9 that's available, or what's best available for them.
10 And they're obviously the instances where
11 circumstances will change, such as a, you know, death
12 in a family, or, you know, maybe a child moving away,
13 or something along those lines.

14 How do you go about learning about
15 changes in circumstance from your -- the customers?

16 MS. TARA CHAMMARTIN: Well, I mean, I
17 think I can speak to that. When you have a -- a
18 customer base that is used to attending your office,
19 you really get to learn who your customers are, for
20 one thing. We spend a great amount of time with our
21 customers, whether it's on the phone, in person. Who
22 you are aware of some of those situations, because
23 especially in small towns, you kind of know what's
24 happening.

25 So you can kind of help them in that

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1 situation, I mean, especially when it comes to estate
2 transfers, you know, things like that. It's -- it's
3 very difficult and hard on the client, so we try to be
4 aware of those things, to help them as best as we can.

5 MR. CURTIS UNFRIED: I also understand
6 that brokers are involved in photographing individuals
7 as they come into the office for the purposes of
8 government identification. I was just wondering if
9 you could take a moment to explain the process that
10 you go through for the purposes of taking those
11 photographs.

12 MS. VALERIE HUTSAL: So when someone
13 comes in to change an address, in order to process
14 that address change, we need to take a photo of them,
15 unless there's a medical reason -- an exemption, say
16 someone is in the hospital, and we have a form that
17 can be completed, there is an option to avoid that
18 picture taking at that time and have it taken at
19 another time.

20 But the photo itself is -- is not just
21 a photo. We're actually confirming address. We're
22 confirming height. We're, you know, we're confirming
23 email, phone number. There's a number of things that
24 were doing before we take that photo. And the photo
25 is secured.

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1 MS. TARA CHAMMARTIN: It's -- it's
2 basic -- so let's just say we have a new customer that
3 comes in, whether it's a brand-new driver, or somebody
4 that's new to Manitoba. They have to come in, and
5 they have to bring several documents that qualify them
6 to actually be entitled to a -- a Manitoba driver's
7 licence or ID card.

8 So in that process, they have to
9 produce things like bank documents, mortgage
10 documents, confirmation of employment, passport
11 information. There's a list of -- of what is
12 acceptable documents, and they have to provide two (2)
13 of those to us in order for us to even set them up in
14 the MPI system currently.

15 Followed with that, they have to have a
16 photo taken to verify their identification through
17 MPI's ID verification process.

18 MR. CURTIS UNFRIED: And on that
19 point, are you -- the -- MPI's identification process,
20 do you have access to prior photos on the system?

21 MS. TARA CHAMMARTIN: We do, so that -
22 - that is in place so that we can actually verify the
23 client when they come into the office, that they are
24 who they say they are, and that we're able to transact
25 what they are requiring for them.

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1 MS. VALERIE HUTSAL: And it's --
2 MS. TARA CHAMMARTIN: It's --
3 MS. VALERIE HUTSAL: -- not just
4 photos, but actually signatures, too. We verify the
5 signature along with the photo.

6 MS. TARA CHAMMARTIN: And it's quite
7 often -- if you have to call MPI. So, for, you know,
8 if -- an override or something, or some sort of
9 assistance that they have to provide to us as the
10 brokers on the back end. They ask us to verify that
11 the person in front of us is the photo on file that we
12 have.

13 MR. CURTIS UNFRIED: I was watching
14 our, I guess, re-elected Prime Minister this morning
15 taking selfies at the train station in Montreal. I'll
16 use that as the preface to my next question.

17 Are individuals able to submit selfies
18 of them -- of their own for the purposes of the photo,
19 or are there certain standards that need to be met?

20 MS. TARA CHAMMARTIN: Absolutely not.
21 There are definitely standards that have to be met,
22 and we submit it through MPI's drivers -- or photo ID
23 workstation program that they have, and it is very
24 similar to that required of a passport photo, so, you
25 know, no -- certain things you can't be wearing.

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1 There's no smiling required. And went through that,
2 once it's -- it's accepted, it actually goes to MPI to
3 actually be verified and accepted. And if there's
4 anything wrong with that photo, it gets sent back to
5 us, and we have to contact the client to have them
6 come back into the office again and have a new photo
7 taken.

8 MR. BRETT MCGREGOR: Mr. Unfried, do -
9 - we even have to all use the same camera system in
10 order to ensure consistent quality. So brok --
11 brokers across the Province are all using the same
12 camera mandated and provided by MPI, just to ensure
13 that those standards are -- are met and that there's
14 consistency.

15 MR. CURTIS UNFRIED: Okay. The Public
16 Utilities Board has heard that MPI is considering a
17 change that would allow people to change their address
18 online.

19 From your perspective as a broker, do
20 you have any concerns with this potential change?

21 MS. TARA CHAMMARTIN: I'll take that
22 one. I -- absolutely. Well, based on the fact that
23 they do have to have a new photo taken to verify the
24 ID in the first place to confirm that is who the
25 person it is. I mean, if we go to a -- on direct

2380

1 model, if you want to call it, the ability to upload
2 the requirements to set up that ID in the first place
3 would be very suspected, possibly.

4 And -- and then the opportunity to
5 upload photos of those who may not even be the person
6 who they are saying they are. You know, the pur --
7 the purpose of that is so that they can verify the ID
8 and the face that goes along with it as well.

9 MR. BRETT MCGREGOR: The -- the other
10 thing that's important to note is that the address is
11 important for rating. So MPI uses a territory rating
12 system. So if you are using an online model, there is
13 the potential for the customer to enter an address
14 that doesn't actually belong to them, or maybe they
15 work in one (1) territory and live in another, and
16 they want their mail to go to work.

17 We know as brokers that you need to
18 have the permanent address where they actually live
19 listed as the address on file. So the other concern
20 along with the picture, you know, quality and
21 consistency that Tera outlined, and identity theft, is
22 that the rates could be wrong.

23 MS. TARA CHAMMARTIN: I -- just to add
24 to that, sorry, the -- there is a product that's
25 offered by MPI, and it's the enhanced ID card, which

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1 does allow you to travel outside of the Province,
2 somewhat similar to a passport, right? So the ID
3 requirements and the security features in that card
4 are quite high based on that fact alone. So it's
5 really important to make sure it's -- it's correct.

6 MR. CURTIS UNFRIED: Okay. And in --
7 in just in general terms, if a customer wishes to make
8 a claim against MPI or an insurer, what role do you as
9 a broker play in -- in advancing those claims?

10 MS. VALERIE HUTSAL: I've had
11 customers call me at home. I've had customers call me
12 on -- when I'm on vacation. They've, you know,
13 advised me that they've backed out of their driveway
14 and dented their vehicle, you know, and then they've
15 said to me, Should I put a claim in?

16 So I would then call our office, or I
17 would go down to my office and actually walk through
18 with them and discuss their driver safety rating, see
19 where they are right now, go through where they would
20 end up if they did put the claim in, discuss their
21 deductible, and then I would do a comparison and say,
22 Okay, for the next five (5) years. This is the price
23 you're going to pay if you put this claim in. Would
24 you like to, you know, go to an auto body shop and see
25 what the cost of the damage is? Maybe you'd like to

2382

1 repair the damage yourself? It's their option. So we
2 walk them through the claim process by giving them the
3 option of discussing what they can do.

4 MR. BRETT MCGREGOR: Often, we are
5 there first contact, and, you know, we go through that
6 process Val described, or we direct them to the 1-800
7 number to report the claim.

8 But we also play an advocacy role in
9 claim settlement and through the claims process. So
10 multiple times, I've been authorized by customers to
11 advocate for them on their behalf. They have to sign
12 a form authorizing me to work with their MPI adjustor,
13 and I've done that on numerous occasions, where I've
14 dealt with either service issues or settlement issues.
15 The customer didn't feel that their settlement offer
16 from MPI was fair, and I was able to go in and work
17 with the MPI adjustor to find something that was more
18 fair for the customer.

19

20 (BRIEF PAUSE)

21

22 MR. CURTIS UNFRIED: We've heard --
23 well, obviously, discussions about third -- the
24 example of third-party liability coverage, and the
25 Board has heard evidence that the customer base in

2383

1 Manitoba is immature when it comes to the
2 understanding of insurance. And with respect to that,
3 in determining the appropriate coverage for a customer
4 here in Manitoba, how would you go about describing
5 the products available from MPI to them?

6 MR. BRETT MCGREGOR: Strictly on the
7 third party --

8 MR. CURTIS UNFRIED: Yeah, third
9 party, or any other products at all. Would you use
10 the actual terminology that is available, or do you
11 use other types of language to describe them?

12 MR. BRETT MCGREGOR: No. Customers
13 don't understand terms like loss of use, or maximum
14 insured value. We -- we ask our questions in a way
15 that we determine with them if there is the need for
16 that coverage.

17 So rather than asking, do you want more
18 maximum insured value coverage, we would ask a
19 question like, what is the value of your vehicle, or
20 what would you expect to be paid out if you had an
21 accident.

22 With loss of use, we would say things
23 like, do you rely on your vehicle to get to work, or
24 transport children? What would happen if you had an
25 accident and didn't have access to your vehicle?

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1 So Manitobans don't understand the
2 terms that MPI uses, so we have to ask our questions
3 in a way that explains the coverage to them.

4 MR. CURTIS UNFRIED: And if you meet a
5 customer -- when you meet a customer, do you offer
6 them every single insurance product that's available
7 from MPI?

8 MR. BRETT MCGREGOR: Yes.

9 MS. VALERIE HUTSAL: Yes.

10 MS. TARA CHAMMARTIN: Yeah, I
11 definitely go through all of their options with them,
12 for sure, yeah, making sure that they understand what
13 those options are, and the limits that apply to them,
14 for sure.

15 MR. CURTIS UNFRIED: I would like to
16 have madam clerk pull up MPI Exhibit 62, page 18.

17

18 (BRIEF PAUSE)

19

20 MR. CURTIS UNFRIED: Or is it 19?

21

22 (BRIEF PAUSE)

23

24 MR. CURTIS UNFRIED: Yeah. And this
25 is a --- a survey that was conducted by -- or on

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1 behalf of MPI, in which they were -- determined
2 whether or not the current customer may not have been
3 offered choices. And as you will see, according to
4 this survey, the deductible amount was discussed 48
5 percent of the time, at least according to the
6 customer, whereas at the low end of the spectrum,
7 we've got income replacement indemnity extension was
8 only raised by the customer 1.9 percent of the time.

9 As a broker here in Manitoba, when you
10 see these numbers, do you have any reaction?

11 MR. BRETT MCGREGOR: It -- it's not
12 surprising at all, Mr. Unfried. If you ask the
13 question in that way, I would absolutely expect that
14 response from Manitobans.

15 Again, we don't use this terminology
16 when we're discussing coverage options with customers.
17 You know, you look at the bottom one, and that's an
18 excellent example, income replacement indemnity
19 extension. It's a mouthful to say even, but what it
20 means is we need to ask our customers or advise them
21 that the maximum income replacement that they have
22 under PIPP is currently ninety-eight thousand five
23 hundred dollars (\$98,500).

24 So if you make more than that in a
25 year, you may want to consider Extension coverage that

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1 would raise that limit up. So, I -- it doesn't shock
2 me at all that those are the results that they -- they
3 got, because that is not what brokers are telling
4 Manitobans.

5 MR. CURTIS UNFRIED: One (1) of the
6 terms that has been mentioned before is the umbrella
7 policy coverage. I was just wondering if you'd
8 explain what an umbrella policy is.

9 MR. BRETT MCGREGOR: I can take that
10 one. Sure. So umbrella policy -- a personal umbrella
11 is a policy that you would buy, and it's a -- it's a
12 really neat policy. And it's -- the industry is
13 moving very quickly right now on this.

14 So it's a policy that would provide not
15 only additional limits of coverage across multiple
16 lines of business, so you could use it to take your
17 Autopac coverage from a million dollars -- if you
18 bought a million dollars through Autopac, you could
19 buy a \$2 million Extension, and you would have \$3
20 million total auto coverage.

21 That same product would also provide
22 that additional \$2 million on your house insurance
23 coverage, on your boat insurance, on your cottage. So
24 it's a very, very neat product that provides
25 Manitobans with a really flexible and affordable way

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1 to get additional coverage, not only on their auto
2 insurance, but on additional lines of business.

3 And it also covers some things that the
4 regular third-party liability doesn't cover. So it
5 not only provides extra limits, it provides broader
6 coverage.

7 MR. CURTIS UNFRIED: And what would
8 you -- if anything, would you say in regards to MPI's
9 ability to offer umbrella coverage?

10 MS. TARA CHAMMARTIN: There is no
11 ability. That's what I would say, anyway. I mean, we
12 would have to look to other insurers other than MPI to
13 provide that to -- to customers. And in fact, I think
14 that Manitoba is probably at the very back end of the
15 scale of being able to offer it to Manitobans across
16 the Province, because it's not something that
17 companies in Manitoba were interested in doing,
18 because the uptake, that I think back, you know, over
19 the last number of years wasn't there, because the
20 only option, really, in their eyes, was through MPI.

21 So now we're seeing a big turnaround
22 come in, and it's -- it's a great policy. It's --
23 just drops in, and drops down, and protects them for
24 things that they didn't have coverage for, and gives
25 them more coverage in general.

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1 MR. CURTIS UNFRIED: So as I
2 understand your evidence, these types of policies were
3 more prevalent elsewhere in Canada, and are now making
4 their way to the --

5 MS. TARA CHAMMARTIN: Yeah.
6 Absolutely. Yeah.

7 MR. BRETT MCGREGOR: Yeah, it -- it
8 has been delayed coming to Manitoba, and we have just
9 within the last year got a -- a market that will write
10 that standalone -- a mainline market that will write
11 that policy standalone.

12 So typically in the past, we had to
13 write it with the home insurance carrier, and now
14 we've got an insurance company, Wawanesa, that will
15 write it for you, did -- no matter whether you have
16 your homeowner's insurance with them or not. So it's
17 -- it's really opened the ability to provide this
18 product.

19 MR. CURTIS UNFRIED: Okay. I'd like
20 to talk a little bit about the manner in which you
21 provide customer service. In general terms, what
22 would you do for the purposes of making yourselves
23 available to ensure that you do provide a high level
24 of customer service?

25 MS. VALERIE HUTSAL: I'm pretty much

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1 available twenty-four (24) hours a day. My phone for
2 my office -- or the phone number from my office rings
3 to my cell phone. Someone can contact me day and
4 night, twenty-four (24) hours.

5 MR. CURTIS UNFRIED: Okay.

6 Mr. MacGregor?

7 MR. BRETT MCGREGOR: Yeah. The same
8 thing. Many of my customers have my cell phone
9 number. I often get calls outside of our regular
10 business hours. We try to offer, you know, very
11 extensive business hours. We would be operating 8:00
12 to 6:00 four (4) days a week, 8:00 to 8:00 one (1) day
13 a week, and then on Saturdays, we would be open nine
14 9:00 to 5:00.

15 So six (6) days a week with, you know,
16 up to twelve (12) hours of -- of coverage actually in
17 the office and then availability of, you know, myself
18 as well as, you know, any number of our staff whose
19 customers have those cell phone numbers.

20 MR. CURTIS UNFRIED: We've heard some
21 evidence about MPI service centres that are located
22 throughout the province. You're familiar with those,
23 each of you?

24 MS. VALERIE HUTSAL: (NO AUDIBLE
25 RESPONSE)

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1 MR. BRETT MCGREGOR: (NO AUDIBLE
2 RESPONSE)

3 MS. TARA CHAMMARTIN: (NO AUDIBLE
4 RESPONSE)

5 MR. CURTIS UNFRIED: How would you
6 compare your hours of operation to the MPI service
7 centres?

8 MS. TARA CHAMMARTIN: I can speak to
9 that one if you want. I mean, one of our -- our
10 offices in the city here is located right close to the
11 Bison Service Centre. Our office hours -- we're open
12 Mondays and Tuesdays from 8:00 a.m. till 9:00 p.m.;
13 Wednesdays and Thursdays, we're open from 8:00 a.m.
14 till 8:00 p.m.; and Fridays, we're open till 6:00
15 p.m.; and Saturdays, we're open all day from 9:00 to
16 5:00.

17 And it is quite often that we see a
18 spike of traffic, if you want to so call say, in
19 between -- anytime after 4:00 between 4:00 and 6:00
20 of -- of people that may have been at a service
21 centre, whether it be for a driver's licence road test
22 and they would have liked to just, you know, apply for
23 their driver's licence on the spot at the MPI service
24 centre, and they come into our office with a list of
25 brokers that are in the area that they were given to

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1 be a service centre staff person and said, you know,
2 they're open till, you know, 9:00 p.m. in the area.
3 You probably have a better chance of getting some
4 service over there at that point. So quite often we
5 see that.

6 MR. CURTIS UNFRIED: Okay. Just as
7 far as the costs of running a brokerage -- again, I'm
8 not looking for actual dollar values -- but in general
9 terms, could you explain the types of costs that are
10 incurred in running a brokerage?

11 MS. VALERIE HUTSAL: So one (1) of our
12 largest costs would -- would be pay and employee
13 benefits, then it would be our rent or taxes and
14 office expenses, such as paper -- which is quite large
15 with MPI -- toner cartridges, equipment.

16 MR. BRETT MCGREGOR: Yeah. Payroll
17 taxes, you know, land, buildings, all of that sort of
18 thing that comes with running a business.

19 MR. CURTIS UNFRIED: Okay. And as far
20 as -- we'll turn to Autopac itself, I take that each
21 of you have sold Autopac since you first started in
22 the industry? Is that correct?

23 MS. TARA CHAMMARTIN: Yeah.

24 MR. BRETT MCGREGOR: For me, it's been
25 a few years, but I did sell it for about ten (10)

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1 years at the start of my time at the brokerage.

2 MR. CURTIS UNFRIED: Okay.

3 MS. TARA CHAMMARTIN: I still take out
4 garbage cans actually.

5 MR. CURTIS UNFRIED: And we -- the
6 Board has heard the terms "Basic" and "Extension"
7 insurance packages, and I was just wondering in
8 general, what will you discuss with the consumers
9 about these coverages when they come into your office?

10 MS. VALERIE HUTSAL: So the Basic
11 coverage is going to give you collision and
12 comprehensive coverage on your vehicle, and it's going
13 to give you -- the Basic package is a five hundred
14 (500) deductible for those coverages. The liability
15 is two hundred thousand (200,000). You would receive
16 personal injury protection coverage with that
17 liability if it is a motorized vehicle, not off-road
18 vehicles that we discussed earlier.

19 Some -- we would talk about the income
20 replacement. We would talk about who the owner of the
21 vehicle is, so new vehicle protection, leased vehicle
22 protection. We would talk about the types of
23 coverages -- pleasure, all purpose, farm, business.

24 And MPI just came out with the new MELT
25 (phonetic) program, so we would talk about trucking,

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1 weights of the vehicle --

2 MR. CURTIS UNFRIED: Okay.

3 MS. VALERIE HUTSAL: -- radius of
4 operation, things like that.

5 MR. CURTIS UNFRIED: Okay. Okay.

6 MS. VALERIE HUTSAL: Extension
7 coverage, which is available through MPI -- you can
8 buy the Basic coverage for liability is two hundred
9 thousand (200,000). You can now buy up to ten (10)
10 million coverage. And that was just recently offered
11 two (2) or three (3) years ago. I think it's been
12 three (3) years maybe. I'm not a hundred percent sure
13 on the date.

14 And what happened was with -- with the
15 increase in liability coverage, we noticed there was a
16 gap of people that had the five (5) year renewal or
17 five (5) year -- when they'd come in for their
18 reassessment that weren't aware of the increase in
19 coverage. So that was, you know quite a learning
20 experience that we had to walk through with a -- with
21 a consumer.

22 And with the drop of the Canadian
23 dollar in the United States, liability -- if you're in
24 an accident now in the States, the cost of -- of being
25 sued has gone up.

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1 MR. CURTIS UNFRIED: Yeah.

2 MS. TARA CHAMMARTIN: Especially -- I
3 mean change of use of the vehicle. You can have your
4 renewal in year one (1) renew it with the coverages
5 you think you need at that time, and fast forward two
6 (2) years, your child is now sixteen (16) and
7 delivering pizzas.

8 If they don't, you know, have the
9 option to come in and discuss that coverage or contact
10 you to, you know, talk about, is that the proper
11 coverage to have, they really don't know that
12 something like that is significant in the coverage
13 that they have in the event of a claim. I mean, if
14 they don't have the proper coverage, they don't get a
15 claim that's paid for technically in essence.

16 So the five (5) year system, you know,
17 is not -- I mean, they say it was supposed to have
18 been less work, but it's -- it's more important in the
19 consumer advocacy for making sure that customers know
20 that if they have a change that could affect their
21 insurance use coverage -- whatever it may be -- that
22 it's really important that they come in and -- and
23 make that change so that they have the proper coverage
24 in the event of a claim.

25 MS. VALERIE HUTSAL: One -- one (1)

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1 thing that I missed was the maximum insured value. So
2 that is something we would discuss yearly with a
3 client, especially on trailers where there's a
4 depreciation. In that five (5) year time period,
5 we've seen trailers go from a hundred thousand for a
6 fifth wheel deluxe model -- a hundred thousand dollar
7 trailer -- and maybe it's now worth eight-five (85)
8 thousand.

9 So that's something that we're
10 discussing on the reassessed time year after year.

11 MR. BRETT MCGREGOR: Yeah. And the
12 risk that Tara outlines with the five (5) year
13 renewals is -- is definitely a risk, and it's most
14 prevalent for those customers who don't re-attend in
15 between.

16 If they're making those payments online
17 or through their bank and not coming into a broker,
18 that risk is the highest, because even on a
19 reassessment when that customer attends our office,
20 we're still doing a coverage review.

21 So there's nothing in MPI's system that
22 will record that coverage review, so unless there's a
23 change, MPI doesn't know that anything's happened, but
24 that customer is still getting that review if they're
25 attending our office even in a reassessment year.

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1 So the risk is lower for those
2 customers. It's -- it's worst in the five (5) year
3 model for those that just keep paying online every
4 year.

5 MR. CURTIS UNFRIED: M-hm. And the
6 reason why MPI would not know of that reassessment?

7 MR. BRETT MCGREGOR: Their system just
8 doesn't allow it. So the only thing that they could
9 potentially pull is -- you know, our staff are trained
10 to enter a comment into the customer file saying that
11 they reviewed the coverage -- you know, outlining the
12 coverage that they offered, you know, all of the --
13 the things about their conversation.

14 But MPI system, to my knowledge, just
15 simply doesn't allow them to cross reference. You
16 know, I think you'd have to pull every individual
17 comment, see what the broker said to determine how
18 many got reviewed.

19 And then, you know, I'm guessing that
20 even though staff are trained to enter a comment, it
21 might not happen absolutely every time. But...

22 MR. CURTIS UNFRIED: Okay. The
23 Board -- the Board has heard evidence that MPI enjoys
24 this significant percentage of the market on Extension
25 insurance in Manitoba. As a broker in Manitoba that

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1 sells Extension insurance, have you ever felt pressure
2 to sell Extension insurance just through MPI, or are
3 there other reasons why you believe that Extension
4 insurance is predominantly sold through MPI?

5 MR. BRETT MCGREGOR: No. I -- I
6 don't -- I don't personally feel pressure to only sell
7 MPI Extension products. We do offer other Extension
8 products within our office.

9 Sometimes the challenge has been
10 getting other insurers to offer the product. You
11 know, there are specific insurers that will do it and
12 are doing it in Manitoba, but there aren't as many.
13 The -- the market -- the market, as a whole, isn't as
14 large, so once you take out Basic and then once you
15 look at MPI's market share, it's tough for some of
16 these insurance companies to switch resources from
17 Ontario auto to the Manitoba Extension products.

18 So there are other options. We do use
19 other options, but our options are somewhat limited by
20 the -- the market size.

21 MS. TARA CHAMMARTIN: And I would say
22 it's -- it's based on -- on client requirements.
23 Right? So consumer production again.

24 MR. BRETT MCGREGOR: M-hm.

25 MS. TARA CHAMMARTIN: If we have a

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1 product that is superior to what MPI is offering, we
2 take the time to make sure that the client is aware
3 that that product is available and given them the
4 option to purchase it or not.

5 But at least taking the time to advise
6 them that, you know, there is something else out there
7 that can give you better coverage. You know, maybe
8 not at the exact same price or price point but just
9 making sure that they are aware that they have the
10 option of buying it is -- is most important.

11 MR. CURTIS UNFRIED: Okay. Now I'd
12 like to move on to asking a few questions about
13 dealing with MPI directly. I understand -- the Board
14 has heard evidence earlier in the week that MPI
15 provides training to various brokerages.

16 So I was just wondering if you could
17 explain a little bit about the training that is
18 provided by MPI?

19 MS. TARA CHAMMARTIN: Sure. I -- I
20 can touch on this one. Again, depending on the -- the
21 way that maybe some of your staff or team members want
22 to take that course, it depends if you take it through
23 the Insurance Brokers Association of Manitoba. There
24 is an -- an MPI component tied into that where they
25 can take that to course.

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1 Or if they already are a licenced
2 broker and they are looking to now maybe just sell MPI
3 products, they can attend MPI for their particular
4 courses that MPI offers for those specific courses.
5 So whether it's your Basic Autopac training, Extension
6 product training, off-road vehicles. There's a few of
7 them they do offer.

8 MS. VALERIE HUTSAL: And our broker
9 service rep that comes to meet with us once a year
10 goes through a list of our employees and what courses
11 they've taken.

12 So on a regular basis, they wanting a
13 refresh. So they're asking for us to -- to sign our
14 employees up for refresh if it's been a few years
15 since they've taken --

16 MR. CURTIS UNFRIED: M-hm.

17 MS. VALERIE HUTSAL: -- one (1) of
18 their --

19 MR. CURTIS UNFRIED: And -- and that
20 representative is an MPI representative?

21 MS. TARA CHAMMARTIN: Correct.

22 MR. CURTIS UNFRIED: Okay. The Board
23 has heard evidence earlier that MPI has a -- has a
24 broker service administrator. She provides support to
25 brokers on topics relating to running a brokerage.

2400

1 Do you recall ever receiving --
2 receiving training on how to run a brokerage?

3 MS. TARA CHAMMARTIN: No. No. I've
4 never heard of a product like a -- a seminar or -- or
5 anything offered by MPI for that at all.

6 MR. CURTIS UNFRIED: Okay.

7 MS. TARA CHAMMARTIN: And I've been
8 doing this for twenty-five (25) years.

9 MR. CURTIS UNFRIED: Okay. And as far
10 as the MPI contact centres that are available, I
11 understand, again, the Board has heard evidence that
12 there are dedicated customer service reps for brokers
13 at the call centre.

14 I'm just wondering if you could take a
15 moment to explain the types of the calls or inquiries
16 that you would make to the MPI contact centre as a
17 broker?

18 MS. TARA CHAMMARTIN: Sure. I -- I
19 mean in most cases, it's what would we call a forced
20 call. So it's -- it's something that we can't, as a
21 broker, do on our end in the MPI system.

22 So something like -- we deal with
23 several of the auto dealers in the province. When we
24 take a vehicle in on trade and they have a bill of
25 sale but they don't get what's called the ownership

2401

1 document, we need the number from the ownership
2 document on -- on that side to enter it into the
3 system to be able to make that change for them.

4 If they don't have that document but
5 the ownership matches, we -- we have a forced call to
6 get an override from MPI which we then have to wait on
7 hold for sometimes upward of twenty (20) minutes to
8 get that override from MPI to be able to process and
9 finalize that transaction.

10 Other things are maybe out of province
11 drivers, returning to Manitoban drivers. There's --

12 MS. VALERIE HUTSAL: Department of
13 Justice holds.

14 MS. TARA CHAMMARTIN: Yes.

15 MS. VALERIE HUTSAL: So when a client
16 has outstanding fines, they have to go to the court
17 office, pay off those finds, bring their Department of
18 Justice letter, which it has to be the official
19 letter. They come to our office, then we need to call
20 in before we're able to process any transactions for
21 them. It could be a driver's licence, could be a
22 vehicle registration.

23 And these whole -- the Department of
24 Justice is not fines. It's also -- there's support
25 payments --

2402

1 MR. BRETT MCGREGOR: Family

2 maintenance.

3 MS. VALERIE HUTSAL: -- yeah --

4 MS. TARA CHAMMARTIN: Family

5 maintenance. Child and family maintenance as well.

6 MS. VALERIE HUTSAL: -- that we're
7 taking.

8 MS. TARA CHAMMARTIN: It could be
9 subrogation payments. It could be -- there's a few
10 different things. But mostly we call because of that
11 forced override requirement.

12 MR. CURTIS UNFRIED: Okay. As far as
13 the insurance workstation system goes you had
14 mentioned, are there any issues with respect to the
15 speed of which it operates as well --

16 MS. TARA CHAMMARTIN: Yeah.

17 MR. CURTIS UNFRIED: -- if it's
18 particular to different times of the day, it -- and
19 can you maybe explain that?

20 MS. TARA CHAMMARTIN: Sure. Yeah.

21 There is. It -- it can vary upon the time of day.
22 The size of the client file that you're in. If you're
23 in a -- an auto dealer file, it can take -- if they
24 hundreds of vehicles in their name to open that client
25 file, it can take -- heck -- fifteen (15) minutes

2403

1 maybe sometimes. It really depends.

2 At the end of the day when you're
3 seeing, you know, that -- between 5:00 and 7:00 p.m.
4 at the end of the day when people are off work and
5 attending to do services, the system can be on the
6 slower side.

7 I mean it's what we may think is
8 stable, but there is often times that it's down across
9 the province, and we're not able to access it at all.
10 So it's -- it's really dependent.

11 MR. CURTIS UNFRIED: And how do you
12 deal with the customers when you're on hold or --

13 MS. TARA CHAMMARTIN: Well, we kind of
14 take that opportunity to maybe, you know, start
15 counseling on them -- on the products that are
16 available, what their needs are, and trying to find
17 out what that use is that's proper for them.

18 We're really just trying to, you know,
19 apologize for the delay and -- and that we wish we
20 could have provided it faster. Sometimes it's a
21 little challenging because they are a little
22 impatient, but it is out of our control, and we have
23 to make that phone call. So...

24 MR. CURTIS UNFRIED: Okay. And I just
25 want to be clear, I was going to ask a question about

2404

1 an override, but I take it that that's -- an override
2 and a forced override are the same interchangeable
3 terms.

4 MS. TARA CHAMMARTIN: Yeah.

5 Absolutely.

6 MR. CURTIS UNFRIED: Okay.

7 MS. TARA CHAMMARTIN: M-hm.

8 MR. CURTIS UNFRIED: And it was
9 mentioned earlier, the five (5) year -- the change to
10 the five (5) year renewal, the Board's heard evidence
11 that it was around 2008 that the decision was made
12 then.

13 Each of you were brokers at the time.

14 I was just wondering if you could take a moment to
15 advise what you remember about it.

16 MR. BRETT MCGREGOR: Yeah. I can -- I
17 can cover that off to start, and you guys can jump in.

18 So yeah. In -- in 2008, the five (5)
19 year renewal was launched. MPI -- I remember MPI
20 telling us that we should expect up to an 80 percent
21 decrease in traffic through our office because
22 customers were not going to have to attend, only once
23 every five (5) years.

24 And, you know, we -- and so as a
25 result, commissions were brought down substantially on

2405

1 the Basic with the idea that that traffic would be
2 reduced, work would be reduced, our expense would be
3 reduced.

4 But that never came to pass. We -- we
5 did not see any noticeable decrease in traffic. Like I
6 said, many customers are coming in every year with
7 their reassessment to make that payment, and we're
8 doing that coverage review.

9 So now we're just making less
10 commission for that than we did before. So basically,
11 it never came to pass, and so that's -- you know, my
12 understanding was -- I believe it was 2012 when the
13 drop in the Basic commission was halted, and it was on
14 that basis is my memory that MPI recognized that what
15 they had told brokers to expect was not what had
16 actually come true. So that needed to be recognized
17 with the Basic commission.

18 MR. CURTIS UNFRIED: Okay.

19 MS. VALERIE HUTSAL: I think we see
20 actual -- an actual increase in traffic because we
21 were doing more short-term policies.

22 MR. CURTIS UNFRIED: And -- and what's
23 a short-term policy?

24 MS. VALERIE HUTSAL: A short-term
25 policy is where the client chooses when it starts and

2406

1 when it stops.

2 MR. CURTIS UNFRIED: Okay. And -- and
3 why do you believe that there was an increase?

4 MS. VALERIE HUTSAL: I think because
5 of the five (5) year --

6 MR. BRETT MCGREGOR: They didn't want
7 the --

8 MS. VALERIE HUTSAL: -- because of the
9 automatic rollover, and they didn't want to be
10 caught -- you know, so -- so what happens if you're
11 expiry date is today and it's one (1) or two (2) days
12 later, you're charged.

13 So with a -- with a short-term policy,
14 you're actually picking when it starts and when it
15 stops. So it doesn't automatically rollover into the
16 next reassessed year.

17 MR. CURTIS UNFRIED: Okay. Now, I
18 understand that MPI provides a -- a broker score card
19 to you, and I'm just wondering if you would provide a
20 general description of it and -- and what its purpose
21 is.

22 MS. TARA CHAMMARTIN: Yeah, we can
23 talk to it. Basically, it's the stats. MPI runs the
24 stats every month on the number of phone calls as a
25 broker we make. Was it a forced phone call? Was it a

2407

1 non-forced phone call? Was it to do with a driver's
2 licence? Issuing how many photos we had rejected.

3 It's -- it's basically a report card of
4 -- of what we have done in the month for all of our
5 MPI transactions. They have the exact number of
6 transactions that we did. They have the number of
7 commissionable transactions that we did for those
8 that they can actually see on the system.

9 So basically, it's -- it's a report
10 card of -- of how you've operated the -- the MPI
11 system for the month.

12 MS. VALERIE HUTSAL: And so it's --
13 it's -- it actually goes a year -- it goes a year from
14 the date of that month. And so when I looked at my
15 year -- my results for the end of September, so it
16 would have been September 2018 to September -- the end
17 of September 2019. I look at non-paid transactions
18 versus commissionable transactions.

19 Two thirds (2/3) of my transactions
20 were not paid. Two thirds (2/3) of all the work we
21 did, non-paid.

22 MR. BRETT MCGREGOR: And that's just
23 what's recorded by the system, right?

24 MS. VALERIE HUTSAL: That's -- that's
25 correct. So that's just what was entered by the

2408

1 system.

2 MR. CURTIS UNFRIED: And on the areas
3 that are not paid, if -- if you just -- are there more
4 -- is there that are not paid than others? Are there
5 top three (3), top four (4) that aren't paid?

6 MS. VALERIE HUTSAL: Dealing with a
7 client's bank account is one (1) area where we're not
8 paid. Changing a bank account information,
9 explaining, changing the date of the withdrawals. You
10 can have multiple withdrawals. Starting and stopping.

11 MS. TARA CHAMMARTIN: I -- I can think
12 of one (1) that is quite often with a lot of
13 Manitobans, they like to leave the Province for longer
14 than, you know, a couple of weeks. It's quite often
15 we get several a day of people that come in,
16 snowbirds, if you want to so call them, that want to
17 know what they would save if they could change their
18 insurance to storage insurance from regular use. It's
19 going to be parked in the garage, and it's going to
20 stay there.

21 The amount of time that it takes for us
22 to go in, pretend to do a cancellation, and figure out
23 what their pro rata of cancellation is going to cost
24 them, and then compare it to what the -- the cost it
25 is to put it on storage insurance.

2409

1 It can take us upwards of twenty (20)
2 to twenty-five (25) minutes to be able to figure those
3 numbers out for them to find out if it's actually
4 benefit -- you know, financially beneficial to them.
5 The cost of the cancellation fees that customers incur
6 to change it from road use to storage can be very
7 high. If it's in the first couple of months of their
8 policy term, it could be a couple of hundred dollars
9 that they would lose in cancellation fees that they
10 would have to pay, and it might only, you know, save
11 them -- or not. It might cost them more money to put
12 it on storage.

13 But things like that that we do for
14 them to give them, you know, that advice, and -- and
15 the actual breakdown of how to do it, and what it's
16 going to cost them. Lots of times, they just walk
17 away and they don't do it, because it doesn't save
18 them any money, and it might actually cost them money.

19 So we've spent a half an hour trying to
20 explain them and give them the proper consultation of
21 what it actually costs them so that they understand.

22 MR. BRETT MCGREGOR: But the only
23 thing that we get recorded in that is a comment --

24 MS. VALERIE HUTSAL: Comment.

25 MR. BRETT MCGREGOR: -- in the system.

2410

1 So that would be the only tracking MPI would have on
2 something like that is Tara, after she -- after she
3 does that work, puts a comment in, saying that she's
4 done that.

5 And, you know, I think there's one (1)
6 important note in what she said, too. She mentioned
7 word 'pro rata'. But it's actually a short rate --

8 MS. TARA CHAMMARTIN: Short rate,
9 sorry.

10 MR. BRETT MCGREGOR: -- cancellation.

11 So when the customer moves their vehicle from, you
12 know, what you would commonly call road coverage to
13 lay up coverage, or storage coverage, that customer is
14 paying a cancellation fee. And then they are also
15 paying a cancellation fee when they move from storage
16 back to road coverage.

17 So that customer, as they transition
18 from lay up to regular Basic coverage, is paying two
19 (2) cancellation fees on a short rate basis.

20 MS. TARA CHAMMARTIN: And there's --
21 there's plenty of examples that you can use.

22 Customers who have driver's licensing road test
23 appointments that were booked that were coming in to
24 find out if there's different times/dates available.
25 It -- it was --

2411

1 MS. VALERIE HUTSAL: Quotes on new
2 vehicles. When someone is looking at maybe one (1),
3 or two (2), or three (3) different models, they'll
4 call us ahead of time and they'll say, I'm looking at
5 three (3) different cars. Can you go in and tell me
6 the costs of each vehicle? Things like that.

7 MR. BRETT MCGREGOR: The -- you
8 mentioned the payment stuff, and -- and
9 what, you know, you didn't cover was also the NSFs.
10 So when a customer has a payment go NSF, we get a
11 notification task in the system, and we need to make
12 contact with that customer to advise him that their
13 payment went NSF, and then what date it will be
14 withdrawn on.

15 And we need to make -- how many
16 attempts is it?

17 MS. TARA CHAMMARTIN: Three (3).

18 MR. BRETT MCGREGOR: Three (3)
19 attempts to contact the customer. So in my office, I
20 went down and looked at the results the other day, and
21 we had days where there was thirty-two (32) of those.

22 So, you know, thirty-two (32) calls per
23 day have to be made to those customers, to let them
24 know about their NSF payments. And that's all unpaid
25 work, and it's work that I'm not sure who's going to

2412

1 do under some of the potential models that are being
2 considered.

3 MS. VALERIE HUTSAL: Another thing
4 that we do is when a client is either hospitalized or
5 if a family member has passed away, we're reviewing
6 powers of attorney. We are looking at people's wills.
7 We're looking at legal documents.

8 When you're an individual, and you want
9 to roll your assets into a limited company, we're
10 getting information from lawyers regarding the assets.
11 We're doing articles of incorporation. We're doing
12 immigrant documents, work permits, study permits,
13 things like that.

14 MR. CURTIS UNFRIED: Thank you. And
15 if we could just have, madam clerk, please pull up
16 IBAM Exhibit 6. And if you go to page 9.

17 I wanted to get Mr. Wainikka back in
18 the game, here.

19 MR. GRANT WAINIKKA: I was fine where
20 I was.

21 MR. CURTIS UNFRIED: Yeah. Mr.
22 Wainikka, I understand that prior to the hearing, you
23 were able to review MPI's published financial
24 statements, and made a chart, which is posted here,
25 that you generated.

2413

1 I'm just wondering if you could take a
2 moment to explain what it is that you discovered.

3 MR. GRANT WAINIKKA: Sure. First, I
4 would like to take a moment to just acknowledge the
5 unending complexity. And we heard the tip of the
6 iceberg here of what it is that our brokers do on an
7 hourly basis across the Province, and the tremendous
8 value that they're providing to Manitobans. And
9 again, that was just the tip of the iceberg. There's
10 many, many other examples that we could have gone
11 into.

12 So yes, this -- this year, basically,
13 the chart you're looking at shows MPI's net premium
14 growth in the last five (5) years. And basically, the
15 context of this is to really -- it's actually quite
16 complementary to MPI in that the -- the Organization
17 is performing quite well.

18 When you look at net premium growth
19 over the last five (5) years, I believe that -- I
20 should put my glasses on. It's about 5.1 percent as I
21 recall.

22 And if you look at the last couple of
23 years, their net income at MPI has been substantial.
24 I believe ninety (90) -- around 90 million in -- last
25 year, at approximately 160 million in this -- in this

2414

1 past year, and it has been referenced a -- a few times
2 to the -- to the Board, here, MPI is currently sitting
3 on a half billion -- or I'm sorry, \$500 million in --
4 in retained earnings.

5 Couple onto this that we reviewed op-ex
6 ratios under cross, and op-ex ratios at MPI are also
7 extremely low -- extremely low comparatively, compared
8 to peers. Add onto this that MPI reports that they
9 have among the lowest rates for auto insurance in
10 Canada.

11 And so we a -- an Organization that's
12 performing quite well, and is performing quite well
13 with the broker based model. And -- and the other
14 thing that I would say is that when you look at these
15 premiums that are delivered -- in 2019, it's
16 approximately 1.33 billion -- virtually all of that is
17 delivered through the broker channel.

18 This is revenue that's being delivered
19 to the Crown through people like Tara, and Brett, and
20 Val, and their companies. And so I think that's
21 important as well.

22 So I would just say that this system as
23 it exists -- and -- and we are not Luddites. We're
24 not looking for to be frozen, stuck in the mud here,
25 but what we're saying is the system the way it is, is

2415

1 operating right now, is working very well for
2 Manitobans insofar as to protections, and it's working
3 very well, apparently, for the Crown as well.

4 MR. CURTIS UNFRIED: And you had said
5 you had looked at op-ex ratios for some of its peers.

6 Do you recall the -- the companies that
7 you looked at in general?

8 MR. GRANT WAINIKKA: Yeah. In OSFI, I
9 -- I do -- I looked at Wawanesa, and I looked Aviva,
10 and I looked at Sonnet, a few others as well. And of
11 course, it -- it -- what you'll hear a lot here, and I
12 agree with it, is apples to apples comparisons. And
13 it's very difficult in our business to find that.

14 But think op-ex ratio was -- operating
15 expense ratios are fairly indicative of cost
16 management, and -- and how low costs are from an --
17 from an operating standpoint. And MPI's is -- has
18 performed quite -- quite well at a 19.2 percent op-ex
19 ratio.

20 MR. CURTIS UNFRIED: Okay. I'd like
21 to move on to the area of commissions. Obviously, the
22 Board has heard evidence relating to that already.
23 And I would -- I would ask madam clerk to kindly pull
24 up PUB -- it's Item PUB-IBAM-1-1 on page 2.

25

2416

1 (BRIEF PAUSE)

2

3 MR. CURTIS UNFRIED: Is it this graph
4 here, I understand, Mr. Wainikka, was prepared by you.
5 I was just wondering if you would take a moment to
6 explain what this illustrates.

7 MR. GRANT WAINIKKA: Sure. And again,
8 apples to apples is tough, but I think this is -- this
9 is pretty good. This is -- this is actually quite --
10 quite reflective.

11 So what we call private markets. That
12 is to say, where there is not a -- a public
13 involvement, really, in the provision of -- of
14 insurance. Quebec -- Quebec is a bit of a anomaly.
15 It's its own animal, a little bit. It operates like a
16 private market on the front end. Really, the standard
17 rate for Basic plus Extension premium is 12 1/2
18 percent across the country.

19 When we look at the three (3) more
20 public models -- and what we're looking at here is
21 percent commission paid on Basic and Extension over
22 Basic and Extension premiums. So we're comparing
23 percent commission paid on Basic and Extension over
24 Basic and Extension premiums.

25 And we see here that -- that Manitoba

2417

1 lags at 5.5 percent. And when you're talking about
2 the kinds of revenues we're talking about that are
3 being delivered, the -- the difference in overall
4 compensation to the broker force is quite substantial,
5 even though it -- it only looks like 1 percent.

6 MR. CURTIS UNFRIED: Yeah. I'm going
7 to ask madam clerk to pick up Exhibit number 6,
8 please.

9

10 (BRIEF PAUSE)

11

12 MR. CURTIS UNFRIED: And it'll be on
13 page 22.

14

15 (BRIEF PAUSE)

16

17 MR. GRANT WAINIKKA: Okay. And this -
18 - you're going to ask me to expand on this?

19 MR. CURTIS UNFRIED: Yes.

20 MR. GRANT WAINIKKA: Okay. Great.

21 And this here is percent commission on Basic premium.

22 So this is government mandated compulsory premiums
23 only. And we see here again, there is no distinction
24 between providing service and private markets between
25 Basic and Extension. The commission rate paid to

2418

1 brokers is -- is effectively the same, or it is the
2 same.

3 We see in Saskatchewan, they're coming
4 in at 4.9 percent. They list the numbers paid, the --
5 the amount of commission paid to brokers and their
6 premiums, so it's easy to calculate from their annual
7 report.

8 And of course, in Manitoba, that 3.0
9 percent that you see is embedded in regulation.

10 BC, you'll notice, is not there. It's
11 not because their percent commission is zero. It is
12 because they don't pay commission on Basic premiums.
13 They -- they have a flat fee schedule, and commissions
14 kick in once Extension policies are sold. And the way
15 the Basic package is constructed in British Columbia,
16 it's stripped-down.

17 So there is no coverage on vehicles in
18 the Basic package. It's only really on liability, and
19 I think -- think that -- hit -- hit-and-run
20 protection, stuff like that, but -- but not on the tin
21 itself. And so it's -- it's difficult to compare.

22 And that's why, when looking at BC, the
23 Basic plus Extension premium is a better comparative.

24

25 (BRIEF PAUSE)

2419

1 MR. CURTIS UNFRIED: And if we could
2 just quickly bring up IBAM Exhibit 11.

3

4 (BRIEF PAUSE)

5

6 MR. CURTIS UNFRIED: And I understood
7 that this just a general calculation that had been
8 made. And can you just maybe explain it to the panel?

9 MR. GRANT WAINIKKA: It's -- it's too
10 bad Dr. Simpson's left, and -- and I'm sure everybody
11 is going to start twitching, because we're going to
12 get into basic economic theory here, which I'm sure
13 all of us have taken at one -- at one -- or many of us
14 at one stage or another.

15 And of course, what they teach you in -
16 - in intro economics is that what really matters is
17 real growth. And so if the value of dollars is going
18 down nominally because of inflation, that needs to be
19 accounted for in some way. And so the -- the upshot
20 or conclusion of this is that if you look at the
21 broker channel, small business people who are running
22 their brokerages, the cost of service provision, on
23 average, is increasing by CPI -- the -- the rate of
24 change in CPI or inflation.

25 What we have found from '09 until

2420

1 really the -- the latest year is that in about half of
2 these years, the compensation pool to brokers has not
3 met even CPI. So what that means, if you were to
4 extract that, and to -- to take that to its limit, no
5 broker would be able to keep their lights on if -- if
6 that continued.

7 And I believe that for this year as
8 well, subject to check, it's -- I shouldn't mention
9 it. It -- it -- probably because it all -- it's an
10 email, but -- but I think that we're trending to a bit
11 -- to -- to suffer real losses again this year insofar
12 as commissions paid to brokers compared to inflation.
13 So this is a very important metric.

14 MR. CURTIS UNFRIED: This Board has
15 also heard evidence regarding trailing -- the trailing
16 commissions that were implemented when the five (5)
17 year renewal program came in. And you -- basically,
18 the brokers have touched on this a bit already, but I
19 -- I wanted to -- I had one (1) question regarding MPI
20 and the system that it has.

21 MPI is advised the Board that there are
22 face-to-face interactions with brokers between renewal
23 periods, but that according to their stats, it only
24 represents approximately 6 percent of all reassessment
25 transactions? Is that -- has that been your

2421

1 experience as a broker?

2 MR. GRANT WAINIKKA: I -- I think that
3 we'd have to check the record, but -- but I think that
4 what MPI ultimately presented was that somewhere
5 between, I believe -- I'll speak in general terms --
6 between twenty (20) and 65 percent of reassessments
7 were done in person with the broker.

8 We're talking about trailing
9 commissions before this Board right now, and we can't
10 get an answer that doesn't have a range of basically
11 50 percent on the low end to the high end with respect
12 to reassessments.

13 And that's just one aspect of what
14 happens in between renewal periods in years two (2) to
15 five (5). You've heard from the panel here with
16 regard to all of the complex transactions that come
17 into their offices, many of which are unpaid where
18 there's just no record of it or it haven't taken
19 place, or if there is a record, it is -- it is unpaid.

20 MR. CURTIS UNFRIED: Mr. McGregor,
21 you'd -- I know that -- maybe explain your experience
22 with the trailing commissions at your brokerage.

23 MR. BRETT MCGREGOR: Sure. Yeah. So,
24 you know, one (1) thing that I was thinking while you
25 were speaking was that as I watched the live feed from

2422

1 home -- 'cause apparently, I don't have enough to
2 do -- there was a lot of talk about clean
3 reassessments last week and that there was a figure of
4 94 percent are clean reassessments.

5 And I think it's really, really
6 important that people understand that doesn't mean
7 that there wasn't a -- a broker interaction, that
8 doesn't mean that there wasn't work performed.

9 All that means is that there was not a
10 change on that reassessment. So MPI, to my knowledge,
11 does not have the ability to track those reassessments
12 that, you know, even though they're clean, there was
13 work performed by a broker.

14 So I think that's really, really
15 important for people to understand based on the amount
16 of the focus there was on it last week.

17 MR. GRANT WAINIKKA: Yeah. Moreover,
18 the turn "automated," which was chosen and -- and put
19 forward in IR responses to, I think, CAC-1-1, is, in
20 our view, very unfortunate because it does -- it does
21 paint a picture of something going on out there
22 that -- that really is not.

23 "Automated" does not explain consumer
24 behaviour. "Automated" means how it is that MPI is
25 classifying trailing revenue and -- and associated

2423

1 commission.

2 MR. CURTIS UNFRIED: Okay. Now if you
3 could please bring up IBAM Exhibit 6 again and if you
4 go to page 27.

5 There are going to be some more charts
6 here, I understand, Mr. Wainikka, if you'd just
7 maybe --

8 MR. GRANT WAINIKKA: Yeah. There --
9 there are a number of them because I wasn't sure what
10 would be most germane, this being really personally my
11 first kick at this cat (sic) and insofar as the
12 process.

13 So I don't know that it's overly
14 germane to go into each of these. There -- there are
15 a few trends that, I think, are important though. And
16 one of the trends that is obvious is that MPI
17 premiums -- their revenues are growing at a rate that
18 is much faster than what we see in broker commissions.

19 So basic mathematics would -- would
20 tell you that if -- if the percent of -- if you're
21 being paid on percent on revenue, that -- that growth
22 rate should be similar, and we're -- we're seeing that
23 it's diverging.

24 And what is interesting about that
25 is -- again, this revenue is delivered through the

2424

1 broker channel to -- to MPI, and if we look at growth
2 in revenue -- again basic economics -- there are two
3 (2) things that grow revenue: one is price; one is
4 quantity -- price times quantity give you total
5 revenue.

6 And what we know is that the
7 transactions that brokers are -- are conducting is
8 adding to this revenue, and yet, we're not seeing the
9 same level of growth at --at the broker system. So --
10 so I would say there's disparity in growth rates which
11 matters.

12 And the other aspect of this in -- in
13 these several charts that I've presented that is
14 important is the -- really this slide. If -- if you
15 go down a couple of graphs, you'll see this.
16 They're -- they're blue numbers, I think. Keep going.
17 Keep going. Keep going. There you go.

18 And so here, this is Basic commission
19 and -- and drivers over premium, and we've -- we've
20 seen the slide, and we've talked about that reduction
21 from 5 percent to two point five (2.5) or two point
22 eight two (2.82) and then back up to three (3).

23 And if you go down one more, please --
24 one more. Oh, here we -- one more still and one more
25 still.

2425

1 This chart here is -- is quite telling,
2 and what this shows you is that even with the
3 increases to Extension to try and keep the broker
4 force viable that -- that we've discussed that took
5 place around 2010 or whatever year that was, we see
6 that the percentage on premiums paid to brokers in
7 Manitoba is -- has gone from 7.33 percent -- which
8 would still be fairly low compared to other public
9 insurers like British Columbia, for instance -- and in
10 2019, we see this at 5.54 percent. This is just Basic
11 and Extension commission -- so it doesn't include flat
12 fees -- over Basic and Extension premium.

13 So we think that this is important, and
14 we think -- if I might just add something editorially,
15 we believe that brokers have been unfairly painted in
16 the media in particular over the last several months.
17 And if you look at the numbers and you compare them
18 across Canada, there's nothing -- there's nothing
19 close -- close to -- to what's going on at the Basic
20 and our Basic plus Extension -- Basic plus Extension
21 level.

22 And so we're here again talking about
23 trailing and talking about moving business out of the
24 broker channel. And -- and I would say that having
25 traveled across Canada and talked to my colleagues and

2426

1 brokers from across Canada, they are -- frequently
2 express surprise at the fact that -- of where we're at
3 today in the channel.

4 MR. BRETT MCGREGOR: I -- I think just
5 to add to that, I -- you know, and I maybe missed this
6 in my answer before; I think I answered a different
7 question than you asked, Mr. Unfried -- but the -- the
8 trailing commissions, there's been so much focus in
9 the media about this, and there -- there's this idea
10 that brokers are getting paid for no work.

11 But when you look at our commission and
12 fee schedule and you go down that list, you see all
13 through that there is give and take. There is items
14 that MPI gets a great deal on. Setting up a new
15 customer, for instance. We paid twenty dollars (\$20)
16 to set up a new customer. That's a transaction that
17 can take well over two (2) hours with multiple visits
18 from a -- from a customer. There's no way we make
19 money doing that for twenty dollars (\$20).

20 But yes, absolutely there is
21 reassessment years when the customer doesn't come in,
22 and we get that commission. So there's been so much
23 focus by the media on -- on the micro of -- you know,
24 specific transactions and just pulling out one little
25 piece of this that they're missing the big picture.

2427

1 And the big picture is that we are
2 providing the most efficient and cost-effective
3 distribution model in the country when you look at the
4 macro of this and, you know, accept that on the micro
5 level, there's going to be wins and losses.

6 But on the macro of this, we are
7 absolutely providing the lowest cost distribution in
8 the country, and commissions have been cut to the bone
9 and -- and past the bone sometimes.

10 And I don't think there's a good
11 understanding that, you know, if you -- if you really
12 think trailing is something you don't like, if you
13 don't shift those dollars somewhere else, your
14 distribution model fails. Brokers will not be there.
15 So -- and that's not a threat. That's just -- that's
16 the reality of the situation is that there is no more
17 to give on this line. So when you benchmark across
18 other provinces, you can see that clearly.

19 So I think, you know, the frustrating
20 part to watch this in the media that there has been no
21 focus on that macro. There has -- it's -- I've never
22 seen it mentioned that we are lowest cost distribution
23 system in the country, and that's been frustrating to
24 watch and -- and frustrating for our front line staff
25 to -- to watch on a daily basis in the media.

2428

1 MR. GRANT WAINIKKA: And, by the way,
2 I've mentioned that to media many, many times. It
3 doesn't seem to make print.

4 MR. CURTIS UNFRIED: And,
5 Mr. Wainikka, one (1) of the calculations you also did
6 was on the broker commission comprising 2.4 percent of
7 MPI's operating costs.

8 MR. GRANT WAINIKKA: Two point two
9 eight (2.28), yeah.

10 MR. CURTIS UNFRIED: Or two point two
11 eight (2.28).

12 MR. GRANT WAINIKKA: And that's --
13 that is -- further serves to just show the -- and the
14 intent there was to -- we were brought into this
15 entire process because the -- because of impact on a
16 rate. And -- and we accept, and -- and we've come
17 here and we've been here, and we've been as -- as
18 transparent as we possibly can be. And it's been, let
19 me tell you, a heck of -- a heck of a lot of work
20 to -- to do this.

21 And it sort of follows the line of some
22 of our questions in our IR. When you look at the
23 percentage of expense that we are -- particularly on
24 the Basic line -- to MPI overall, MPI's total expense
25 corporately last year was \$1.439 billion, something

2429

1 like that, \$1,100 for every -- each and every
2 Manitoban something like that.

3 And the Basic government compulsory
4 insurance component last year was \$32.7 million. So
5 that's 2.28 percent of operating expense, and yet,
6 here we are talking about how it is that broker
7 commissions are driving rate, and no one's talking
8 about really, to a large degree, the 97.5 percent or
9 what -- or whatever else that's driving expense at MPI
10 and therefore driving rate.

11 So no one feel -- is going to feel
12 sorry for us, and I get that, but we do feel as -- as
13 though a very bright light's been shone on us, and
14 we're kind of going, what's really at work here,
15 and what's -- what's at play?

16 MR. CURTIS UNFRIED: Okay. And I'm
17 mindful of the time. I will ask -- I'll go through
18 these last few questions very -- very quickly.

19 Mr. Wainikka, there was evidence given
20 earlier regarding a ministerial note provided by MPI
21 that read:

22 "A brokerage firm has applied to MPI
23 requesting a licence to sell SRE
24 products only without the ability to
25 sell Basic Autopac coverage. IBAM

2430

1 wish to hold a veto over this
2 application wishing that all
3 brokerage firms are licenced to sell
4 Basic prior to being able to sell
5 SRE products and purchase an
6 existing licence to keep the...
7 licences within the current
8 ownership group."

9 Did IBAM ever express the desire to
10 hold a veto?

11 MR. GRANT WAINIKKA: No.

12 MR. CURTIS UNFRIED: Okay. Mr. Graham
13 had testified earlier in these proceedings that MPI
14 had discussed the possibility of moving away from
15 trailing commissions and instead paying a higher
16 commission in remote locations with IBAM.

17 Do you recall that ever being
18 discussed?

19 MR. GRANT WAINIKKA: At -- at a very
20 high level. There was never an exchange of -- of any
21 documentation, never anything that the MPI committee
22 or -- which I was a part of, could have taken back to
23 any body.

24 But I will -- I will suggest that there
25 were high level statements, particularly early on in

2431

1 that process. Yeah.

2 MR. CURTIS UNFRIED: Okay. It's also
3 been reported that IBAM has been -- or is opposed to
4 online services. Is that true?

5 MR. GRANT WAINIKKA: No. We've been
6 repeatedly -- actually, we're very excited about it,
7 and I think that if you look at sort of the public
8 good and -- and what can happen in rural communities
9 across our province, it's so very, very exciting that
10 some of the incredible innovation and -- and -- well,
11 I'll use the term -- and technology -- technological
12 advancement can be exported to places like -- I'm
13 going to say it again -- to places like Deloraine or
14 wherever.

15 And -- and we think that there's a
16 certain exporting of knowledge, a certain multiplier
17 effect, if you will, that that could really serve a
18 lot of communities around Manitoba well.

19 So we're -- we're pumped up about
20 online. We want to do it. We think there's an easy
21 way to do it through the broker. We think that
22 services the customer better, and we think it will
23 ultimately be more cost effective as well.

24 MR. CURTIS UNFRIED: And in fact, I
25 understand, Ms. Chammartin and Mr. McGregor currently

2432

1 offer online services through your brokerage and just
2 in the time available, one (1) of you provide a
3 general idea of how you go about offering those
4 services online.

5 MR. BRETT MCGREGOR: Yeah. So we --
6 we offer a number of products online. They can be
7 bound online, anything from tenant's policy to
8 commercial contractors packages to event policies.

9 So we're in this space. We -- we want
10 to be doing auto online. We've been asking MPI to do
11 this for years.

12 So brokers are absolutely doing this.
13 And so the process that we're following when a -- you
14 know, say, a new tenant's policy closes online, we
15 would get a notification, and we would do a follow up
16 with that customer, and we would thank them for their
17 business, and we would go through their -- the
18 coverages that they selected with them to make sure
19 that they understand what they bought and to offer
20 them other coverages -- increased coverages, things
21 they didn't choose -- again bringing that broker value
22 in because we understand that customers want to deal
23 online, and -- and we are excited about that.

24 But we still want to bring in the
25 broker value piece, and that's -- that's how we 're

2433

1 doing it in other lines of business, and that's
2 absolutely how you could do it with the auto line of
3 business.

4 In addition to if you're not -- you
5 know, if MPI is doing this alone, they're only
6 offering MPI products. If you're doing this online
7 through brokers, you're offering the MPI Basic, the
8 MPI Extension. We can offer, you know, the SMI
9 Extension; we can offer the Wawanesa umbrella.

10 I've heard Mr. Graham use the word
11 "choice" many, many times in these proceedings, and to
12 me, this is the model that provides Manitobans with
13 the most choice. And that's really, really good for
14 Manitobans.

15 So brokers are really excited about the
16 prospect of going into the auto insurance online. We
17 just really believe that the customers and Manitobans
18 are best served by having that broker value piece
19 still present

20 MR. CURTIS UNFRIED: Okay. And,
21 Mr. Wainikka, you had looked elsewhere to other
22 jurisdictions, particularly the private jurisdictions
23 in British Columbia and Saskatchewan. And there are
24 two (2) appendices that have been filed with the
25 materials as part of the IR process, one (1) being the

2434

1 accord from British Columbia and the other from
2 Saskatchewan.

3 In Saskatchewan, it was indicated that
4 SGI Canada is committed to being 100 percent delivered
5 through the broker channel. And clear government
6 direction will preclude -- sorry. Sorry, that they'll
7 be 100 percent delivered through the broker channel.

8 Have you attempted to obtain similar
9 assurances from MPI here in Manitoba?

10 MR. GRANT WAINIKKA: We have. And
11 going through the -- the process that we've going
12 through in the last twenty (20) months or so, that
13 this has -- this has morphed. And we've asked for a
14 sole provider. We've asked for exclusive provider.

15 We've asked for a number of different
16 ways in which we were hopeful that this could work
17 with -- with MPI and, unfortunately, we've just not
18 been able to -- to come to agreements on this
19 framework and -- and what this means.

20 And, of course, our suspicion was all
21 along that -- that MPI wanted to go direct to
22 consumer, and that appears to have been confirmed.

23 MR. CURTIS UNFRIED: And similarly,
24 British Columbia, their accord indicates that the
25 parties would move forward together to respond to

2435

1 customer expectations in delivering auto insurance
2 through brokers?

3 MR. GRANT WAINIKKA: Yeah.

4 MR. CURTIS UNFRIED: I understand that
5 you visited -- first off, have you -- you sought that
6 reassurance for MPI, as well, or similar?

7 MR. GRANT WAINIKKA: Yeah, of course.

8 Yeah. It's -- it's a very similar -- very similar
9 story and -- in BC and in Saskatchewan. There is a
10 very, I would say, cohesive relationship between the
11 broker channel and the public insurer.

12 I think the public insurer has --
13 public insurer in -- in those markets has seen that --
14 a relationship that's sound fosters stability and --
15 and fosters innovation and it helps brokers grow their
16 business. It makes them not overly pensive or nervous
17 about investing in people or technologies or what have
18 you because their -- their futures are secured.

19 And here, I mean, we -- we use the term
20 'broker' here, and it's almost like it sounds like a
21 chess piece really. And -- and we're talking about
22 real people that have professional insight and -- and
23 add a lot of -- add a lot of value, so.

24 MR. CURTIS UNFRIED: Okay. And there
25 was evidence given earlier in the proceeding by MPI

2436

1 indicating that people in BC could purchase auto
2 insurance online. And I would ask madam clerk to
3 please bring up Exhibit 21.

4 MR. STEVE SCARFONE: Madam Chair,
5 while -- while the exhibit's being pulled up, I'm
6 mindful of Mr. Unfried's right to adduce the evidence
7 that he thinks his client needs to bring forward, but
8 I do want to remind the panel that there's three (3)
9 lawyers that need to conduct their cross-examinations
10 this afternoon and we've set some strict time lines
11 yesterday as to the time that's allowed for each of
12 these to occur.

13 THE CHAIRPERSON: Yes. Thank you, Mr.
14 Scarfone. And I don't believe that Mr. Unfried has
15 reached his time limit yet. Thank you.

16 MR. CURTIS UNFRID: Coming up. But
17 I'll -- I'll be very short. I got -- I'm at the -- I
18 can see the daylight.

19

20 CONTINUED BY MR. CURTIS UNFRID:

21 MR. CURTIS UNFRID: But -- but this
22 is a printout obtained from the ICBC website. There's
23 also a second exhibit that's been filed at Exhibit
24 number 22.

25 And if you'd just advise the panel, Mr.

2437

1 Wainikka, what your understanding of whether or not in
2 fact they can purchase online or whether or not they
3 need to go through a broker in British Columbia.

4 MR. GRANT WAINIKKA: If you'd just
5 stop right there. This -- the first -- the first line
6 is all you need to know. So, when you go online to
7 ICBC.com, what happens is that -- and you say I want
8 to buy or renew insurance, this is what you're met
9 with.

10 ICBC's auto plan insurance is sold
11 exclusively through our province-wide network of nine
12 hundred (900) auto plan brokers. These brokers are
13 licenced professionals who can help you choose the
14 right insurance protection for you, your family, and
15 your vehicle. Find a broker near you, right.

16 So -- so, here's all you really need to
17 know. And -- and if you go to more renewal, there's
18 another -- you were very -- you had them up there
19 earlier. Perfect.

20 You see here that here's your insurance
21 renewal reminder. Information is provided for sure.
22 If you bring up another exhibit, I believe it's --
23 there's a -- there is an IR -- actually, it's in the
24 value management section. I want to say Appendix 5,
25 subject to check.

2438

1 I'm going to clarify this for the
2 record after lunch. And there is a statement there.
3 There's a table that compares what you can do at MPI,
4 what you could do at SGI, and what you can do in BC.
5 And that was put forward by -- by MPI.

6 And it says that you can renew your
7 driver's licence online in BC. Well, you can't do
8 that. It's very clear that you can't do that. And
9 that's quite germane, I think. And that, of course,
10 is on the public record.

11 And it -- it actually makes -- makes it
12 looks like something's happening elsewhere that --
13 that that is not happening in Manitoba.

14 MR. CURTIS UNFRIED: Just a minor
15 point, but Mr. -- there has been evidence given
16 earlier by Mr. Graham indicating that SGI Canada is a
17 publically traded corporation. I understand with
18 Exhibit 23 you discovered -- or confirmed otherwise?

19 MR. GRANT WAINIKKA: It's not
20 discovered. We -- we knew that was the case. And --
21 and I think that was not deliberate, I don't think, at
22 all. But -- but I think Mr. Graham just misspoke when
23 he said that SGI Canada was a privately traded
24 company. It in fact is a Crown company, just as MPI
25 is.

2439

1 MR. CURTIS UNFRIED: Okay. And then
2 the final exhibit I'd ask madam clerk to pull up is
3 MPI Exhibit 62, slide 20.

4

5 (BRIEF PAUSE)

6

7 MR. CURTIS UNFRIED: And the brokers
8 on the panel, you'll note it says:

9 "MPI will prov -- Project NOVA will
10 provide the capability for MPI
11 website delivery of services."

12 As a broker in Manitoba, what do you
13 think when you see that?

14 MS. TARA CHAMMARTIN: Well, first of
15 all, I don't know what Project NOVA is. Yeah, I mean,
16 it scares me definitely. I -- I mean, I don't think
17 consumers would be protected properly, which is the
18 biggest thing that we do.

19 I don't know that we would be around
20 for a long time to be able to sell their products
21 anymore for them the way that they want us to or at
22 the levels they thing we should be paid for.

23 MR. BRETT MCGREGOR: Yeah. I think
24 that if -- if the model turns out to be one where
25 MPI's going direct to consumers, that makes me

2440

1 extremely nervous. It makes me extremely nervous for
2 customers because we know what we do on a daily basis
3 for those customers.

4 And, you know, it's been almost made
5 out like it's a hydro bill you're paying; it's nowhere
6 near that. There is professional work that's going
7 into make sure Manitobans are protected.

8 So, the idea of MPI doing this direct
9 at all, you know, even if it was in conjunction with
10 doing it with brokers, my opinion is MPI doing it
11 direct is very scare for consumers, and it's very
12 scary for my employees.

13 I employ sixty (60) people. There's
14 sixty (60) families that depend on me and, you know,
15 the things that happen here, so that -- that worries
16 me. But first and foremost, it's -- it's the customer
17 that I know will suffer under a plan like that.

18 MR. CURTIS UNFRIED: And Exhibit 24
19 was filed earlier today. Some Google -- basic Google
20 searches, I understand, were performed. And it is --
21 maybe take a moment just to illustrate --

22 MS. TARA CHAMMARTIN: Yeah. I mean, I
23 -- as a small business owner, I don't know that I
24 could even compete on a Google web page like this to
25 have my brokerage even be found within the top twenty-

2441

1 five (25) search.

2 Simple search like driver's licence

3 renewal Manitoba, it's in -- inundated with MPI

4 website links. You don't even really see a broker

5 anywhere, so it's a little scary.

6 The same thing when you search MPI

7 renewal or auto insurance. It's -- I don't know how

8 in a fair market a small business owner would be able

9 to compete with somebody against MPI offering their

10 products.

11 MR. CURTIS UNFRIED: And sorry, madam

12 clerk, just go back to the previous slide and --

13 thank you.

14 MR. GRANT WAINIKKA: We're almost

15 there, I promise. The -- the only other thing that I

16 would say about -- that it sounds from -- from a

17 Sesame Street or a Romper -- Romper Room -- I'm dating

18 myself -- standpoint, you hear -- you hear the word

19 'share', and we're going to share, share model, and

20 we're going to provide choice and all this kind of

21 stuff.

22 And -- and on the surface, it sounds

23 ver -- sounds very good. Earlier testimony by Dr.

24 Simpson and -- and Mr. Todd I believe spoke to

25 barriers to entry.

2442

1 And my own view is that this represents
2 another -- yet another sub -- substantial barrier to
3 entry for brokers down the line five (5), ten (10),
4 twe -- whatever it is, fifteen (15) years -- years
5 from now.

6 And if MPI, and by their own assumption
7 is they're going to be taking half the market in five
8 (5) years, that leaves very little market for others,
9 and -- and it certainly does create a barrier to
10 entry, and -- and it grows that.

11 MR. CURTIS UNFRIED: I don't -- unless
12 anybody else has anything to add --

13 MS. TARA CHAMMARTIN: I mean, just I -
14 - I'm kind of stuck on this slide now. But, I mean,
15 just the -- the fact that MPI thinks they can provide
16 the coverage to consumers without the requirement of
17 being a licenced insurance broker, I'm not sure how
18 they can do that for the proper consumer protection.

19 They aren't authorized to sell any
20 other product but their own, which they don't
21 currently even have to have licencing for as it
22 stands, to my understanding.

23 I mean, I don't think this is the best
24 way to provide consumers protection. Ultimately, they
25 cannot sell anything else but MPI products. They

2443

1 don't have the ability to offer other products that
2 can properly protect consumers.

3 MR. CURTIS UNFRIED: Okay. Okay.

4 That concludes my questioning.

5 THE CHAIRPERSON: Thank you very
6 much, Mr. Unfried. And thank you --

7 MR. CURTIS UNFRIED: Thank you.

8 THE CHAIRPERSON: -- to the panel.

9 We've heard from Mr. Scarfone, concerned about time,
10 so we'll break now until quarter after 1:00. Thank
11 you.

12 MR. CURTIS UNFRIED: Thank you.

13

14 --- Upon recessing at 12:26 p.m.

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

16

17 THE CHAIRPERSON: Good afternoon,
18 everyone. I understand that Mr. Williams is going to
19 cross-examine the IBAM panel first. Please proceed.

20

21 CROSS-EXAMINATION BY DR. BYRON WILLIAMS:

22 DR. BYRON WILLIAMS: Good afternoon,
23 members of the Panel, and Ms. Chammartin, Mr.
24 McGregor, Ms. Hutsal, and Mr. Wen -- Wainik --
25 Wainikka. Yes, we've practiced but I'm not sure I did

2444

1 it that well. Good afternoon.

2 Just to the brokers' panel, there's a
3 few questions that relate to the Information Requests,
4 and I'm going to naturally direct those to Mr.
5 Wainikka. You may choose to pop in, recognizing I've
6 got some time limitations as well, but that'll be your
7 choice, but don't be offended if I send some of them
8 his -- his this way.

9 And let's start off there. Let's go to
10 PUB -- I -- IBAM, the Insurance Brokers Association of
11 Manitoba, 1-1(c).

12

13 (BRIEF PAUSE)

14

15 DR. BYRON WILLIAMS: And it should be
16 page 6 of 42 at the bottom.

17

18 (BRIEF PAUSE)

19

20 DR. BYRON WILLIAMS: Keep scrolling
21 down. That's perfect, thank you.

22 And to the -- to the Panel, you'll see
23 reference in the bottom paragraph on this page of
24 commissions in the private auto assur -- insurance
25 market across Canada being 12.5 percent. Agreed?

2445

1 MR. BRETT MCGREGOR: Correct.

2 DR. BYRON WILLIAMS: And you'll see as
3 well the contingent profit commissions existing in the
4 private sector used to reward good front-line
5 underwriting, volume of premium business placed, and
6 the absence of claims, correct?

7 MR. GRANT WAINIKKA: Yes.

8 DR. BYRON WILLIAMS: Correct?

9 MR. GRANT WAINIKKA: Yes. I'm sorry,
10 yes.

11 DR. BYRON WILLIAMS: And for the
12 purpose of our clients -- we're going to suggest a
13 definition to you of underwriting, and you'll see if
14 it's consistent with yours or if you can work with it.

15 In the insurance world, underwriters
16 determine whether an insurance agency should undertake
17 the risk of insuring a client. They determine the
18 risk and exposure of clients and also how much
19 insurance should be granted to a client, how much they
20 should pay for it, and whether or not to offer an
21 insurance policy to the client in the first place.

22 Is that a definition you can work with?

23 MR. GRANT WAINIKKA: Yes.

24 DR. BYRON WILLIAMS: And focusing
25 specifically on basic insurance as offered by Manitoba

2446

1 Public Insurance, it would be fair to say that an
2 insurance agency is not performing an underwriting
3 service when it comes to basic. Agreed?

4 MR. GRANT WAINIKKA: No, not agreed.

5 Do you want me to elaborate?

6 DR. BYRON WILLIAMS: Let me -- let's
7 work our way through this.

8 MR. GRANT WAINIKKA: Sure.

9 DR. BYRON WILLIAMS: Are you
10 determining whether customers -- consumers should be
11 offered basic in the first place?

12 MR. GRANT WAINIKKA: Sorry. We are
13 not providing an underwriting function. That's an
14 insurance company function.

15 DR. BYRON WILLIAMS: Okay. So you're
16 not determining whether consumers should be offered
17 basic?

18 MR. BRETT MCGREGOR: No, no. There's
19 no ability to do that.

20 DR. BYRON WILLIAMS: And you're not
21 gathering the data for Manitoba Public Insurance to
22 determine whether those customers should be granted
23 basic, because it's -- they're entitled to Basic
24 insurance, agreed?

25 MR. BRETT MCGREGOR: Agreed.

2447

1 DR. BYRON WILLIAMS: And there's no
2 determination in terms of how much insurance should be
3 granted?

4 MR. BRETT MCGREGOR: On the Basic
5 level, there is a determination based on vehicle
6 weight, radius of operations, and use.

7 DR. BYRON WILLIAMS: Okay. There is
8 no determination in terms of the amount of deductible
9 that should be offered?

10 MR. BRETT MCGREGOR: No. Even with
11 that, there is --

12 DR. BYRON WILLIAMS: On Basic, sir?

13 MR. BRETT MCGREGOR: On Basic,
14 depending on weight of the vehicle, use, and radius of
15 operations.

16 DR. BYRON WILLIAMS: So is there a
17 Basic deductible that's less than five hundred (500)?

18 MR. BRETT MCGREGOR: No.

19 DR. BYRON WILLIAMS: And in terms of
20 third party liability coverage, sir?

21 MR. BRETT MCGREGOR: It's a standard
22 coverage as well. It's a standard coverage, but not
23 every customer qualifies for it, depending on weight
24 of the vehicle, use, and radius of operations.

25 DR. BYRON WILLIAMS: And in terms of

2448

1 extension insurance as offered by Manitoba Public
2 Insurance, the broker is not in a position to refuse
3 to offer extension to customers if they are deemed to
4 be off too high risk?

5 MR. BRETT MCGREGOR: No. That's why
6 we don't get compensated with CPC on -- on Basic.

7 DR. BYRON WILLIAMS: And, sir, your
8 firm also would offer special risk extension policies?

9 MR. BRETT MCGREGOR: Correct.

10 DR. BYRON WILLIAMS: And they are --
11 those coverages are customized to the individual
12 person. Agreed?

13 MR. BRETT MCGREGOR: Agreed.

14 DR. BYRON WILLIAMS: And premiums are
15 negotiated on a risk-by-risk basis, sir?

16 MR. BRETT MCGREGOR: Agreed.

17 DR. BYRON WILLIAMS: And in those
18 circumstances, you might be entitled to contingent
19 profit commissions?

20 MR. BRETT MCGREGOR: That's correct.

21 DR. BYRON WILLIAMS: And in those
22 circumstances, the insurance company is underwriting
23 the individual customer.

24 MR. BRETT MCGREGOR: The insurance
25 company is always providing the formal underwriting.

2449

1 Brokers provide a front-line underwriting, we call it,
2 but the actual calculation of rates and all of that,
3 that takes place on the insurance company side.

4 DR. BYRON WILLIAMS: And by the front-
5 line underwriting, you're assessing the risk of the
6 customer, the claims history, items like that, sir?

7 MR. BRETT MCGREGOR: Exactly. So
8 that's why some of those businesses qualify for CPC.

9 DR. BYRON WILLIAMS: Mr. Wainikka,
10 this is CAC Exhibit 18. I'd like to start out with
11 you in any event. And you're aware that this was
12 provided to your legal team last evening, sir?

13 MR. GRANT WAINIKKA: I am. I am, yes.

14 DR. BYRON WILLIAMS: And you'll
15 accept, subject to check, that it includes excerpts of
16 advertisements from the Insurance Brokers Association
17 of Manitoba website, that appeared on October 21st --

18 MR. GRANT WAINIKKA: I --

19 DR. BYRON WILLIAMS: -- 2019?

20 MR. GRANT WAINIKKA: I take your word
21 for it, yes.

22 DR. BYRON WILLIAMS: And just if we
23 turn to page 1 of CAC Exhibit 18, you'll see reference
24 to an Autopac sales associate, sir.

25 MR. GRANT WAINIKKA: M-hm.

2450

1 DR. BYRON WILLIAMS: And if we scroll
2 down to "Accountabilities," you'll see reference as
3 well under the second bullet to:

4 "Provides quotes and sells new auto
5 plan policies to customers."

6 Correct?

7 MR. GRANT WAINIKKA: I read that, yes.

8 DR. BYRON WILLIAMS: And if we go to
9 the next page, sir, in terms of specifics or
10 qualifications, you'll see reference to a strong
11 experience and knowledge of MPI as an asset.

12 MR. GRANT WAINIKKA: I read that, yes.

13 DR. BYRON WILLIAMS: Yeah. And you
14 will not see on this page, reference to needing to be
15 a licensed insurance broker?

16 MR. GRANT WAINIKKA: No, but there's
17 probably many things that are not on this -- on this
18 list or -- or job posting that might be required.
19 That's not intended to be exhaustive.

20 DR. BYRON WILLIAMS: So -- so just so
21 I understand though, is it conceivable that -- let's
22 say the hypothetical Byron Williams walks into a -- an
23 insurance agency, that -- that he could purchase a new
24 auto plan from someone who's not an insurance broker.

25 MR. GRANT WAINIKKA: Absolutely not.

2451

1 MS. TARA CHAMMARTIN: Absolutely not.

2 DR. BYRON WILLIAMS: So never when one
3 goes in?

4 MS. TARA CHAMMARTIN: No.

5 MR. GRANT WAINIKKA: Absolutely not.

6 DR. BYRON WILLIAMS: And similarly, if
7 one goes into an -- an agency and seeks to renew their
8 insurance, i.e., the reassessment, that is also not
9 possible to be conducted by anyone?

10 MS. VALERIE HUTSAL: That's correct.

11 DR. BYRON WILLIAMS: So --

12 MR. BRETT MCGREGOR: In fact MPI
13 doesn't allow someone to log into their system if they
14 are not a licensed broker.

15 DR. BYRON WILLIAMS: So when it says
16 to sell new auto plan policies, that sales associate
17 is --

18 MS. VALERIE HUTSAL: That would be --

19 MR. BRETT MCGREGOR: It would be --

20 MS. VALERIE HUTSAL: -- for the
21 future, I would assume.

22 MR. BRETT MCGREGOR: It would be
23 licensing and after the fact. It's very common for us
24 to hire unlicensed people and put them through the
25 licensing process, but they would not process or have

2452

1 a customer interaction about an insurance product
2 until they were licensed.

3 DR. BYRON WILLIAMS: This is very
4 helpful. So if we go to slide 5, we'll see as well a
5 client service representative Autopac, and you'll see
6 reference to "Action all audible -- Autopac
7 transactions immediately."

8 Oh, sorry, scroll down on the page.

9 Thank you. There to -- "Action all Autopac
10 transactions immediately in a professional manner."
11 Do you see that reference?

12 MS. VALERIE HUTSAL: M-hm.

13 DR. BYRON WILLIAMS: And then to also
14 cross sell. Do you see that, the second last bullet
15 there?

16 MR. BRETT MCGREGOR: Yeah.

17 DR. BYRON WILLIAMS: And so going to
18 the next page, we'll see then that a licence is not
19 required for the high rate.

20 MR. BRETT MCGREGOR: Right.

21 DR. BYRON WILLIAMS: Okay. Just so my
22 client understands your evidence --

23 MR. BRETT MCGREGOR: Yeah. The
24 reference to "immediately" is referring to a customer
25 -- customer service level, not -- on day one they

2453

1 would --

2 DR. BYRON WILLIAMS: So -- so no one
3 in -- at a broker's office, will ever take a payment--

4 MS. VALERIE HUTSAL: No.

5 DR. BYRON WILLIAMS: -- for a renewal
6 without being a broker?

7 MS. VALERIE HUTSAL: No.

8 DR. BYRON WILLIAMS: That's very
9 helpful.

10 MS. TARA CHAMMARTIN: I think it's
11 fair to say every broker has the -- the right to kind
12 of advertise or present what they're looking for and
13 then make the decision. Whether they're licensed or
14 not licensed, you might find somebody who's qualified,
15 but maybe they haven't had their licence in place, but
16 then we would, you know, help them get their licence
17 to move forward.

18 DR. BYRON WILLIAMS: But in the actual
19 transaction when someone is paying, it is always a
20 broker?

21 MS. TARA CHAMMARTIN: Always.

22 MR. BRETT MCGREGOR: Always.

23 DR. BYRON WILLIAMS: Thank you. Now,
24 I want to leave the -- where -- world of MPI Basic and
25 Extension for a moment and look at the role of

2454

1 brokers, if any, on other transactions.

2 MR. BRETT MCGREGOR: Sure.

3 DR. BYRON WILLIAMS: And we heard
4 reference to snowbirds earlier today, and you're aware
5 that there are some Canadians who surprisingly are not
6 foun -- fond of winter? I see some heads nodding. Is
7 that a "yes"?

8 MS. TARA CHAMMARTIN: All.

9 MR. BRETT MCGREGOR: Yes.

10 DR. BYRON WILLIAMS: Well, speak for
11 yourself, Ms. Chammartin. And one (1) option for
12 Canadians who are not fond of winter is to travel
13 outside the country. Is that correct? That's a
14 choice they --

15 MR. BRETT MCGREGOR: Correct.

16 DR. BYRON WILLIAMS: And those
17 Canadians who do not like winter and who wish to
18 travel may choose to purchase travel health insurance.
19 Agreed?

20 MR. BRETT MCGREGOR: Agreed.

21 DR. BYRON WILLIAMS: And is it
22 conceivable that if they choose to purchase travel
23 health insurance, one (1) option would be to go online
24 to some other provider and purchase that insurance
25 online? Would that --

2455

1 MR. BRETT MCGREGOR: Yes.

2 DR. BYRON WILLIAMS: -- be possible?

3 I see you nodding your head.

4 MR. BRETT MCGREGOR: Yes.

5 MS. VALERIE HUTSAL: M-hm.

6 DR. BYRON WILLIAMS: And in engaging

7 in that transaction online, is it conceivable that

8 they would not speak with a broker?

9 MR. BRETT MCGREGOR: Yes.

10 DR. BYRON WILLIAMS: They have a

11 choice to speak to a broker or they could go to a

12 broker's office, but they don't have to.

13 MR. BRETT MCGREGOR: Correct. Like,

14 we sell travel health online and we would do the

15 follow-up I described before lunch, but, yeah, you

16 could absolutely buy it without broker intervention.

17 DR. BYRON WILLIAMS: And as good

18 Manitobans, you know that as well many Manitobans buy

19 homes. You're nodding your heads. Is that a "yes"?

20 MR. BRETT MCGREGOR: Yes.

21 MS. VALERIE HUTSAL: M-hm.

22 DR. BYRON WILLIAMS: And when they

23 take out a mortgage from their credit union or bank or

24 other financial institution, they may be offered

25 mortgage insurance, for loss of income, for example?

2456

1 MR. BRETT MCGREGOR: Yes.
2 DR. BYRON WILLIAMS: And in that
3 circumstance, they could choose to buy their insurance
4 through the financial institution or also go to a
5 broker. Would that be fair?

6 MR. BRETT MCGREGOR: Correct.
7 DR. BYRON WILLIAMS: And similarly, if
8 one were to take out a car loan from a bank or credit
9 union, it's conceivable that the lending institution
10 could offer them some form of car loan insurance for
11 loss of income. Agreed?

12 MR. BRETT MCGREGOR: Correct, yeah.
13 Would you like us to take you down the rabbit hole of
14 how that coverage is very inferior to what we would
15 sell?

16 DR. BYRON WILLIAMS: What I want to
17 focus on, sir, is the choice --

18 MR. BRETT MCGREGOR: Sure.

19 DR. BYRON WILLIAMS: -- and the choice
20 that is available if one is choosing car loan income
21 replacement --

22 MR. BRETT MCGREGOR: yeah.

23 DR. BYRON WILLIAMS: -- insurance,
24 would be to purchase it from that service provider or
25 there also would be a choice to go to a broker.

2457

1 MR. BRETT MCGREGOR: Sure.

2 DR. BYRON WILLIAMS: If we can go to
3 CAC Insurance Brokers Association of Manitoba 1-8, the
4 response, and sub (d) in particular. But let's stay
5 on the first page for a second, please. Go to the
6 question on page 1, please, Ms. Schubert.

7 And you see the question first of all,
8 Mr. Wainikka.

9 "Please provide any empirical or
10 other evidence that brokers
11 regularly inform consumers that they
12 have options beyond basic coverage."

13 MR. GRANT WAINIKKA: I see that, yes.

14 DR. BYRON WILLIAMS: Sir, let me --
15 let me back up and let me try this question in a
16 different way, and this can go to any of the Panel
17 members.

18 But in your -- in your evidence today,
19 when we -- when we speak of extension insurance, we
20 are aware that the market is dominated by Manitoba
21 Public Insurance with roughly 95 percent of the
22 market. Agreed?

23 MR. GRANT WAINIKKA: Yes.

24 MS. TARA CHAMMARTIN: Agreed.

25 DR. BYRON WILLIAMS: But there are

2458

1 other players in the marketplace, including you rec --
2 referenced SMI, or Saskatchewan Mutual Insurance, for
3 example --

4 MR. GRANT WAINIKKA: Yes.

5 DR. BYRON WILLIAMS: -- right? And is
6 the Panel generally familiar with the term "mystery
7 shopping exercise" in which researchers pretend to be
8 shoppers attending at different businesses for the
9 purposes of better understanding business practices
10 from the perspective of -- of consumers?

11 MR. GRANT WAINIKKA: I am familiar
12 with that term, yes.

13 DR. BYRON WILLIAMS: Has the Insurance
14 Brokers Association of Manitoba conducted any mystery
15 shopping exercises to determine if -- if -- if
16 consumers are being offered competing extension
17 products to potential customers?

18 MR. GRANT WAINIKKA: Not to my
19 knowledge. I would say not -- not to my knowledge.

20 DR. BYRON WILLIAMS: Has the Insurance
21 Brokers Association ever surveyed its members to
22 determine whether they consistently offer that comp --
23 competitive alternative?

24 MR. GRANT WAINIKKA: We do survey our
25 membership and we ask several questions, some of which

2459

1 would relate to that, but insofar as asking that
2 question directly, Mr. Williams, I haven't seen that,
3 subject to check. If I discover something, I'd be
4 happy to provide it.

5 DR. BYRON WILLIAMS: And leaving aside
6 anecdotal personal experience, is there any empirical
7 evidence that the Insurs -- Insurance Brokers
8 Association can point my clients to, suggesting that
9 brokers are consistently offering that competitive
10 option to ba -- to MPI extension?

11 MR. GRANT WAINIKKA: Well, I would say
12 that one (1) way of -- I mean, the best research is to
13 look at behaviour, and one (1) behavioural statistic
14 that we know is that we know that 5 percent of the
15 market is currently purchasing an extension product
16 from outside of MPI, so even 5 percent sounds pretty
17 minimal, but that's fifty thousand (50,000) policies
18 or so, something like that.

19 And for -- as you heard several
20 examples this morning, for those Manitobans that
21 require that form of coverage, it is -- it's the best
22 fit.

23 DR. BYRON WILLIAMS: So in terms of
24 the -- the evidence that you have is the fact that 5
25 percent of the market is extension --

2460

1 MR. GRANT WAINIKKA: Well, I would say

2 --

3 DR. BYRON WILLIAMS: -- is non-MPI
4 extension.

5 MR. GRANT WAINIKKA: Yeah. I would
6 say that because it's very easy to sell basic and
7 extension together, unlike in Saskatchewan, for
8 instance, where it's -- there's not a checklist. It's
9 -- it's very easy to sell them together.

10 So -- so -- so I would say the -- the -
11 - the fact that we have fifty thousand (50,000) or so
12 policies is a good indicator that brokers are doing --
13 doing their job. And in many cases, the extension
14 product from MPI is the right one for the consumer as
15 well.

16 DR. BYRON WILLIAMS: Is there any
17 intention of the insurance brokers to, on a future
18 basis, consult with their membership to ensure that
19 that extension product competing with MPI is being
20 offered to consumers?

21 MR. GRANT WAINIKKA: I think it's a
22 great idea. If I understand your question correctly,
23 you're asking me if we would consider doing that in
24 the future, and I would say definitely. I think it's
25 a -- a good idea.

2461

1 DR. BYRON WILLIAMS: There's been some
2 evidence in this hearing in terms of online
3 transactions in terms of the Saskatchewan model. The
4 Insurance Brokers is -- is familiar with that?

5 MR. GRANT WAINIKKA: Yeah.

6 DR. BYRON WILLIAMS: And in terms of
7 the Saskatchewan model, I'll suggest to you, the
8 evidence on the hearing is that a -- a person goes
9 online and selects a broker. They -- they click and
10 they hit a broker.

11 MR. GRANT WAINIKKA: M-hm.

12 DR. BYRON WILLIAMS: Agreed?

13 MR. GRANT WAINIKKA: Yes.

14 DR. BYRON WILLIAMS: Inelegantly
15 expressed.

16 MR. GRANT WAINIKKA: Yeah, but no --
17 no -- that's -- that's correct.

18 DR. BYRON WILLIAMS: Is that consumer
19 obliged to consult with the broker before purchasing
20 the insurance?

21 MR. GRANT WAINIKKA: No.

22 DR. BYRON WILLIAMS: And is it
23 conceivable that consumers would choose not to consult
24 with the broker be -- before purchasing that
25 insurance?

2462

1 MR. GRANT WAINIKKA: It is
2 conceivable, yes.

3 DR. BYRON WILLIAMS: And let's say
4 that that consumer selects Broker A, when they do
5 purchase that insurance, and then seven (7) months
6 later, wishes to -- chooses to speak with a -- a
7 different broker about that issue. Is there anything
8 pr -- prohibiting the consumer from doing that?

9 MR. GRANT WAINIKKA: Subject to check,
10 I -- I'm not sure how SGI would treat that. To be --
11 to be completely frank with you, I don't know the
12 answer to that question, if that would be a new policy
13 or -- or not. The degree to which you can transfer, I
14 -- I'm not exactly sure.

15 DR. BYRON WILLIAMS: And is -- to the
16 knowledge of the Insurance Brokers Association of
17 Manitoba, is there any empirical evidence, independent
18 evidence, testing how many consumers who go online,
19 buy their insurance from SGI, actually engage in
20 contact with the broker in the course of that
21 transaction?

22 MR. GRANT WAINIKKA: We would not have
23 insight into that em -- empirically; however, I think
24 that if you were to ask Autofund (phonetic) or SGI why
25 this model's in place -- and I think where you're

2463

1 going is why there would be a commission paid to a --
2 to a broker in this scenario. It is because they
3 realize that there's value in the availability of that
4 broker for a consumer.

5 DR. BYRON WILLIAMS: So if we can go
6 to IBAM evidence page 9 and 10, towards the bottom of
7 that page.

8

9 (BRIEF PAUSE)

10

11 DR. BYRON WILLIAMS: You'll see
12 reference, sir, to MPI an -- suggesting that
13 Manitobans enjoy attractive rates for veh -- vehicular
14 insurance, sir?

15 MR. GRANT WAINIKKA: I'm sorry. Where
16 -- where am I looking here?

17 DR. BYRON WILLIAMS: Sorry. The very
18 last paragraph on this page, just in --

19 MR. GRANT WAINIKKA: Yes.

20 DR. BYRON WILLIAMS: -- front.

21 MR. GRANT WAINIKKA: Yes.

22 DR. BYRON WILLIAMS: You'll see
23 reference to --

24 MR. GRANT WAINIKKA: I do, yes.

25 DR. BYRON WILLIAMS: And going on to

2464

1 the next page, you also see reference to the personal
2 injury protection plan and representations that it
3 provides superlative coverage, sir?

4 MR. GRANT WAINIKKA: Yes.

5 DR. BYRON WILLIAMS: And again,
6 reference to brokers being a -- access to brokers as
7 being a ha -- hallmark of the industry in Manitoba,
8 correct?

9 MR. GRANT WAINIKKA: I believe that's
10 true, yes.

11 DR. BYRON WILLIAMS: And based upon
12 your research and your experience across Canada, if we
13 were to compare the Manitoba model to many other
14 models, one (1) element that would distinguish
15 jurisdictions like Manitoba and Saskatchewan is no-
16 fault insurance, agreed?

17 MR. GRANT WAINIKKA: Correct. I
18 believe Quebec as well.

19 DR. BYRON WILLIAMS: In Quebec.

20 MR. GRANT WAINIKKA: Yeah.

21 DR. BYRON WILLIAMS: Most
22 jurisdictions in Canada have tort regimes.

23 MR. GRANT WAINIKKA: Yeah, and in
24 fact, Saskatchewan, I think, the consumers have an
25 option to -- to go down a tort line as well.

2465

1 DR. BYRON WILLIAMS: And with tort
2 regimes, the level of benefits may be in the hands of
3 the courts --

4 MR. GRANT WAINIKKA: Exactly.

5 DR. BYRON WILLIAMS: -- rather than in
6 the hands of the legislature.

7 MR. GRANT WAINIKKA: Precisely, yeah.

8 DR. BYRON WILLIAMS: And you're aware,
9 sir, that it has been argued that no-fault insurance
10 assists in keeping rates more stable.

11 MR. GRANT WAINIKKA: I think that's --
12 yes. That's -- it has been argued.

13 DR. BYRON WILLIAMS: And sir, you're
14 also aware that Manitoba and other jurisdictions such
15 as Saskatchewan have Crown corporations offering
16 compulsory service in that jurisdiction?

17 MR. GRANT WAINIKKA: I do, yeah.

18 DR. BYRON WILLIAMS: Obviously,
19 there's Crown insurers to some degree or another in
20 British Columbia and the Regie in Quebec as well, sir.

21 MR. GRANT WAINIKKA: Yeah, and the
22 closest comparative is definitely Saskatchewan, if you
23 look at the Basic compulsory package. Not identical,
24 but that's the closest comparative.

25 DR. BYRON WILLIAMS: Apart from those

2466

1 Crowns, sir, the majority of the marketplace in Canada
2 is not offered through Crown insurers.

3 MR. GRANT WAINIKKA: That is -- that's
4 correct, yes.

5 DR. BYRON WILLIAMS: So when one looks
6 to factors that distinguish the Manitoba market place
7 from the -- the bulk of the Canadian marketplace, two
8 (2) of those factors would be the no-fault insurance
9 plan and the -- and the Crown monopoly, agreed?

10 MR. GRANT WAINIKKA: Cor -- correct.

11 Probably others, but those would be the two (2) main -
12 - main ones.

13 DR. BYRON WILLIAMS: And as an acc --
14 someone with a significant amount of economic
15 background, sir, you might infer that those may be
16 significant factors in the relative price advantage
17 that Manitobans may enjoy compared to some other
18 jurisdictions.

19 MR. GRANT WAINIKKA: I -- I wouldn't
20 jump to that conclusion imm -- immediately. There --
21 there's a number of factors that would go into
22 pricing. But certainly the ability to contain -- to
23 contain the costs of the tail on personal injury, for
24 instance, is -- is a -- is an advantage in no-fault
25 jurisdictions for sure.

2467

1 DR. BYRON WILLIAMS: And sir --
2 MR. GRANT WAINIKKA: In my opinion.
3 DR. BYRON WILLIAMS: Thank you. Sir,
4 in -- in British Co -- if we can go to the response to
5 CAC-1-5 (b) .

6

7 (BRIEF PAUSE)

8

9 DR. BYRON WILLIAMS: You'll see, sir,
10 a reference to the situation in terms of automobile
11 insurance in British Columbia, with the state of ICBC
12 described as a financial dumpster fiel -- fire, sir?

13 MR. GRANT WAINIKKA: Yes, I do.

14 DR. BYRON WILLIAMS: And sir, in
15 British Columbia, the exclusive mode of delivery of
16 the purchase and renewal of insurance products is
17 through brokers? P -- PUB Insurance Brokers
18 Association 1-3, I think has that --

19 MR. GRANT WAINIKKA: Yeah.

20 DR. BYRON WILLIAMS: -- response, sir.

21 MR. GRANT WAINIKKA: Can you rephrase
22 -- can you ask that question again of me, Mr.
23 Williams? I apologize.

24 DR. BYRON WILLIAMS: Why don't we see
25 if I can ask it better?

2468

1 MR. GRANT WAINIKKA: Okay. I'm up --

2 I'm up for that.

3 DR. BYRON WILLIAMS: In British
4 Columbia, sir, there is not an option to renew or
5 purchase automobile insurance through ICBC. It is
6 sold exclusively through its province-wide network of
7 nine hundred (900) auto-plan brokers?

8 MR. GRANT WAINIKKA: Correct. Yes.

9 DR. BYRON WILLIAMS: In British
10 Columbia, a hallmark of the model is the exclusivity
11 of brokers.

12 MR. GRANT WAINIKKA: Yea -- well, I
13 would say that -- I'm not really familiar with the
14 model in BC the way that I am in -- in -- in Manitoba,
15 so I'm not sure I would -- I would jump to that
16 equivalent -- that equivalency, but... So -- so -- so
17 no, I can't -- I can't speak to the -- the -- the --
18 the intricacies of ICBC and -- and what's happening
19 there.

20 DR. BYRON WILLIAMS: But the service
21 itself, in terms of renewing or purchasing automotive
22 insurance, is exclusively through brokers.

23 MR. GRANT WAINIKKA: Yes, it is. Of
24 ICBC products, yeah. Yeah.

25 DR. BYRON WILLIAMS: At slide -- at

2469

1 page 26 of the Insurance Brokers evidence -- sorry,
2 it's -- or you could also alternatively go to page 8
3 of -- oh, that'll work. That'll work.

4 First of all, what we have before us is
5 a -- a map of the province of Manitoba broken down
6 into four (4) regions, being Winnipeg, West-Man, East-
7 Man, and Nor-Man (phonetic)? Is that fair?

8 MR. GRANT WAINIKKA: That's -- that's
9 correct, yes.

10 DR. BYRON WILLIAMS: And of those,
11 what you've set out here is the number of employees
12 within those particular jurisdictions with, for
13 example, Winnipeg having one thousand eight hundred
14 and sixty (1,860)?

15 MR. GRANT WAINIKKA: Correct. Yeah.

16 DR. BYRON WILLIAMS: And for the
17 purposes of defining Nor-Man, does that include Swan
18 River, or does that exclude Swan River?

19 MR. GRANT WAINIKKA: I would ha -- the
20 -- it looks -- my geographic knowledge is not what it
21 once was. But I would have to report back on that.

22 DR. BYRON WILLIAMS: I don't think a
23 lot turns on that, sir, so I'm not going to ask for an
24 undertaking.

25 MR. GRANT WAINIKKA: Looking at the

2470

1 numbers, my hunch would be that Swan River is included
2 there. Yeah.

3 DR. BYRON WILLIAMS: So let's take
4 that hunch --

5 MR. GRANT WAINIKKA: Okay.

6 DR. BYRON WILLIAMS: -- for a second.

7 MR. GRANT WAINIKKA: Subject to check,
8 yeah.

9 DR. BYRON WILLIAMS: So what this
10 suggests is -- is from Swan River north, there are
11 thirty-nine (39) insurance broker employees in that
12 region of the province, sir?

13 MR. GRANT WAINIKKA: That is correct.
14 And they would be highly concentrated in Thompson,
15 Flin Flon, a couple in Churchill.

16 DR. BYRON WILLIAMS: And The Pas,
17 presumably.

18 MR. GRANT WAINIKKA: The Pas as well,
19 yes.

20 DR. BYRON WILLIAMS: So there's no
21 dispute between Manitoba Public Insurance or -- or the
22 insurance brokers that that region of the province is
23 under-served when it comes to bricks-and-mortar
24 services in terms of insurance brokers -- or, sorry,
25 insurance brokers or analogous services by MPI through

2471

1 the service centres.

2 MR. GRANT WAINIKKA: I -- I think in
3 general, that -- that's true. Like any business, it's
4 based on the market available. And so just by -- by -
5 - by demographics, the -- the fact of the matters is
6 is that there's not as much population in northern
7 Manitoba as there is in the southern parts. So I
8 think that's reflective of that.

9 But I do -- I -- I think I know where
10 you're going. Well, I shouldn't assume that, but let
11 me just offer this. But -- but if -- if you're
12 talking about some First Nations communities and --
13 and access to services in -- in those types of
14 communities, certainly, IBAM would be very much on --
15 on board with trying to find a -- a solution with MPI
16 and our other insurance partners.

17 DR. BYRON WILLIAMS: Thank you for
18 that, and thank you for that kind offer. Assuming
19 Internet availability...

20 MR. GRANT WAINIKKA: M-hm.

21 DR. BYRON WILLIAMS: And assuming the
22 willingness to use the Internet, this is the type of
23 region of the province that would definitely benefit
24 from online services in terms of accessibility, sir.

25 MR. GRANT WAINIKKA: Potentially,

2472

1 yeah. Yes.

2 DR. BYRON WILLIAMS: Potentially.

3 MR. GRANT WAINIKKA: Yes. Yeah, I

4 would say, yeah.

5 DR. BYRON WILLIAMS: And just out of
6 curiosity, or my client's curiosity, is it possible to
7 renew or purchase insurance by phone?

8 MR. BRETT MCGREGOR: Are you asking
9 about auto insurance?

10 DR. BYRON WILLIAMS: Auto insurance.

11 MR. BRETT MCGREGOR: I think the only
12 way that we could do that is with a letter of
13 authorization. Is that...?

14 MS. TARA CHAMMARTIN: Yeah, that would
15 be my understanding. They have the ability to submit
16 to us a -- a letter of authorization allowing us to
17 transact it based on their request.

18 DR. BYRON WILLIAMS: Who's -- who's --

19 MS. TARA CHAMMARTIN: The client.

20 DR. BYRON WILLIAMS: The client.

21 MS. TARA CHAMMARTIN: Correct. The
22 consumer. So they can do it by email, fax.

23 DR. BYRON WILLIAMS: And is that
24 option often exercised?

25 MS. TARA CHAMMARTIN: Yeah.

2473

1 DR. BYRON WILLIAMS: Okay. Mr.
2 Wainikka, apart -- or, members of the -- the brokers,
3 apart from the Nor-Man region, in terms of bricks-and-
4 mortar services, has your association identified other
5 regions or jurisdictions that are relatively under-
6 served?

7 MR. GRANT WAINIKKA: I would say
8 there's discussion. So for instance, the southwest
9 corner of Winnipeg, for -- for -- for instance, is
10 growing rather quickly, so that would be an area that
11 could possibly be under-served. But -- but this is
12 not something that we spend a lot of time thinking
13 about at IBAM.

14 DR. BYRON WILLIAMS: I'm going to
15 switch gears a little bit, recognizing the time. Mr.
16 McGregor, earlier today, you recall commenting about -
17 - without asking you to elaborate, commenting about a
18 change in compensation for Basic premiums at the time
19 that the five (5) year renewal came in for -- for
20 insurance, agreed?

21 MR. BRETT MCGREGOR: Correct.

22 DR. BYRON WILLIAMS: And sir, you're
23 aware that in the broker agreements with Manitoba
24 Public Insurance -- that canvassed in those agreements
25 are not only Basic insurance but also Extension

2474

1 insurance as well.

2 MR. BRETT MCGREGOR: Correct.

3 DR. BYRON WILLIAMS: And it would be
4 fair to say, sir, that at the time the Basic insurance
5 began to move down from 5 percent -- well -- to back -
6 - or, rather, the time it began to move down from 5
7 percent, there was also an increase on the Basic side
8 from twelve point five (12.5) up towards eighteen (18)
9 or so, sir?

10 MR. BRETT MCGREGOR: If you mean the
11 Extension side --

12 DR. BYRON WILLIAMS: Yes, Ext -- yeah,
13 I misspoke. Yes.

14 MR. BRETT MCGREGOR: Yes, correct.

15 DR. BYRON WILLIAMS: And at PUB-1-47,
16 page 8 of 24 -- and Mr. Wainikka, you're familiar with
17 this document. You saw it reviewed earlier in -- in
18 the hearing?

19 MR. GRANT WAINIKKA: Yes.

20 DR. BYRON WILLIAMS: And this is the
21 2008 agreement between brokers and -- and Manitoba
22 Public Insurance?

23 MR. GRANT WAINIKKA: Yes.

24 DR. BYRON WILLIAMS: And it was
25 intended to be a seven (7) year agreement, sir, to be

2475

1 reviewed in 2015 initially, subject to check?

2 MR. GRANT WAINIKKA: I thought five
3 (5) years, but I'll -- I can check that and report
4 back happily.

5 DR. BYRON WILLIAMS: It's in the
6 agreement, but we'll --

7 MR. GRANT WAINIKKA: Okay, I'll take
8 your word for it.

9 DR. BYRON WILLIAMS: Thank you. One
10 (1) element of the agreement, sir, at that point in
11 time, was that MPI will not endeavour to provide
12 consumers -- excuse me, customers with the option of
13 renewing vehicle registration, insurance, or driver's
14 licence online. Is that your understanding, sir?

15 MR. GRANT WAINIKKA: I'm -- it's right
16 there in front of me, yeah. I'm reading it. Yes.

17 DR. BYRON WILLIAMS: You weren't
18 around at that time, so --

19 MR. GRANT WAINIKKA: I was around. I
20 just wasn't at IBAM yet. Rumours of my --

21 DR. BYRON WILLIAMS: Existence.

22 MR. GRANT WAINIKKA: Yeah, have been
23 greatly exaggerated, or whatever. Yeah.

24 DR. BYRON WILLIAMS: If we can go to
25 CAC-MPI-1-1(m), Appendix 11, and page 16 of 29, under

2476

1 appointments.

2 Mr. Wainikka, you see -- first of all,
3 to back up, this is a -- an excerpt from the agency
4 appointment and operating standards --

5 MR. GRANT WAINIKKA: Yes.

6 DR. BYRON WILLIAMS: -- of Manitoba
7 Public Insurance?

8 MR. GRANT WAINIKKA: Yes, it is.

9 DR. BYRON WILLIAMS: And you're
10 familiar with this document as -- as part of your
11 duties with --

12 MR. GRANT WAINIKKA: Yeah. I -- I
13 don't have it memorized, but I'm familiar with the
14 document, yes.

15 DR. BYRON WILLIAMS: And you can see
16 here, sir, a suggestion that:

17 "As of December 2013, both the
18 Insurance Brokers Of Manitoba and
19 the Corporation believe the province
20 of Manitoba is well served by the
21 existing size and scope of our
22 broker force. As such, the
23 Corporation will no longer be
24 accepting applications for new
25 licences or appointments.

2477

1 You see that reference, sir?

2 MR. GRANT WAINIKKA: I do, yes.

3 DR. BYRON WILLIAMS: And is that a

4 barrier to entry?

5 MR. GRANT WAINIKKA: It would appear
6 to be, yes.

7 DR. BYRON WILLIAMS: And from the --
8 if you're able to speak to the support, if any, for
9 this closing of the market to -- to new brokers, sir,
10 from the perspective of the insurance brokers, what is
11 the rationale behind this barrier to entry?

12 MR. GRANT WAINIKKA: At the time of
13 writing, I -- I'm not sure what that would be, so --
14 so when this was drafted, I -- I -- I can't speak for
15 what -- what -- what the rationale would -- would be.

16 MR. BRETT MCGREGOR: Mr. Williams, I -
17 - I do have some information on that. I was not part
18 of the negotiation, but what was communicated to us as
19 brokers at the time was that that was a request from
20 MPI, that that was not brokers. It was MPI that said
21 that they felt that they had enough brokers. That was
22 what was communicated to me at the time.

23 DR. BYRON WILLIAMS: Okay. And as
24 part of the puts and takes, as you spoke of the
25 relationship, it was agreed to by the brokers.

2478

1 MR. BRETT MCGREGOR: Correct.

2 DR. BYRON WILLIAMS: Was any potential
3 -- obviously, one -- you can't speak for MPI -- can
4 you express why -- any understanding of the reasons
5 advanced by Manitoba Public Insurance for that?

6 MR. BRETT MCGREGOR: My -- what was
7 communicated to me at the time was that they felt that
8 they had enough brokers and didn't want to appoint any
9 more. That's all I have for insight into the why.

10 DR. BYRON WILLIAMS: And just so I'm
11 clear, there's no suggestion that this barrier to
12 entry was advanced by the brokers, to your
13 understanding.

14 MR. BRETT MCGREGOR: To my
15 understanding, no, but I was not part of that
16 negotiation, so.

17

18 (BRIEF PAUSE)

19

20 DR. BYRON WILLIAMS: Does the
21 Insurance Brokers Association of Manitoba today
22 express any support for barriers to entry to the -- in
23 terms of agencies offering Basic?

24 MR. GRANT WAINIKKA: From -- from
25 memory, in the last -- since my arrival, anyway, this

2479

1 is not -- I don't -- I don't recall a situation where
2 MPI has come to us to say that there's been an
3 application for a Basic licence. There was an
4 application for a SRE-only licence, which threw a bit
5 of a monkey wrench into things because there wasn't as
6 set -- or a defined process with which to deal with
7 it.

8 And so with the lack of procedure in
9 place, what we at -- at IBAM suggested was that this
10 same process should be used, where three (3) people
11 from MPI would be appointed to a -- a board or a
12 committee, I guess, and three (3) from MPI, and in the
13 event that that committee could not reach some sort of
14 consensus, the CEO of MPI would then have the ultimate
15 authority to grant that licence or not.

16 And so just insofar as how to try and
17 deal with that application, IBAM pointed to this
18 clause, even though it's not an exact fit, because we
19 don't have a process for SRE-only licences, to my
20 knowledge. I've never seen one, anyway.

21 DR. BYRON WILLIAMS: So thank you for
22 that answer, and just recognizing the question that
23 was originally asked, currently, in terms of agencies
24 that provide Basic or Extension insurance, does the
25 Insurance Brokers Association of Manitoba maintain or

2480

1 take a position that MPI should no longer be accepting
2 applications for new licensure appointments?

3 MR. GRANT WAINIKKA: We have not taken
4 that position because it hasn't been forced upon us or
5 -- or there just hasn't been an example, and again,
6 I'm speaking from memory -- there hasn't been an
7 example of a Basic application since my arrival, to my
8 knowledge.

9 DR. BYRON WILLIAMS: Okay. If we can
10 go to CAC Insurance Brokers Association of Manitoba 1-
11 15, and let's go to the question first. Show us the
12 preamble, if you don't mind, Ms. Schubert.

13 You see reference to research
14 undertaken by the insurance brokers association. You
15 see that?

16 MR. GRANT WAINIKKA: I -- I do.

17 DR. BYRON WILLIAMS: Okay. And you
18 see the request to file all research on which the
19 statement in the preamble was based?

20 MR. GRANT WAINIKKA: I do see that,
21 yes.

22 DR. BYRON WILLIAMS: So, sir, in terms
23 of the research undertaken, there's no study attached
24 as an answer --

25 MR. GRANT WAINIKKA: I recognize that.

2481

1 I recognize that, yes.

2 DR. BYRON WILLIAMS: Is there a study,
3 sir?

4 MR. GRANT WAINIKKA: There is a study.

5 DR. BYRON WILLIAMS: And was that
6 study undertaken by an independent firm, sir?

7 MR. GRANT WAINIKKA: Yes, it was.

8 DR. BYRON WILLIAMS: Okay. And the
9 name of that firm, sir?

10 MR. GRANT WAINIKKA: That firm was
11 Probe Research, a firm you're familiar with.

12 DR. BYRON WILLIAMS: And in terms of
13 that study, are you in a position to provide the
14 study, sir?

15 MR. GRANT WAINIKKA: I would like to
16 verify that with my board, actually, and we do use it
17 internally, but there certainly are -- I -- I think I
18 can go so far as to say there certainly are questions
19 that we can -- and answers and methodology that we can
20 table here that are most germane. There may be some
21 things that are outside of the purview of -- of this
22 hearing.

23 DR. BYRON WILLIAMS: Okay. So sir, in
24 te -- in terms of the -- my client's interest, just so
25 you understand, our client would appreciate insight

2482

1 into the methodology employed --

2 MR. GRANT WAINIKKA: Certainly. M-hm.

3 DR. BYRON WILLIAMS: -- as well as the

4 questions asked --

5 MR. GRANT WAINIKKA: Sure.

6 DR. BYRON WILLIAMS: -- and in terms -

7 - and if there is a CSI that you're -- or commercially

8 sensitive information --

9 MR. GRANT WAINIKKA: Right.

10 DR. BYRON WILLIAMS: -- but in terms

11 as it may relate to the issues in play in the -- in

12 this hearing, we would appreciate the survey that

13 you're relying upon --

14 MR. GRANT WAINIKKA: Yeah.

15 DR. BYRON WILLIAMS: -- including the

16 methodology --

17 MR. GRANT WAINIKKA: Yeah.

18 DR. BYRON WILLIAMS: -- and the

19 qualifications of the authors?

20 MR. GRANT WAINIKKA: Absolutely, yes.

21 But again, there may be some questions that we cannot,

22 but I -- certainly, those that are germane to what

23 you're asking here, we can -- we can release.

24 DR. BYRON WILLIAMS: And you'll do

25 that by way of undertaking, sir?

2483

1 MR. GRANT WAINIKKA: I do. Yeah, I'll
2 formally commit to doing that by way of undertaking.

3 DR. BYRON WILLIAMS: And the
4 undertaking, for the court reporter, is to provide the
5 methodology and the report of Probe Research,
6 recognizing that there may be some commercially
7 sensitive questions that are not relevant to the
8 general rate application.

9 MR. GRANT WAINIKKA: Well said. Yeah.

10 Thank you.

11

12 --- UNDERTAKING NO. 37: IBAM to provide the
13 methodology and the report
14 of Probe Research,
15 recognizing that there may
16 be some commercially
17 sensitive questions that
18 are not relevant to the
19 general rate application

20

21 CONTINUED BY DR. BYRON WILLIAMS:

22 DR. BYRON WILLIAMS: In the response
23 to PUB Insurance Brokers Association of Manitoba 1-
24 5(c), there's also reference to a recent survey
25 commissioned by the insurance brokers.

2484

1 (BRIEF PAUSE)

2

3 DR. BYRON WILLIAMS: Keep going. Yes.

4 You'll see that, sir, a recent survey commissioned by
5 IBAM, I-B-A-M? Sub (c), first line, right at the top,
6 sir?

7 MR. GRANT WAINIKKA: I'm reading it,
8 yeah.

9 DR. BYRON WILLIAMS: Moreover, you'll
10 see, sir, at the top a recent survey commissioned by
11 the insurance brokers that involves several Manitoba-
12 based brokerages.

13 MR. GRANT WAINIKKA: Yeah, I'm just
14 reading that, actually.

15

16 (BRIEF PAUSE)

17

18 MR. GRANT WAINIKKA: Oh, yes. This is
19 -- this is part of a report that -- a consultant's
20 report, actually, that we're putting together in
21 advance of conciliation.

22

23 (BRIEF PAUSE)

24

25 DR. BYRON WILLIAMS: So you're

2485

1 prepared to refer to it, but you don't want to file
2 it?

3 MR. GRANT WAINIKKA: I -- I want to
4 see the footnote, actually. There's been so many
5 things that we've written, and I just want to...
6 Yeah, so -- so that would be part of that. It's not
7 completed yet, so we have findings from that
8 undertaking, but the report itself is not completed
9 yet.

10 DR. BYRON WILLIAMS: Is this the Probe
11 report, sir --

12 MR. GRANT WAINIKKA: No.

13 DR. BYRON WILLIAMS: -- or is it a
14 different report?

15 MR. GRANT WAINIKKA: If you go up
16 again -- no. And it's -- it's -- this is an IBAM
17 report, right? It's a different -- it's different.
18 Yeah.

19 DR. BYRON WILLIAMS: So the -- the
20 challenge for our client, you'll understand, sir, is
21 you're referce -- referencing some sort of report
22 that's incomplete and that's not on the record.

23 MR. GRANT WAINIKKA: Right. Although
24 if you look at the statement, the statement says:

25 "Autopac clients called or visited -

2486

1 - or -- to simply ask questions
2 about auto-insurance and driver and
3 vehicle registrations."

4 That's hardly illuminary. I -- I would
5 think that that would be accepted on face value in any
6 event.

7 DR. BYRON WILLIAMS: Okay. Sir, so
8 this is a different report than Probe, though?

9 MR. GRANT WAINIKKA: Yes.

10 DR. BYRON WILLIAMS: Okay.

11 MR. GRANT WAINIKKA: This -- this is
12 tied to stu -- to a -- to a different undertaking,
13 yes, that is, at this stage, incomplete. But again,
14 if you read that sentence, I'm not even sure why we --

15 DR. BYRON WILLIAMS: I understand your
16 point.

17 MR. GRANT WAINIKKA: Yeah. Yeah.

18 DR. BYRON WILLIAMS: If we can go to
19 page 17 of 37 of the IBAM -- Insurance Brokers
20 Association of Manitoba evidence, third paragraph.
21 Sorry, second paragraph. Excuse me.

22

23 (BRIEF PAUSE)

24

25 DR. BYRON WILLIAMS: Mr. Wainikka,

2487

1 this is the -- the foundation for the conclusion that
2 2.4 percent -- the Basic commissions, and in -- the
3 insurance portion of driver's licence amounted to 2.4
4 percent of total expenses of MPI in 2019, sir?

5 MR. GRANT WAINIKKA: That is -- that
6 is correct.

7 DR. BYRON WILLIAMS: And just to make
8 sure our client understands this, sir, when you
9 calculated the total expenses for MPI being 1.4.29
10 billion --

11 MR. GRANT WAINIKKA: M-hm.

12 DR. BYRON WILLIAMS: -- that would
13 have included, sir, Basic, Extension, and SRE?

14 MR. GRANT WAINIKKA: That would be
15 total corporate expense.

16 DR. BYRON WILLIAMS: And so would that
17 include driver and vehicle administration as well,
18 sir?

19 MR. GRANT WAINIKKA: This expenses
20 only would be housed at -- expense that -- that is on
21 the books at MPI. So it wouldn't include any drivers
22 and -- and -- and other expense outside of MPI, if
23 that's what you're asking.

24 DR. BYRON WILLIAMS: So this is for
25 the Corporation as a whole, sir?

2488

1 MR. GRANT WAINIKKA: Correct.

2 DR. BYRON WILLIAMS: Okay. So -- and
3 thank you for that. And that -- just so my client
4 understands, in terms of the two point -- so that's
5 the denominator, the one point four (1.4) is the
6 corporate expenses --

7 MR. GRANT WAINIKKA: I was told there
8 would be no math, but -- but -- but yeah. That is a
9 denominator.

10 DR. BYRON WILLIAMS: I -- I wasn't
11 aware that using the term 'denominator' constituted
12 math, but I'll -- I'll walk with you through that.

13 MR. GRANT WAINIKKA: I'm a little
14 panicky, yeah, any time we get close to it.

15 DR. BYRON WILLIAMS: And the numerator
16 is Basic.

17 MR. GRANT WAINIKKA: That is correct.

18 DR. BYRON WILLIAMS: And -- and just
19 to finish off, so in the numera -- in the numerator --

20 MR. GRANT WAINIKKA: Sorry, it's --
21 just to go back. Just to cut you off -- sorry about
22 that. It's Basic plus drivers -- commissions.

23 DR. BYRON WILLIAMS: Yeah. Right
24 there in front of us.

25 MR. GRANT WAINIKKA: Okay. Yeah.

2489

1 DR. BYRON WILLIAMS: Thank you. Not
2 included in the numerator would be Extension
3 commissions or flat fees?

4 MR. GRANT WAINIKKA: That is correct.

5 DR. BYRON WILLIAMS: Okay. And not
6 included in the numerator would be special risk
7 extension commissions --

8 MR. GRANT WAINIKKA: Correct.

9 DR. BYRON WILLIAMS: -- and/or flat
10 fees.

11 MR. GRANT WAINIKKA: Correct. And so
12 the intention here was to -- maybe my view of -- of
13 things is too simplistic, but what -- when -- as soon
14 as I start talking to people about Extension and Basic
15 and SRE, they -- their eyes kind of gla -- gloss over.
16 And so I think what people want to know is how much is
17 MPI spending, and all sorts of expenses have been
18 talked about as part of this hearing, and the answer
19 is 1.429 billion.

20 And I think another important data
21 point is when it comes to compulsory, government-
22 mandated insurance, right, what are -- what is -- so
23 outside of a competitive market, what is -- what is
24 MPI paying for that?

25 So I think those are two (2) important

2490

1 metrics to understand.

2 DR. BYRON WILLIAMS: Okay.

3 MR. GRANT WAINIKKA: And that's why I
4 put them together comparatively.

5 DR. BYRON WILLIAMS: And just
6 understanding -- when you gave your direct evidence,
7 you -- you spoke of striving for an apples-to-apples
8 comparison, sir? Do you recall that?

9 MR. GRANT WAINIKKA: It's -- yeah.

10 We're all trying to do that, yeah.

11 DR. BYRON WILLIAMS: And in terms of a
12 -- a reflection of the broker commissions and fees as
13 a whole, as compared to the costs of the Corporation,
14 one might be -- the numerator might be an apple here,
15 but what we're talking is a grapefruit in terms of the
16 denominator. Would that be fair?

17 MR. GRANT WAINIKKA: Okay, yeah.

18 DR. BYRON WILLIAMS: Okay. If you'll
19 excuse me just one chec -- second, I want to check to
20 see if my client has any additional questions.

21

22 (BRIEF PAUSE)

23

24 DR. BYRON WILLIAMS: Within my sixty
25 (60) minute time frame, with eight (8) minutes to

2491

1 spare -- seven (7) minutes to spare, Madam Chair.

2 THE CHAIRPERSON: Thank you, Mr.
3 Williams.

4 Mr. Scarfone...?

5 MR. STEVEN SCARFONE: Thank you, Madam
6 Chair. Perhaps we could stand down for five (5)
7 minutes, and we can switch places with the -- My
8 Learned Friend.

9 THE CHAIRPERSON: Thank you.

10 MR. STEVEN SCARFONE: It's easier for
11 him to get up and move than it is for us.

12 THE CHAIRPERSON: And I understand
13 that you have indicated to our counsel that you will
14 be nineteen (19) minutes. Is that correct?

15 MR. STEVEN SCARFONE: That was our
16 estimation yesterday. Ms. McCandless is probably
17 going to hold me to that.

18 THE CHAIRPERSON: Okay, thank you.

19

20 --- Upon recessing at 2:09 p.m.

21 --- Upon resuming at 2:12 p.m.

22

23 MR. STEVEN SCARFONE: Just before we
24 begin, Madam Chair, I'll read in some exhibits.

25

2492

1 (BRIEF PAUSE)

2

3 THE CHAIRPERSON: Yes, thank you, Mr.
4 Scarfone. Everybody's ready to go? Proceed.

5 MR. STEVEN SCARFONE: Thank you. MPIC
6 has some exhibits to file. MPIC Exhibit number 84 is
7 a response to Undertaking number 20.

8

9 --- EXHIBIT NO. MPI-84: Response to Undertaking 20
10

11 MR. STEVEN SCARFONE: MPIC Exhibit
12 number 85 is a response to Undertaking number 22.

13

14 --- EXHIBIT NO. MPI-85: Response to Undertaking 22
15

16 MR. STEVEN SCARFONE: MPIC Exhibit
17 number 86 is a response to Undertaking number 24.

18

19 --- EXHIBIT NO. MPI-86: Response to Undertaking 24
20

21 MR. STEVEN SCARFONE: MPIC Exhibit
22 number 87, a response to Undertaking number 26.

23

24 --- EXHIBIT NO. MPI-87: Response to Undertaking 26
25

2493

1 MR. STEVEN SCARFONE: And MPIC Exhibit
2 number 88 is a response to Undertaking number 27.

3

4 --- EXHIBIT NO. MPI-88: Response to Undertaking 27

5

6 (BRIEF PAUSE)

7

8 MR. STEVEN SCARFONE: The dramatic
9 pause. MPIC Exhibit number 89 is Undertaking number
10 33.

11

12 --- EXHIBIT NO. MPI-89: Response to Undertaking 33

13

14 MR. STEVEN SCARFONE: And MPIC Exhibit
15 number 90 is -- appears to be a letter dated October
16 17, 2019. Oh, yes, it's Mr. Triggs's response to the
17 -- to counsel for the taxicab industry.

18

19 --- EXHIBIT NO. MPI-90: Mr. Trigg's response
20 letter to counsel for the
21 taxicab industry, dated
22 October 17, 2019.

23

24 MR. ANTHONY GUERRA: My apologies. It
25 appears we just received three (3) more exhibits to

2494

1 file, so I'll -- I'll just do that quickly.

2 MPI Exhibit number 91 is a update of
3 the RM Figure number 17, the summary of premium
4 increases/decreases by major class, territory, and
5 vehicle type.

6

7 --- EXHIBIT MPI-91: Update of RM Figure 17,
8 the summary of premium
9 increases/decreases by
10 major class, territory,
11 and vehicle type

12

13 MR. ANTHONY GUERRA: MPI Exhibit
14 number 92 is MPI's response to Undertaking number 35,
15 an undertaking to provide a screenshot of the IWS
16 system with pricing redacted

17

18 --- EXHIBIT MPI-92: MPI's response to
19 Undertaking 35, a
20 screenshot of the IWS
21 system with pricing
22 redacted

23

24 MR. ANTHONY GUERRA: And then finally,
25 MPI Exhibit number 93 is MPI's response to undertaking

2495

1 on MPI Exhibit number 66.

2

3 --- EXHIBIT NO. MPI-93: MPI's response to
4 undertaking on MPI Exhibit
5 66

7

7 MR. ANTHONY GUERRA: Thank you.

8

9 (BRIEF PAUSE)

10

11 MR. STEVEN SCARFONE: Thank you.

12

13 CROSS-EXAMINATION BY MR. STEVEN SCARFONE:

14 MR. STEVEN SCARFONE: Good afternoon,
15 panel members. My name is Steve Scarfone, counsel for
16 MPIC, so I'm going to ask you a few questions now that
17 Mr. Williams is done.

18 I'll get into each of your experience
19 in a minute. I just -- perhaps, we should begin by
20 following up where Mr. Williams left off with Mr.
21 Wainikka.

22 Sir, you'll recall in your direct
23 evidence this morning that your counsel, in fact,
24 asked you about the -- the 2.28 percentage of
25 corporate expenses that the commissions amount to. Do

2496

1 you recall that?

2 MR. GRANT WAINIKKA: I do.

3 MR. STEVEN SCARFONE: And you recall
4 in your direct evidence this morning, sir, that you
5 were providing that slide and that information to be
6 as transparent as the -- as IBAM could be, correct?

7 MR. GRANT WAINIKKA: Did I say that in
8 -- in associated with that? I think maybe I was
9 referring to my answer to that question --

10 MR. STEVEN SCARFONE: Okay.

11 MR. GRANT WAINIKKA: -- to say this is
12 exactly what we're doing here. And I've explained
13 that now, I think, twice.

14 MR. STEVEN SCARFONE: And -- and
15 you're going to explain it a third time, sir, because
16 in your response to Mr. Williams, I think, if I
17 understood your evidence correctly, you indicated that
18 the reason that you didn't include the Extension and
19 SRE commissions was because people's eyes kind of
20 gloss over when you speak of those lines of business.

21 Is that --

22 MR. GRANT WAINIKKA: No, that's not
23 what I said. What I said was that in my experience,
24 anecdotally, albeit, when people hear of what, in this
25 example, MPI spent on Basic or Extension or SRE, it

2497

1 sort of -- eyes sort of gloss over.

2 So in my estimation, I think the public
3 is most interested in what you're spending
4 corporately. And so I -- I just think that it -- it's
5 simpler to understand, is all, really, that I was
6 intending to say there.

7 MR. STEVEN SCARFONE: Okay. So just
8 on a go-forward basis, though, sir, you'll appreciate
9 that that information was contained in IBAM's pre-
10 filed testimony?

11 MR. GRANT WAINIKKA: Yes, it was.

12 MR. STEVEN SCARFONE: And its -- its
13 audience was a very sophisticated Board that's aware
14 of special risk extension and Extension lines of
15 business?

16 MR. GRANT WAINIKKA: Yes.

17 MR. STEVEN SCARFONE: So they would
18 understand the concept of special risk extension and
19 Extension?

20 MR. GRANT WAINIKKA: Yes, I understand
21 that. However, and I would say -- I have no doubt
22 that the Board is sophisticated, but I would say to
23 our pre-filed testimony as well, subject to check, I
24 think I did compare that Basic -- that Basic
25 commission number against Basic expense as well in a -

2498

1 - in a subsequent sentence or paragraph, just to be
2 clear. I shouldn't say I did. We did.

3 MR. STEVEN SCARFONE: And that's
4 subject to check.

5 MR. GRANT WAINIKKA: You -- we -- you
6 can look at it, yeah. We can look at it, yeah.

7 MR. STEVEN SCARFONE: So Mr. Wainikka,
8 you're the chief executive officer of IBAM. You
9 started in January 2018?

10 MR. GRANT WAINIKKA: That is correct.

11 MR. STEVEN SCARFONE: And you replaced
12 Mr. Sholder (phonetic) in that role, correct?

13 MR. GRANT WAINIKKA: That is correct.
14 I actually started in December of twenty -- of the
15 year before, but it was sort of -- for our purposes we
16 can say January 2018.

17 MR. GRANT WAINIKKA: And -- and
18 beginning at the far end, Ms. Chammartin. Is that how
19 I pronounce your name, ma'am?

20 MS. TARA CHAMMARTIN: Yes.

21 MR. GRANT WAINIKKA: You, ma'am, are
22 past president of IBAM, and that was in 2016?

23 MS. TARA CHAMMARTIN: Correct.

24 MR. GRANT WAINIKKA: And now operating
25 La Salle Insurance in Winnipeg?

2499

1 MS. TARA CHAMMARTIN: Correct.

2 MR. STEVEN SCARFONE: For a -- a
3 number of years, correct?

4 MS. TARA CHAMMARTIN: That's right.

5 MR. STEVEN SCARFONE: And you would be
6 very familiar with Autopac and its products?

7 MS. TARA CHAMMARTIN: Correct.

8 MR. STEVEN SCARFONE: And Ms. Hutsal,
9 you are on the IBAM board of directors?

10 MS. VALERIE HUTSAL: I am.

11 MR. STEVEN SCARFONE: And you are also
12 a co-owner of Dick Agencies insurance brokers in
13 Brandon?

14 MS. VALERIE HUTSAL: I am.

15 MR. STEVEN SCARFONE: And you've been
16 doing that since 1992. Is that correct?

17 MS. VALERIE HUTSAL: Nineteen ninety-
18 three (1993).

19 MR. STEVEN SCARFONE: Nineteen ninety-
20 three (1993).

21 MS. VALERIE HUTSAL: M-hm. Twenty-six
22 (26) years.

23 MR. STEVEN SCARFONE: With your
24 husband, Greg, as co-owner, correct?

25 MS. VALERIE HUTSAL: That's right.

2500

1 MR. STEVEN SCARFONE: And lastly, Mr.
2 McGregor, you're here, sir, today pinch-hitting for
3 Don Normandeau (phonetic), as -- as I understand it.

4 MR. BRETT MCGREGOR: That's correct.

5 MR. STEVEN SCARFONE: Here on short
6 notice?

7 MR. BRETT MCGREGOR: Yes.

8 MR. STEVEN SCARFONE: And you're
9 president of Guild Insurance. Is that right?

10 MR. BRETT MCGREGOR: That's correct.

11 MR. STEVEN SCARFONE: And you have two
12 (2) locations in Brandon --

13 MR. BRETT MCGREGOR: Correct.

14 MR. STEVEN SCARFONE: -- and four (4)
15 brokerages in Winnipeg.

16 MR. BRETT MCGREGOR: No, in the
17 communities that surround Brandon.

18 MR. STEVEN SCARFONE: Okay.

19 MR. BRETT MCGREGOR: Virden, Shilo,
20 Carberry, Wawanesa.

21 MR. STEVEN SCARFONE: Okay, thank you.

22 MR. BRETT MCGREGOR: Zero in Winnipeg.

23 MR. STEVEN SCARFONE: And I want to,
24 perhaps, start with the -- the Magna Carta, as I call
25 it, which is the 2008 broker accord on compensation.

2501

1 Kristen, it's PUB-47-2, Attachment B.

2

3 (BRIEF PAUSE)

4

5 MR. STEVEN SCARFONE: And while
6 Kristen is pulling up the document, perhaps an answer
7 best -- or a question best put to Mr. Wainikka. Sir,
8 you're familiar, of course, with the agreement on
9 broker compensation from 2008?

10 MR. GRANT WAINIKKA: Yeah.

11 MR. STEVEN SCARFONE: And you're
12 aware, sir, that it's been renewed a couple times, and
13 the terms of it are still applying to the relationship
14 between Manitoba Public Insurance and IBAM, correct?

15 MR. GRANT WAINIKKA: I'm aware of
16 that, yeah.

17 MR. STEVEN SCARFONE: And sir, the
18 broker agreement, if I can, is a compensation
19 agreement that also reflects the provision of services
20 that are done from Manitoba Public Insurance.

21 MR. GRANT WAINIKKA: Can you rephrase
22 that, please?

23 MR. STEVEN SCARFONE: Yes. The
24 agreement is for compensation to the brokers that
25 reflects the provision of services that is done for

2502

1 Manitoba Public Insurance.

2 MR. GRANT WAINIKKA: For Manitoba --

3 yes.

4 MR. STEVEN SCARFONE: Yes. So

5 services done on behalf of the insurer.

6 MR. GRANT WAINIKKA: I -- I would have
7 to check. The -- the re -- the -- the verbiage, but I
8 take your word for it.

9 MR. STEVEN SCARFONE: Okay. And the
10 brokering services, sir, that are done by the various
11 members of IBAM aren't exclusive to the auto insurance
12 industry. Is that right?

13 MR. GRANT WAINIKKA: In general, you
14 mean?

15 MR. STEVEN SCARFONE: Yes.

16 MR. GRANT WAINIKKA: That is true.

17 MR. STEVEN SCARFONE: And that many of
18 the brokerages, if not all of them, offer other
19 insurance services to their customers --

20 MR. GRANT WAINIKKA: That is correct.

21 MR. STEVEN SCARFONE: -- including
22 home insurance?

23 MR. GRANT WAINIKKA: Yes.

24 MR. STEVEN SCARFONE: Any other types
25 of insurance other than home and auto?

2503

1 MR. GRANT WAINIKKA: Certainly.

2 Commercial, there's personal liability products,
3 travel insurance...

4 MS. VALERIE HUTSAL: Life insurance.

5 Farm. MR. GRANT WAINIKKA: Farm.

6 MS. VALERIE HUTSAL: Farm insurance.

7 MR. GRANT WAINIKKA: Ask it --

8 MS. VALERIE HUTSAL: Agriculture.

9 MR. GRANT WAINIKKA: Are you -- does
10 anybody have their life licence, to sell life
11 insurance?

12 MS. VALERIE HUTSAL: No. No, I don't.

13 Not personally.

14 MR. GRANT WAINIKKA: And that's --
15 that's not -- just to be clear, that's not who IBAM --

16 MR. STEVEN SCARFONE: Right.

17 MR. GRANT WAINIKKA: That -- that's a
18 different part of the insurance world alto --
19 altogether.

20 MR. STEVEN SCARFONE: And perhaps,
21 either Mr. McGregor or Ms. Hutsal, of the business
22 that your brokerages perform, what percentage would
23 constitute business in the auto insurance industry?

24 MR. CURTIS UNFRID: Sorry, excuse me.
25 Mister...

2504

1 MR. STEVEN SCARFONE: Scarfone.

2 MR. CURTIS UNFRIED: Scarfone, sorry.

3 I'm just about to cough. That -- that type of
4 question, I don't know what the proper way to proceed
5 would be, but there's some commercially sensitive
6 information with respect to each of these businesses
7 that I don't believe should be made known to the
8 public. They're not publicly traded companies, of
9 course, and I -- I don't believe they would want to
10 share that information, given the competitive nature
11 of the industry.

12

13 CONTINUED BY MR. STEVEN SCARFONE:

14 MR. STEVEN SCARFONE: Well, let me
15 just put it another way. I don't need a percentage.
16 Would you agree, Mr. McGreg -- Mr. McGregor, that
17 Autopac and -- and the auto insurance industry form a
18 -- a large part of your business?

19 MR. BRETT MCGREGOR: I'm not sure I
20 would use the word 'large', but a -- a significant
21 part? Yeah.

22 MR. STEVEN SCARFONE: Significant
23 part?

24 MR. BRETT MCGREGOR: Yeah.

25 MR. STEVEN SCARFONE: And would you --

2505

1 MR. BRETT MCGREGOR: Certainly not the
2 majority, Mr. Scarfone, but yeah --

3 MR. STEVEN SCARFONE: Yes.

4 MR. BRETT MCGREGOR: -- it's an
5 important line of business.

6 MR. STEVEN SCARFONE: Thank you for
7 that.

8 MR. CURTIS UNFRIED: Ju -- just to be
9 clear though, there are some brokers among our
10 membership where the majority of revenue is auto-
11 related.

12

13 CONTINUED BY MR. STEVEN SCARFONE:

14 MR. STEVEN SCARFONE: And -- and Ms.
15 Hutsal, would you agree with those words that --

16 MS. VALERIE HUTSAL: The -- that Brett
17 --

18 MR. STEVEN SCARFONE: -- for Dick
19 Agencies?

20 MS. VALERIE HUTSAL: Yes --

21 MR. STEVEN SCARFONE: Yes, a
22 significant part.

23 MS. VALERIE HUTSAL: -- I repeat, yes.

24 MR. STEVEN SCARFONE: Yes. And so
25 given that, would you agree that MPIC is an important

2506

1 business partner for your respective agencies?

2 MR. BRETT MCGREGOR: Absolutely.

3 MS. VALERIE HUTSAL: Definitely.

4 MR. STEVEN SCARFONE: And if I'm
5 understanding the services that the brokers provide,
6 as indicated earlier today, a customer will attend to
7 purchase insurance products, correct?

8 MR. BRETT MCGREGOR: Correct.

9 MS. VALERIE HUTSAL: Yes.

10 MR. STEVEN SCARFONE: Or have driver
11 and vehicle licensing services performed, correct?

12 MR. BRETT MCGREGOR: Correct.

13 MS. VALERIE HUTSAL: Yes. Not always
14 attend. I mean, they'll phone us too.

15 MR. STEVEN SCARFONE: Correct. And
16 that customer, if I understand the existing
17 arrangement, could also go to an MPI service centre to
18 purchase those insurance products. Is that correct?

19 MS. VALERIE HUTSAL: Yes.

20 MR. STEVEN SCARFONE: And they could
21 also go to Manitoba Public Insurance service centre to
22 get the driver and vehicle licensing services
23 performed.

24 MS. VALERIE HUTSAL: Yes.

25 MR. BRETT MCGREGOR: Correct.

2507

1 MR. STEVEN SCARFONE: And in that
2 second example, would you agree that that person is a
3 customer of Manitoba Public Insurance?

4 MS. VALERIE HUTSAL: In the driver and
5 vehicle -- the driver licensing, or --

6 MR. STEVEN SCARFONE: Attending at a
7 Manitoba Public Insurance service centre.

8 MS. VALERIE HUTSAL: It depends off
9 their --

10 MR. BRETT MCGREGOR: At that point in
11 time.

12 MS. VALERIE HUTSAL: -- of the -- I
13 guess, but certainly, I mean, if they're calling our
14 office after they've left the service centre and
15 spoken to us and asked us questions, which has
16 happened, the -- you know, I think it's a joint
17 client, actually.

18 MR. STEVEN SCARFONE: And -- and that
19 -- that's exactly where I was going with that. So in
20 the first example, where they're attending at the
21 broker's office or calling in --

22 MS. VALERIE HUTSAL: M-hm.

23 MR. STEVEN SCARFONE: -- they would be
24 a customer of the broker.

25 MR. BRETT MCGREGOR: Yes. I -- I

2508

1 would say a mutual customer, but yeah.

2 MR. STEVEN SCARFONE: And -- and --
3 and when they're attending at the service centre,
4 they're a customer of MPIC, but perhaps they're a
5 shared customer. Is that fair?

6 MS. VALERIE HUTSAL: Yes.

7 MR. BRETT MCGREGOR: Yes.

8 MR. STEVEN SCARFONE: And so what I
9 would describe there is that the customer in -- in
10 deciding whether to go either to a broker for those
11 services or to the MPI service centre, has a choice.
12 You'd agree with that?

13 MR. BRETT MCGREGOR: Yes.

14 MR. STEVEN SCARFONE: There's nothing
15 that precludes the customer from going to either an
16 MPI service centre or to a broker.

17 MR. BRETT MCGREGOR: Not at this
18 point.

19 MR. STEVEN SCARFONE: And so it's fair
20 to say that today, we have, really, a direct model,
21 whereby the customer can go directly to MPIC to get
22 the services that the brokers are providing.

23 MR. BRETT MCGREGOR: That's correct,
24 but we do not believe that's the best -- in -- in the
25 best interest of Manitobans.

2509

1 MS. VALERIE HUTSAL: I agree with
2 Brett.

3 MR. STEVEN SCARFONE: And --
4 MR. GRANT WAINIKKA: Just to -- just
5 further just to put perspective around that, so we've
6 -- we've asked some -- some -- some questions of -- of
7 MPI, and you've been go -- very -- very good at
8 answering them, and one (1) of the questions we asked
9 is how much Basic revenue is actually solid through
10 the MPI service centres? And we've confirmed that
11 that's 0.6 percent of your revenue last year, your
12 last completed year.

13 We asked that same question on
14 Extension revenue, and in fact, the figure is
15 negative. So -- so 100 percent of the Extension
16 revenue is being sold through the broker model.

17 So I think that you could postulate --
18 or you could conclude that -- I'm not sure what's --
19 what's more large than vast, but the vast majority of
20 -- of -- of business on the insurance end, in
21 particular, pretty much 100 percent of the business is
22 being done through a broker.

23 MR. STEVEN SCARFONE: Thank you for
24 that, Mr. Wainikka.

25

2510

1 (BRIEF PAUSE)

2

3 MR. STEVEN SCARFONE: And again, I
4 guess, Mr. McGregor, I'll probably put a lot of
5 questions to you, sir. You would agree that the
6 customer-first concept applies to the business of --
7 of brokers.

8 MR. BRETT MCGREGOR: Yes.

9 MR. STEVEN SCARFONE: And that they
10 should be first and foremost in your considerations
11 when conducting business.

12 MR. BRETT MCGREGOR: Definitely.

13 MR. STEVEN SCARFONE: Kristen, could
14 you pull up MPIC Exhibit Number 62, please.

15 And this is a slide we looked at
16 earlier. I'll skip past the bulle -- the first
17 bullet, and you'll see that it reads that:

18 "MPIC in -- in its discussion about
19 providing online services says that
20 the customer needs to come first for
21 MPIC to stay relevant."

22 So Mr. McGregor, you don't quarrel with
23 MPIC sharing the same philosophy as your broker firm
24 does, do you?

25 MR. BRETT MCGREGOR: No.

2511

1 MR. STEVEN SCARFONE: That the
2 customer is paramount.

3 MR. BRETT MCGREGOR: No.

4 MR. STEVEN SCARFONE: And then on that
5 first bullet, it reads:

6 "Project NOVA will provide the
7 capability for the MPI website to
8 deliver services."

9 Do you see that?

10 MR. BRETT MCGREGOR: I do.

11 MR. STEVEN SCARFONE: And I -- I can't
12 recall which of the witnesses said it, but someone
13 mentioned that Project NOVA scares them. Who was
14 that?

15 MS. TARA CHAMMARTIN: That was me. I
16 think I said that I wasn't aware what Project NOVA
17 was.

18 MR. STEVEN SCARFONE: Oh, okay.

19 MS. TARA CHAMMARTIN: Yeah. Just the
20 whole slide scared me.

21 MR. STEVEN SCARFONE: But are you
22 aware, ma'am, that it's -- it's an information
23 technology business project that will update the --
24 the systems that the brokers use?

25 MS. TARA CHAMMARTIN: No, I'm not

2512

1 aware of it, because MPI hasn't shared it with me.

2 MR. STEVEN SCARFONE: Okay. Well, you
3 can take this as -- as MPIC sharing it with you. So
4 the Information Work Station is -- is the system that
5 the brokers use, correct?

6 MS. TARA CHAMMARTIN: Yeah, it's
7 called IWS, the Insurance Work Station.

8 MR. STEVEN SCARFONE: Yes, and we
9 heard some evidence that -- I think it was from you as
10 well, ma'am, that the system is slow and -- and
11 perhaps cumbersome.

12 MS. TARA CHAMMARTIN: It can be at
13 times, yeah.

14 MR. STEVEN SCARFONE: And so you
15 wouldn't be opposed to MPIC improving that particular
16 system for the brokers.

17 MS. TARA CHAMMARTIN: I'm not opposed
18 to an overall better delivery system for consumers, be
19 it by MPI or brokers together. M-hm. For sure. For
20 the consumer is -- is what we're looking to achieve,
21 absolutely.

22 MR. STEVEN SCARFONE: And -- and
23 earlier, when I described for you the -- the process
24 that exists today -- and I appreciate that Mr.
25 McGregor doesn't think it's the most ideal -- that

2513

1 there's a choice that the customer can make between
2 going to a broker or going to a service centre.
3 You'll see that MPIC, in looking to the future for its
4 possible online services, is maintaining that the
5 customer should still have that choice. Do you see
6 that?

7 MS. TARA CHAMMARTIN: Yeah. I see the
8 customer has the choice on where and how the get to
9 purchase their insurance, but not a choice of product.

10 MR. STEVEN SCARFONE: Okay, but you
11 agree that the customer, because they're paramount,
12 should choose and decide where they purchase their
13 insurance products.

14 MS. TARA CHAMMARTIN: Yeah.

15 MS. VALERIE HUTSAL: Maybe in -- in a
16 government monopoly, I have a issue with that.

17 MR. STEVEN SCARFONE: So you would
18 say, ma'am, that the customer shouldn't get the
19 choice.

20 MS. VALERIE HUTSAL: No. I -- I think
21 they -- they should get the choice, but for the
22 economic growth of small business in Manitoba, this is
23 terrible.

24 MR. BRETT MCGREGOR: Mr. Scarfone, I
25 told a story this morning about customers coming in

2514

1 regularly and sitting down and telling us that they
2 wanted the Basic two hundred thousand (200,000)
3 liability. I -- I think I told that story, anyway.
4 It might have been to the reporter after.

5 But that happens regularly. A customer
6 will sit down in front of us and tell us that they
7 want just the Basic. And when you actually go through
8 process of counselling them, of discussing the
9 coverage with them, of, you know, checking into are
10 you driving outside of the province, things like that,
11 they walk out of that office with 2 million liability
12 or whatever limit of liability they've determined once
13 they've understood the product.

14 So what scares me about this is that if
15 MPI is providing this service directly to customers, I
16 worry that that customer is going to just hit, you
17 know, Basic two hundred thousand (200,000), check,
18 check, check, check, done, and they've never
19 had that experience. So I believe that MPI should
20 know its business model enough to understand the value
21 that brokers bring and to know that that's what's best
22 for consumers of Manitoba auto insurance is to deal
23 with that broker and to only offer that online
24 solution through a broker.

25 MR. GRANT WAINIKKA: And the -- it's

2515

1 also nuanced, as I'm sure you appreciate, and I'm
2 appreciating more and more. Things -- things are
3 nuanced in -- in -- in this business, and so when you
4 speak of choice, you could say, well, if MPI's own
5 numbers say 50 percent of the market -- or, excuse me,
6 50 percent of the transactions are going to go online,
7 well, that would then mean that for some customers,
8 they would never know of choices on Extension products
9 outside of MPI.

10 If you take that to the -- to the
11 extreme, if a brokerage, and I've toured virtually all
12 of them, if -- if you take 50 percent of transactions
13 away from them, there -- there will be -- and I know
14 that MPI -- MPI's of the view that this is alarmist,
15 but there will be layoffs, there will be shutdowns.
16 That's -- that's unavoidable.

17 And so tell me how that is growing
18 choice. I don't want to use the Deloraine example
19 again, but tell me how that is growing choice. It's
20 actually taking it away, and in fact, this is exactly
21 why regulator -- regulatory bodies like this exist is
22 to -- is to keep the power of a mon -- of a monopoly
23 from creeping into place where maybe it shouldn't be.

24 MR. STEVEN SCARFONE: If we pull up
25 the -- the IBAM compensation agreement, please,

2516

1 Kristen, and look to page 7 when that agreement comes
2 up. Thank you.

3 So this agreement, Mr. Wainikka, you
4 weren't as you say, you were around but you weren't
5 with IBAM when the agreement was signed with MPIC.

6 Mr. McGregor, you certainly would have been working in
7 the field in the industry when this agreement was
8 signed, correct?

9 MR. BRETT MCGREGOR: Correct.

10 MR. STEVEN SCARFONE: And sir, this
11 particular agreement, as I understand it, was the
12 result of MPIC having changed its processes, meaning
13 that they were going to go to the five (5) year
14 renewal, correct?

15 MR. BRETT MCGREGOR: That's my
16 understanding.

17 MR. STEVEN SCARFONE: And there was
18 some changes to the driver's licences as well in an
19 around that time?

20 MR. BRETT MCGREGOR: They also moved
21 to a five (5) year renewal?

22 MR. STEVEN SCARFONE: Yes.

23 MR. BRETT MCGREGOR: Yes.

24 MR. STEVEN SCARFONE: And so this
25 compensation agreement, sir, would have been something

2517

1 that the association would have negotiated on behalf
2 of your brokerage?

3 MR. BRETT MCGREGOR: Correct.

4 MR. STEVEN SCARFONE: And this
5 particular document, I expect, would have been
6 provided to you once it was signed, correct?

7 MR. BRETT MCGREGOR: Correct.

8 MR. STEVEN SCARFONE: And you'll see
9 in there at page 7 that part of this document has a
10 heading that MPI agreed to direct the customers to the
11 brokers. Do you see that, sir?

12 MR. BRETT MCGREGOR: I do.

13 MR. STEVEN SCARFONE: And that there
14 would be ongoing efforts to maintain traffic at your
15 offices. Do you see that below there? Right at the -
16 - it reads at the forefront of new products.

17 MR. BRETT MCGREGOR: Oh, yeah. Yes, I
18 do.

19 MR. STEVEN SCARFONE: And sir, based
20 on that and in your experience and the fact that the
21 customers do have a choice between coming to your
22 office or going to an MPI service centre, there's no
23 competition as between MPIC and the service pro --
24 provider, meaning your brokerage office.

25 MR. BRETT MCGREGOR: There's no

2518

1 competition?

2 MR. STEVEN SCARFONE: Correct. Not
3 like there would be between you and Ms. Hutsal, for
4 example.

5 MR. BRETT MCGREGOR: The level of
6 competition would be different, but no, I would still
7 consider that competition.

8 MR. STEVEN SCARFONE: Okay, but you
9 would agree that the level of competition with Ms.
10 Hutsal's brokerage offices is greater than that --
11 that with -- it is with MPIC, correct?

12 MR. BRETT MCGREGOR: Yes.

13 MR. STEVEN SCARFONE: Yes.

14 MR. GRANT WAINIKKA: If I may just
15 interject again, MPI's own numbers indicate that 50
16 percent of transactions will be done by 2024 on -- of
17 transactions will be done online by 2024. I daresay
18 by that point, every brokerage in Manitoba will be
19 viewing MPI as the main competitor as opposed to the
20 brokerage across the street.

21 MR. STEVEN SCARFONE: Back to the IBAM
22 agreement on page 2, please. Sorry, page 3 at the
23 bottom.

24 So there's a -- a heading there that
25 reads broker representation, and this is a preamble,

2519

1 and if -- to the agreement that IB -- IBAM had
2 developed a represent -- a representative negotiation
3 team. Do you see that there, Mr. McGregor?

4 MR. BRETT MCGREGOR: I do.

5 MR. STEVEN SCARFONE: That would do
6 the heavy lifting. Were you a part of that
7 negotiation team for the association?

8 MR. BRETT MCGREGOR: I was not.

9 MR. STEVEN SCARFONE: Is that the --
10 the team that was providing updates to the members
11 while the negotiations were ongoing?

12 MR. BRETT MCGREGOR: I think those
13 were coming more formally through the office itself
14 than from the individuals, but.

15 MR. STEVEN SCARFONE: Okay. But the
16 office, whether it was the -- the -- the negotiation
17 team or the office itself, they would be reporting
18 back to the constituents on the developments of the
19 negotiation, I expect?

20 MR. BRETT MCGREGOR: To the best of my
21 memory, yes.

22 MR. STEVEN SCARFONE: And you would
23 have been canvassed for any concerns you had in
24 entering into the new compensation agreement?

25 MR. BRETT MCGREGOR: Yes.

2520

1 MR. STEVEN SCARFONE: And you would
2 have had a chance to review the proposed commission
3 before the agreement was signed?

4 MR. BRETT MCGREGOR: Yes.

5 MR. STEVEN SCARFONE: And you'd be
6 able to make recommendations on compensation issues as
7 a large brokerage firm, correct?

8 MR. BRETT MCGREGOR: As far as
9 commissions and flat fees go, is that what you mean,
10 or...?

11 MR. STEVEN SCARFONE: Yes.

12 MR. BRETT MCGREGOR: Okay. Yes.

13 MR. STEVEN SCARFONE: And were you
14 aware, sir, at any time what other members of the
15 associa -- association may have been doing or
16 providing in terms of feedback to the assoc -- to the
17 association.

18 MR. BRETT MCGREGOR: You're asking me
19 to remember eleven (11) years ago, so I apologize. My
20 memory's not perfect. I remember it as a time of
21 change. You know, I think that any time you have this
22 many members, there's members that will be in favour
23 of something and against something. I don't have a
24 lot of specific memories of conversations I had with
25 members at that time.

2521

1 MR. STEVEN SCARFONE: And back to page
2 3, please. Scroll up, Kristen. Right to the top,
3 please. Stop there.

4 Okay, sorry. Next page, top of page --
5 my pages are different. Top of page 4, please. Thank
6 you. Right there.

7 So you'll see there that initially,
8 when the broker accord was being negotiated, that it
9 reads:

10 "The association did not have a
11 unanimous mandate to negotiate on
12 behalf of all of its brokers."

13 Do you see that, Mr. McGregor?

14 MR. BRETT MCGREGOR: I see that.

15 MR. STEVEN SCARFONE: But then later,
16 through strong leadership, they were able to gain a
17 solid mandate from the members at -- at their AGM in
18 April of 2008. Do you see that?

19 MR. BRETT MCGREGOR: I see that text,
20 yeah.

21 MR. STEVEN SCARFONE: And you would
22 have attended that AGM, sir?

23 MR. BRETT MCGREGOR: I -- I believe I
24 did.

25 MR. STEVEN SCARFONE: And do you

2522

1 recall if there was some method by which the
2 association used to convince its members to form that
3 unanimous mandate?

4 MR. BRETT MCGREGOR: I -- no, I don't
5 remember specifics. I -- I assume it was just
6 communication, Mr. Scarfone.

7 MR. STEVEN SCARFONE: Okay. There
8 would have been some price sharing or the sharing of
9 information as it concerns the commissions and fees
10 that were being proposed.

11 MR. BRETT MCGREGOR: I assume the fee
12 schedule was put out, yes.

13

14 (BRIEF PAUSE)

15

16 MR. STEVEN SCARFONE: And sir, and
17 this -- this question can be, really, for anyone on
18 the panel, under the broker compensation accord, the
19 members are bound by the agreement, correct?

20 MS. VALERIE HUTSAL: Correct.

21 MR. BRETT MCGREGOR: Correct.

22 MR. STEVEN SCARFONE: To apply the
23 fees and commissions that are set out in the
24 agreement?

25 MR. BRETT MCGREGOR: Correct.

2523

1 MR. STEVEN SCARFONE: You have to
2 adhere to the schedule, the fee schedule?

3 MS. VALERIE HUTSAL: M-hm.

4 MR. BRETT MCGREGOR: Yes.

5 MR. STEVEN SCARFONE: It can't be
6 changed. There's no flexibility in that regard, is
7 there?

8 MR. BRETT MCGREGOR: Not to my
9 knowledge.

10 MR. STEVEN SCARFONE: Are you able to
11 opt out of the -- of the accord?

12 MR. BRETT MCGREGOR: Not to my
13 knowledge, without -- I guess you could by relin --
14 relinquishing your Autopac appointment.

15 MR. STEVEN SCARFONE: Okay. Are you
16 able to charge below the rates that are set out in the
17 accord?

18 MR. BRETT MCGREGOR: No.

19 MR. STEVEN SCARFONE: Do you -- are
20 you aware, Mr. McGregor, if the association made it
21 clear to its members that they were under no
22 obligation to charge the fees in the schedule?

23 MR. BRETT MCGREGOR: I'm not sure I
24 understand the question, Mar -- Mr. Scarfone. We
25 don't actually charge the fees. The --

2524

1 MR. STEVEN SCARFONE: Charge the
2 commissions in the schedule, adhere to the schedule.
3 So would the association have gone to its members,
4 including your brokerage offices, Mr. McGregor, and
5 said, you're under not obligation to follow this
6 accord? Would that information ever have been
7 provided to you?

8 MR. GRANT WAINIKKA: That -- that -
9 - just to interject, the line of questioning is
10 curious, and I'm sure there's a rationale, but the
11 process is -- is that rates for flat fee services and
12 commissions are negotiated between, basically, IBAM
13 and MPI, and from there, MPI works with government to
14 amend regulation, which is where all this is.

15 And so once those regulations are in
16 place, short of those regulations changing, there's no
17 way for an individual brokerage to opt out of
18 something that's regulated.

19 MR. STEVEN SCARFONE: Well, indeed, if
20 we -- if we go to -- and now it's in -- there was a
21 second agreement, of course.

22 Kristen, if you can go to PUB-
23 147(a)(ii) (phonetic), Attachment C.

24 The 2008 agreement was amended in 2012,
25 correct, Mr. Wainikka?

2525

1 MR. GRANT WAINIKKA: Yes. That
2 precedes my time, but --

3 MR. STEVEN SCARFONE: Yes.

4 MR. GRANT WAINIKKA: -- it's there in
5 front of me.

6 MR. STEVEN SCARFONE: On page 2,
7 please, Kristen.

8 And you'll see there, sir, that at 'D',
9 that:

10 "The commissions payable to the
11 brokers shall remain at 3 percent,
12 notwithstanding what was legislated
13 in -- in 192/2011 (phonetic)."

14 Do you see that there, sir?

15 MR. GRANT WAINIKKA: I do. I'm
16 reading it right now, yes.

17 MR. STEVEN SCARFONE: So they
18 contracted out of the regulation. Is that fair
19 assessment of that provision?

20 MR. GRANT WAINIKKA: I'm not sure
21 about that. I -- I don't know if -- if a
22 regulations -- maybe were you at a -- I -- I guess
23 you're asking the questions. But if you were at MPI
24 at the time, maybe you would have better insight into
25 that as to whether or not regulations changed on the

2526

1 back end of that or not? It's an interesting question
2 actually.

3 MR. STEVEN SCARFONE: But in any
4 event, Mr. MacGregor, you don't recall the association
5 at any time indicating to you that you were under no
6 obligation to charge the commissions and the fees in
7 the accord.

8 MR. BRETT MCGREGOR: There's --
9 there's literally not a way that you could do that,
10 Mr. Scarfone. It's -- it's all generated by your
11 system. So it -- it's not something that you're
12 making a choice on. As you transact business, the
13 fees and commissions flow. It's not a -- a conscious
14 decision that we're making on a day-to-day basis.

15 MR. STEVEN SCARFONE: Were you -- and
16 you've indicated that you weren't part of the
17 negotiation team. Were you aware, sir -- if we can go
18 back again, Kristen, to the initial accord? And
19 again, I think it's page 4.

20

21 (BRIEF PAUSE)

22

23 MR. STEVEN SCARFONE: No. Keep going
24 down then. It's at page 5. Sorry. Stop there. No.
25 It was top of page 4. Sorry, Kristen. Making you

2527

1 work.

2 So at the top of page 4, we've heard
3 there was a negotiation team, but we also see at the
4 last sentence of that first paragraph that the
5 unanimous mandate was followed up subsequently with a
6 member participation agreement. Do you see that,
7 Mr. McGregor?

8 MR. BRETT MCGREGOR: I do.

9 MR. STEVEN SCARFONE: To ensure
10 process transparency. Were you ever aware of provided
11 with a copy of the participation agreement?

12 MR. BRETT MCGREGOR: I'm sure our
13 brokerage was. At that point, I wasn't in as senior
14 role as I am in now, Mr. Scarfone. So yeah. I'm not
15 familiar with the agreement.

16 MR. STEVEN SCARFONE: Mr. Wainikka,
17 are you aware of any such agreement?

18 MR. GRANT WAINIKKA: Yes, I am. And
19 so the process that we went through last year was
20 to -- and again, I'm not a lawyer so forgive my -- the
21 way I'm speaking about this.

22 But basically, we needed permission
23 from brokerages that we could in fact negotiate on
24 their behalf with MPI. And I think MPI, rightly,
25 early on in the process identified that as something

2528

1 that they required from -- from IBAM which we
2 understood. And we -- we took that away, and in fact,
3 we did get that from 100 percent of our member base.

4 So we have agreements with each of our
5 broker members that say you can negotiate on our
6 behalf. Now, the -- the other shoe to drop there is
7 that as part of that agreement, we are bound to take
8 that to the membership as well. So -- and it sort of
9 cuts both ways. Right?

10 So -- so they enable -- "they" being
11 our broker members -- enable us to negotiate on their
12 behalf. We then take that agreement back to them
13 where they can vote on it.

14 And if they say no, then we go back to
15 MPI and say we tried; we gotta -- we gotta take
16 another kick at the can here. And, of course, we
17 didn't get anywhere near there last year.

18 MR. STEVEN SCARFONE: Mr. Unfried,
19 would you be willing to undertake to provide a copy of
20 the participation agreement that's referenced in the
21 2008 broker accord?

22 MR. CURTIS UNFRIED: Sure, we will.

23 MR. STEVEN SCARFONE: Thank you.

24 MR. CURTIS UNFRIED: Yes, we will
25 provide that undertaking or at least make a reasonable

2529

1 inquiry anyways to --

2 MR. STEVEN SCARFONE: Yeah. No
3 problem.

4 MR. CURTIS UNFRID: -- get it
5 provided.

6

7 --- UNDERTAKING NO. 38: IBAM to provide a copy of
8 the participation
9 agreement that's
10 referenced in the 2008
11 broker accord

12

13 CONTINUED BY MR. STEVEN SCARFONE:

14 MR. STEVEN SCARFONE: So,
15 Mr. Wainikka, you said that the brokers provide
16 authority for the association to negotiate on their
17 behalf?

18 MR. GRANT WAINIKKA: That is correct.

19 MR. STEVEN SCARFONE: And I expect
20 that that would include asking the members what fees
21 and commissions they were prepared to accept on the
22 sale of Autopac products?

23 MR. GRANT WAINIKKA: No, not up front.
24 As you know, this is complicated stuff. And so what
25 we would do is work out an arrangement that we thought

2530

1 was reasonable with MPI, that we thought our
2 membership would approve or at least would have a
3 chance to approve and then bring that back to them.

4 But we would not say what -- what do
5 you want to do? I mean, part of what our office does
6 though is run constant interaction with our membership
7 to get a sense of where they're at. And I think that
8 we've done a -- a very good job of that of late.

9 So we get -- for lack of a -- of a more
10 scientific term, we get a pretty good horse sense
11 of -- of where the membership is at -- is at with
12 regard to these things.

13 MR. STEVEN SCARFONE: And again, I
14 appreciate it's before your time but Mr. McGregor
15 might know. Sir, do you recall -- and yes, I
16 appreciate your comments about eleven (11) years
17 ago -- but do you call if an independent party was
18 used to collect the information when conducting the
19 negotiations?

20 MR. BRETT MCGREGOR: To collect what
21 information, Mr. Scarfone?

22 MR. STEVEN SCARFONE: Information
23 on -- from the brokers on what they were prepared to
24 accept in terms of commissions and fees.

25 MR. BRETT MCGREGOR: I do not know. I

2531

1 am sorry.

2 MR. STEVEN SCARFONE: You don't
3 recall, or there was no independent party.

4 MR. BRETT MCGREGOR: I do not recall.
5 I -- I have no idea.

6

7 (BRIEF PAUSE)

8

9 MR. STEVEN SCARFONE: Kristen,
10 CAC-MPI-1-1f Appendix 1? Thank you.
11 This is a document or an agreement that
12 was entered into in June of 2011 between MPIC and
13 IBAM. Do you see that, Mr. Wainikka?

14 MR. GRANT WAINIKKA: I sure do. Yeah.

15 MR. STEVEN SCARFONE: And this
16 would -- and again, I appreciate it was before you
17 were there and Mr. Schioler was -- had conduct of
18 IBAM.

19 But this is a document that sets out a
20 funding agreement for IBAM in the amount of \$250,000.
21 Correct?

22 MR. GRANT WAINIKKA: Yes.

23 MR. STEVEN SCARFONE: And that funding
24 agreement, if I can paraphrase, was providing that
25 money to IBAM in recognition of the working

2532

1 relationship between the two (2) parties.

2 MR. GRANT WAINIKKA: The -- the terms
3 are -- are there -- what the agreement is for. But, I
4 guess, loosely speaking, yeah. It -- it recognized
5 the -- the partnership between IBAM and MPIC.

6 I think at the time there was a belief
7 that there would be joint promotional efforts going on
8 in the marketplace. Certainly at the time, there was
9 a realization on the part of MPI that some of the work
10 that IBAM did insofar as training brokers, providing
11 professional development actually benefitted its own
12 broker channel and its own sales force.

13 So I think that it's along those lines
14 that this agreement was originally entered into. Yes.

15 MR. STEVEN SCARFONE: And then it was
16 renewed, as I understand it, for three (3) years,
17 ending 2016. Correct.

18 MR. GRANT WAINIKKA: That's correct.
19 That's my understanding as well, subject to check.
20 But I take your word for it.

21 MR. STEVEN SCARFONE: And then lastly,
22 it was renewed for a second three (3) year term just
23 ending in this year of December 2019.

24 MR. GRANT WAINIKKA: That -- that is
25 correct. All of those renewals preceded my arrival

2533

1 and, to be fair, the arrival of -- of your
2 executive -- new chief executive as well.

3 MR. STEVEN SCARFONE: Yes. And so,
4 Kristen, if we can pull up CAC-MPI-1-1f Appendix 6,
5 please.

6 So this would represent the existing
7 agreement -- the existing funding agreement that
8 expires December 2019. Correct?

9 MR. GRANT WAINIKKA: This starts -- it
10 was a -- speaking from recall, a three (3) year deal,
11 '17, '18, '19 expiring in December of 2019 -- expiring
12 in --

13 MR. STEVEN SCARFONE: A couple months.

14 MR. GRANT WAINIKKA: -- a couple
15 months. Thank you. Yes. A couple months.

16 MR. STEVEN SCARFONE: But the last
17 payment under the agreement would have been received
18 last January.

19 MR. GRANT WAINIKKA: Well, no.
20 Payment wasn't received then. Payment was received
21 late because there was some -- some hiccups, I'll call
22 it.

23 MR. STEVEN SCARFONE: Yes.

24 MR. GRANT WAINIKKA: So payment was
25 received late.

2534

1 MR. STEVEN SCARFONE: Okay. Can we
2 pull up CAC-MPI-1-1f Appendix 7?

3

4 (BRIEF PAUSE)

5

6 MR. STEVEN SCARFONE: This, sir, is a
7 letter that you prepared in connection with the
8 funding agreement to Mr. Keith, now retired. Correct?

9 MR. GRANT WAINIKKA: That is correct.

10 MR. STEVEN SCARFONE: And it's
11 concerning the further extension of the -- as you
12 describe it there, the partnership between MPIC and
13 IBAM?

14 MR. GRANT WAINIKKA: That is correct.

15 MR. STEVEN SCARFONE: And Appendix 8,
16 please, Kristen.

17

18 (BRIEF PAUSE)

19

20 MR. STEVEN SCARFONE: And as you said,
21 Mr. Wainikka, the -- the executive that was in place
22 back when the agreement was last entered into is no
23 longer with MPIC, so you were dealing with
24 Mr. Wennberg on this front. Correct?

25 MR. GRANT WAINIKKA: I was ultimately,

2535

1 yeah.

2 MR. STEVEN SCARFONE: And in this
3 particular letter in response to yours of February
4 2019, Mr. Wennberg is indicating to you that the
5 corporation would like to bring an end to the funding
6 agreement. Is that fair?

7 MR. GRANT WAINIKKA: That's the
8 general synopsis, yeah.

9

10 (BRIEF PAUSE)

11

12 MR. STEVEN SCARFONE: And if you go to
13 the second page, Kristen, please. Keep scrolling
14 down, please.

15 You'll see there, sir, that
16 Mr. Wennberg is writing for the reasons specified
17 above related to a lack of customer support for such
18 sponsorships and the fact that MPIC no longer provides
19 any sort of core funding to organizations. MPIC does
20 not anticipate entering into a similar agreement after
21 the expiry of the current agreement.

22 And then lastly, Kristen, CAC-MPI-1-1f
23 Appendix 9?

24 And this, sir, is your response to
25 Mr. Wennberg on this -- on this issue. I want to

2536

1 bring your attention down to (c) of the letter. Thank
2 you.

3 Now in Mr. Wennberg's letter, he, of
4 course, was suggesting that the public wouldn't
5 tolerate any -- any further sponsorship agreements,
6 and you take issue with -- with MPIC characterizing it
7 as such. Correct?

8

9 (BRIEF PAUSE)

10

11 MR. STEVEN SCARFONE: You say that --

12 MR. GRANT WAINIKKA: Yeah. We want it
13 to characterize it that way. It's not a sponsorship
14 but rather a -- an agreement of a commercially
15 reasonable contract.

16 MR. STEVEN SCARFONE: And, Kristen,
17 could you pull up MPI-1-1f Appendix 5, please.

18

19 (BRIEF PAUSE)

20

21 MR. STEVEN SCARFONE: Sir, this is a
22 report or a presentation that was made by
23 Dave Schioler before the last three (3) year renewal
24 of the sponsorship. And you see there that IBAM has
25 characterized it as a sponsorship.

2537

1 MR. GRANT WAINIKKA: Well, they've --
2 they've entitled this PowerPoint presentation
3 "sponsorship in IBAM." Yes.

4 MR. STEVEN SCARFONE: Yes, sir. The
5 presentation is called a sponsorship.

6 MR. GRANT WAINIKKA: That's the
7 PowerPoint. But the agreement -- the contract
8 itself -- I think that what we -- what I was
9 indicating in that letter is that the contract itself
10 does not indicate the term "sponsorship."

11 So you can't -- and as you know, the --
12 the -- I don't need to tell you that -- that a
13 contract is different than a PowerPoint presentation
14 requesting funds.

15

16 (BRIEF PAUSE)

17

18 MR. STEVEN SCARFONE: Page 3 of that
19 particular document, please? One down.

20 So based on what we see there and
21 Mr. Schioler's presentation, you still take the
22 position, sir, that the agreement wasn't a sponsorship
23 agreement that the corporation decided to -- to
24 terminate?

25 MR. GRANT WAINIKKA: What -- what I

2538

1 would say is that in viewing the contract that,
2 subject to check, I remember the -- the letter. The
3 term "sponsorship" was not in the contract to my
4 knowledge. I think it may have been involved in a
5 footnote or an appendix or something like that, but it
6 wasn't germane to that contract to my recollection.

7 MR. STEVEN SCARFONE: Okay. Thank
8 you. Kristen, could you pull up CAC-MPI-1-1s
9 Appendix 16, please.

10

11 (BRIEF PAUSE)

12

13 MR. STEVEN SCARFONE: This is a
14 briefing note that was sent from MPIC to government.
15 If you scroll down, please to number 6. Thank you.

16 And you recall, sir, in your testimony
17 earlier -- you were asked about any undervalued areas
18 in the Winnipeg -- in the city of Winnipeg that are
19 providing Autopac services?

20 MR. GRANT WAINIKKA: Yeah. And I said
21 possibly that you could look at growing parts of the
22 city. Yeah, I do recall that. Yes.

23 MR. STEVEN SCARFONE: And you also
24 recall indicating that on the SRE side, there was one
25 such licence application that you were aware of?

2539

1 MR. GRANT WAINIKKA: I -- yes, I was.

2 Yeah.

3 MR. STEVEN SCARFONE: And at the third
4 bullet under 6, you'll -- you'll see there, sir, that
5 there's a note there that IBAM wanted to veto the
6 application. I understand, sir, that you disagree
7 with that statement. Correct?

8 MR. GRANT WAINIKKA: I do. I don't
9 believe I ever used that terminology.

10 MR. STEVEN SCARFONE: Is it fair to
11 say though that the association was opposed to
12 contested the SRE application?

13 MR. GRANT WAINIKKA: Not at all. And
14 in fact, that was made very clear to MPI at a variety
15 of levels.

16 What we wanted to do was to ensure
17 there was a process in place to fully understand this.

18 MR. STEVEN SCARFONE: A committee.

19 MR. GRANT WAINIKKA: A committee
20 process. And that is -- as earlier -- I testified
21 earlier. That is why I spoke to Mr. Wennberg
22 specifically about this to say, look -- and we were --
23 at that time, we were legitimately trying to solve a
24 problem that we had because this was a new -- a new
25 thing for us.

2540

1 And at that time, I think we
2 collectively thought that possibly that would be the
3 best way to go. Ultimately, it did not go that way,
4 and ultimately, MPI granted this licence basically
5 saying -- just basically telling us they were going to
6 do so.

7 MR. STEVEN SCARFONE: So you weren't
8 opposed as suggested in the briefing note then?

9 MR. GRANT WAINIKKA: I was opposed --

10 MR. STEVEN SCARFONE: Other than your
11 comments about the committee?

12 MR. GRANT WAINIKKA: -- yeah -- I was
13 opposed to MPI doing -- taking this on unilaterally --
14 right -- and -- and so on. But we never ask for a
15 veto. We always ask for a consultative process.

16 MR. STEVEN SCARFONE: And so do I take
17 that to mean then, sir, particularly given your
18 comments about the underserved area of Winnipeg that
19 IBAM -- and Mr. Williams asked you about this as well,
20 but I don't know if you got his answer -- that IBAM
21 wouldn't be opposed to MPIC opening Autopac up for
22 business for new licence applications.

23 MR. GRANT WAINIKKA: Well, I think
24 each of them has to be -- each needs to be assessed on
25 its own merits. Right? So -- so I would say that

2541

1 fundamentally, would we be opposed to that? Not
2 necessarily.

3 But I also believe that you, I would
4 think -- MPI -- MPI would want to assure that its own
5 distribution channel was viable, was healthy, was able
6 to keep pace with technological change, was able to do
7 all the things that it needs to do.

8 So if suddenly, there were a shock to
9 the distribution system, that could have downhill
10 ramifications, and I would think that MPI would be
11 alive and concerned about that as well as IBAM.

12 MR. STEVEN SCARFONE: So just assuming
13 that MPIC's concerns are fully addressed and -- and
14 they want to go forward with new licence applications
15 for Autopac, the question to you, sir, does the
16 association have any objection to that strategy?

17 MR. GRANT WAINIKKA: The -- the answer
18 would be that we have an established process in
19 existing agreements with MPI and our brokers that
20 speak to a three (3) -- three (3) and one (1) model.

21 So -- so you go back to the -- back to
22 words. That's what we do in insurance. That's what
23 you do in the law. Go back to the words. Right?
24 And -- and -- so -- so the words are there.

25 And -- and as far as I'm concerned

2542

1 until we can hammer out a new process, that would be
2 the process that we were alive to.

3 MR. STEVEN SCARFONE: So if I'm
4 understanding that response, the process -- the
5 committee process that's currently in place is not
6 satisfactory to -- to the association?

7 MR. GRANT WAINIKKA: I'm not sure I
8 follow.

9 MR. STEVEN SCARFONE: I think you just
10 said until we get a new process...

11 MR. GRANT WAINIKKA: Well, no. I --
12 I -- my -- my own belief is that MPI is not satisfied
13 with that existing process.

14 MR. STEVEN SCARFONE: No, no. But,
15 sir, you got to listen to my questions. It was
16 premised on MPIC being satisfied that it -- it was
17 ready to go ahead with allowing new broker licence
18 applications on the Autopac side.

19 MR. GRANT WAINIKKA: Okay.

20 MR. STEVEN SCARFONE: Assuming that to
21 be the case, is the association prepared to agree to
22 allow such applications to be -- to be heard?

23 MR. GRANT WAINIKKA: As long as
24 there -- as long as -- would they follow the existing
25 process? That is -- that would be the main concern,

2543

1 and I would think that each one of those applicants
2 would -- would be assessed on its own merits,
3 including market coverage, all of the sorts of normal
4 things that you would consider in a -- in a
5 distribution model.

6 MR. STEVEN SCARFONE: Could --

7 Kristen, could you --

8 MR. CURTIS UNFRIED: And,
9 Mr. Scarfone, I'd also -- sorry to interrupt -- but
10 suggest that given the hypothetical nature of that --
11 what may or may not happen in the future -- that
12 should be left for the conciliation that's going to be
13 upcoming.

14

15 CONTINUED BY MR. STEVEN SCARFONE:

16 MR. STEVEN SCARFONE: Thank you,
17 Mr. Unfried. Kristen, can you pull up CAC-1-1,
18 please.

19

20 (BRIEF PAUSE)

21

22 MR. STEVEN SCARFONE: So these
23 questions are probably better answered by the -- by
24 the people here that actually do the work,
25 Mr. McGregor.

2544

1 Sir, at (b) -- scroll down, please.

2

3 (BRIEF PAUSE)

4

5 MR. BRETT MCGREGOR: To be fair,
6 Mr. Unfried (sic), the ladies on both of my sides do
7 much more of this work than I do.

8 MR. STEVEN SCARFONE: Oh, I'm not --
9 I'm not doubting that for one second.

10 So, sir, on the Basic Autopac coverage,
11 we see there some of the services that the brokers
12 provide. Correct?

13 MR. BRETT MCGREGOR: Correct.

14 MR. STEVEN SCARFONE: And is that --
15 just scroll just a little bit down, Kirsten -- yeah --
16 so we got the full list there.

17 Would that constitute an exhaustive
18 list of the -- let me finish 'cause I know you're all
19 shaking your heads no -- would that constitute an
20 exhaustive list of the services that the brokers are
21 paid commission for -- that are paid for?

22 MR. BRETT MCGREGOR: I'd need to
23 reference the fee schedule, Mr. Scarfone, to be sure.

24 MR. STEVEN SCARFONE: Okay. Subject
25 to check then?

2545

1 MS. VALERIE HUTSAL: M-hm.
2 MR. BRETT MCGREGOR: Sure.
3 MR. STEVEN SCARFONE: Okay. Thank
4 you. And we see there at the time is -- is the new
5 customer setup that we -- someone was speaking of
6 earlier today and -- and the amounts that was paid for
7 that. What was it again, Mr. McGregor.

8 MR. BRETT MCGREGOR: It's a little
9 over twenty dollars (\$20). I can pull the exact
10 number if you wish. I've got it right here.

11 MR. STEVEN SCARFONE: And that, sir,
12 is a flat fee, is it?

13 MR. BRETT MCGREGOR: That's correct.

14 MR. STEVEN SCARFONE: And you said
15 that particular transaction could take up to two (2)
16 hours. Is that correct?

17 MR. BRETT MCGREGOR: In some cases,
18 for sure.

19 MR. STEVEN SCARFONE: And then
20 underneath that is the new registration. That, I
21 guess, is for someone who's purchased a new vehicle,
22 and they want to put insurance on it?

23 MR. BRETT MCGREGOR: Yeah. Or it
24 could also be a new Manitoban importing their vehicle.

25 MR. STEVEN SCARFONE: In which case,

2546

1 you would be doing the new customer setup and the new
2 registration.

3 MR. BRETT MCGREGOR: That's correct.

4 MS. VALERIE HUTSAL: Or returning to
5 Manitoba setup. Not a new customer but a returning
6 Manitoban setup.

7 MR. STEVEN SCARFONE: I see. And then
8 someone -- I think it was Mr. Wainikka -- had
9 mentioned the British Columbia model and that that's
10 the model that the association looks to, largely
11 because, as Mr. Wainikka indicated, it gives the
12 brokers exclusive domain over these types of
13 transactions. Is that fair? In the exhibit that your
14 counsel filed this morning?

15 MR. GRANT WAINIKKA: I don't know
16 about these types of transactions. I would say
17 generally speaking if you go to the accord, which
18 we've tabled between ICBC and -- and their broker
19 force -- what I was speaking to this morning, I think,
20 is the general nature of -- I think I used the word
21 cohesion and -- and that sort of thing between ICBC
22 generally and their broker force. I wasn't referring
23 to specific--

24 MR. STEVEN SCARFONE: Transactions.

25 MR. GRANT WAINIKKA: -- customer

2547

1 setups, or I didn't bring that into it.

2 MR. STEVEN SCARFONE: But their model,
3 Mr. Wainikka, is that all the customers of the
4 Insurance Corporation of British Columbia used
5 brokers. Is that your understanding?

6 MR. GRANT WAINIKKA: Their model that
7 all customers use brokers. There might be -- I would
8 say insofar as the sale of ICBC products, you mean?

9 MR. STEVEN SCARFONE: Yes.

10 MR. GRANT WAINIKKA: Yeah. It's a
11 broker-based model.

12 MR. STEVEN SCARFONE: Yes. That --
13 that's all I was getting at.

14 MR. GRANT WAINIKKA: Sorry. Yeah.

15 MR. STEVEN SCARFONE: I'm not trying
16 to trip you up.

17 MR. GRANT WAINIKKA: No, I know. It's
18 getting late. I'm tripping myself up, believe me.

19 MR. STEVEN SCARFONE: Okay. So -- and
20 under that broker-based model, you also are aware
21 though, sir, that the remuneration paid to the brokers
22 is -- is the rate care system. Correct? It's all
23 flat fees.

24 MR. GRANT WAINIKKA: Not all flat
25 fees. The -- the way that the system works is that

2548

1 there is a flat fee paid for the -- the Basic
2 compulsory component which is very different from what
3 we have in Manitoba. That is flat feed.

4 Then there is a -- there is a percent
5 commission paid to the broker based on the driver
6 driving performance. So there are different driver
7 ratings, and if a broker sells a policy to a better
8 driver or a driver with a better driving record, as
9 you -- you know this already?

10 MR. STEVEN SCARFONE: Yes.

11 MR. GRANT WAINIKKA: They get a higher
12 percentage commission on top of that Basic flat fee.

13 MR. STEVEN SCARFONE: Yes. And so I
14 should be more careful in my questions. I was -- I
15 was speaking to the Basic -- the equivalent of the
16 MPIC Basic.

17 MR. GRANT WAINIKKA: Correct. It's --
18 it's flat-fee based. Yes.

19 MR. STEVEN SCARFONE: And -- and so is
20 that particular aspect of the British Columbia model
21 something that the association would enjoy having
22 in -- in Manitoba?

23 MR. GRANT WAINIKKA: We would -- I
24 would say -- again, it's hypothetical. It depends on
25 a -- on a number of different factors, but certainly

2549

1 right now, we're paid on a percentage basis and have
2 been since, I think -- oh, I don't know -- the
3 eighties? Something like that.

4 MR. STEVEN SCARFONE: I'm interested
5 to know about the work that -- that the witnesses were
6 saying is done on the daily basis that isn't captured
7 under the compensation agreement. You'll recall that
8 evidence from this morning?

9 MS. VALERIE HUTSAL: Yes.

10 MR. BRETT MCGREGOR: Yeah.

11 MR. STEVEN SCARFONE: And so you might
12 field a particular phone call, for example, or someone
13 might attend at your office, ask the broker a bunch of
14 questions, and then do a one eighty (180) and out the
15 door. Correct?

16 MR. BRETT MCGREGOR: Correct.

17 MS. TARA CHAMMARTIN: Yes.

18 MR. STEVEN SCARFONE: But I would
19 expect that providing good customer service to that
20 particular person would enhance or increase the
21 chances of that particular customer returning to
22 purchase actual products at some later date. Would
23 you agree with that?

24 MR. BRETT MCGREGOR: That's correct.

25 Often they are, you know, what we would consider our

2550

1 customers. Right? And generally, the -- they choose
2 a broker and go back to that broker over and over.

3 So...

4 MR. STEVEN SCARFONE: Yes. And
5 particularly -- so if they've come in a bunch of
6 questions about lay up, have been provided with some
7 advice that it's not economically feasible, and they
8 leave, they might be happy that they received that
9 advice and come back and register a car with you the
10 next day.

11 MS. VALERIE HUTSAL: No. Well, not
12 necessarily because we live in the city of Brandon,
13 and my office is in the city, and we have rural
14 clients that come -- will come in, and they'll be
15 in -- in the city for the day. They will stop in, ask
16 us a number of questions, and then go home and go to
17 their rural broker to do the transaction. So we're
18 not being paid --

19 MR. STEVEN SCARFONE: Yes.

20 MS. VALERIE HUTSAL: -- for those
21 transactions.

22 MR. STEVEN SCARFONE: And -- and
23 that's a fair comment, but as I understand it, if a
24 customer is to set up a new registration, as we see at
25 bullet number 2, and pay the premiums, the broker

2551

1 collects those commissions, and if they return to
2 another broker the next day and cancel the policy, the
3 corporation doesn't clawback any of the commissions
4 for that full year policy. Correct?

5 MR. BRETT MCGREGOR: That's my
6 understanding.

7 MR. STEVEN SCARFONE: And -- and I
8 would suggest to you, sir, is the trade-off that
9 exists between the advice that you're giving that's
10 not compensated and the -- the unjust enrichment that
11 occurs on those cancellations.

12 MS. VALERIE HUTSAL: And how -- and --

13 MR. BRETT MCGREGOR: I don't believe
14 that those two (2) things are anywhere near -- near
15 equal, Mr. Unfried (sic).

16 MS. VALERIE HUTSAL: And -- and how
17 often would that happen that someone would insure a
18 new vehicle and then the next day -- what is your
19 information on how often that's occurring? You have
20 no answer.

21 MR. STEVEN SCARFONE: No -- yeah.

22 MS. VALERIE HUTSAL: No.

23 MR. STEVEN SCARFONE: I don't answer
24 the questions.

25 MS. VALERIE HUTSAL: Exactly.

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1 MR. STEVEN SCARFONE: So let me just
2 ask you this: On those cancellations, does the --
3 does the association have any information, any data,
4 any evidence in this proceeding as to how often that
5 occurs?

6 MR. BRETT MCGREGOR: How often a
7 cancellation occurs?

8 MR. STEVEN SCARFONE: Yes.

9 MR. BRETT MCGREGOR: No. That would
10 be your data to provide.

11 MR. STEVEN SCARFONE: Yes. But you
12 have -- and do you have any information or data or
13 evidence in this hearing on how often a customer does,
14 as we've indicated, come into the office, get advice,
15 and leave without purchasing a product?

16 MS. TARA CHAMMARTIN: No. Because
17 there's no way for MPI to -- to run a report on that
18 because no transaction is being generated. If they
19 could run a report on the amount of comments that
20 brokers would leave in a client file indicating that
21 they were in and you discussed it, that would help.
22 But we don't have that ability as well, to my
23 knowledge.

24 MR. STEVEN SCARFONE: No, no. The
25 question though was from the broker end.

2553

1 MS. VALERIE HUTSAL: Our -- our end
2 tracking that? I would say that happens every day.

3 MR. STEVEN SCARFONE: Okay. And --
4 and do have any evidence of that in this proceeding?

5 MS. VALERIE HUTSAL: I could give you
6 an example from yesterday.

7 MR. STEVEN SCARFONE: No, ma'am. The
8 question was: Do we have any evidence -- documented
9 evidence that sets out how often the brokers are
10 having people attend their premises without purchasing
11 insurance products.

12 MS. VALERIE HUTSAL: Well, it's not --
13 not just attending our -- it's also phoning us,
14 emailing us. So it's not just coming to our office to
15 ask advice.

16 MR. STEVEN SCARFONE: So -- but we
17 don't have that evidence before us. Correct?

18 MR. CURTIS UNFRIED: I think that she
19 was about to provide an example. Evidence --

20 MS. VALERIE HUTSAL: I was going to
21 give you --

22 MR. CURTIS UNFRIED: -- evidence
23 takes --

24 MS. VALERIE HUTSAL: -- an example of
25 exactly that case.

2554

1 MR. CURTIS UNFRIED: -- evidence takes
2 many forms. Right?

3 MS. VALERIE HUTSAL: Yeah.

4 MR. STEVEN SCARFONE: And -- and
5 absolutely, but we understand what the example is.
6 It's people coming in, asking for advice, and then
7 leaving.

8 MR. CURTIS UNFRIED: Which is what --
9 what your question was.

10 MS. VALERIE HUTSAL: Yeah. And it
11 was a --

12 MR. STEVEN SCARFONE: The question is
13 often do you have --

14 MS. VALERIE HUTSAL: -- thirty (30)
15 minute -- it was a thirty (30) minute conversation
16 which happened yesterday.

17

18 CONTINUED BY MR. STEVEN SCARFONE:

19 MR. STEVEN SCARFONE: So the -- the
20 question isn't about that specific example though,
21 ma'am. The question is we need to know if the
22 brokers --

23 MS. VALERIE HUTSAL: Are we tracking
24 that information?

25 MR. STEVEN SCARFONE: Yes.

2555

1 MS. VALERIE HUTSAL: That's what
2 you're asking, and I would have to speak to every
3 employee in my office, and record every single
4 conversation.

5 MR. BRETT MCGREGOR: Up until now, our
6 business partner has believed in the value that we
7 provide, and there hasn't been the need to provide
8 that level of data in tracking.

9 MR. CURTIS UNFRIED: And I believe
10 Ms. Hutsal had given evidence earlier today in which
11 she referred -- I believe it was the scorecard where
12 it was two-thirds of the work being done was not --
13 was not compensated for. So that's -- that's evidence
14 as well.

15 MR. STEVEN SCARFONE: And I saw that,
16 Mr. Unfried. I was really following up on -- on
17 the -- the pre-filed testimony. Kristen, if you could
18 pull up the IBAM pre-filed testimony at page 16.

19

20 (BRIEF PAUSE)

21

22 MR. STEVEN SCARFONE: And the -- the
23 association indicated that they would provide a
24 detailed list of the non-paid tasks. Oh, if you could
25 scroll down to the footnote, my co-counsel is saying.

2556

1 Is that information that -- that the
2 association would be able to provide, Mr. Unfried, by
3 way of undertaking?

4 MR. CURTIS UNFRIED: I believe it
5 is -- it was provided as part of an IR. I know it
6 was.

7 MR. STEVEN SCARFONE: Is that the
8 scorecard you're referring to?

9 MR. CURTIS UNFRIED: No. The list of
10 unpaid transactions.

11 MR. STEVEN SCARFONE: That's in a --
12 in one of the association's Information Requests?

13 MR. GRANT WAINIKKA: It is indeed in
14 response, I believe, to -- to one of them. And it's
15 not a -- it's a working list. One is only limited by
16 their imagination insofar as what comes through the
17 door every day at our brokerages. So we're constantly
18 updating it.

19

20 CONTINUED BY MR. STEVEN SCARFONE:

21 MR. STEVEN SCARFONE: And when that --
22 when that happens, does the broker always make a
23 comment in IWS?

24 MS. VALERIE HUTSAL: Not necessarily
25 because if you're at home or you're out and about, no,

2557

1 not necessarily.

2 MS. TARA CHAMMARTIN: Not only that.

3 There is the -- MPI does have the ability to run a
4 report which is included in our monthly scorecards
5 that indicate the number of transactions that we
6 actually complete and sign onto the system to do where
7 there's an actual change. That is non-commissionable.

8 So we're talking about those ones that
9 are tracked and now we're, you know -- plus all the
10 other ones that we do that are non-trackable by MPI's
11 data.

12 MR. STEVEN SCARFONE: Kristen, can we
13 go back to 1-1, please -- CAC-1-1. Yeah. Thank you.

14 Just carrying on with the list, we
15 heard some evidence this morning about the address
16 change that's performed by the brokers.

17 MS. TARA CHAMMARTIN: M-hm.

18 MR. STEVEN SCARFONE: Correct? That's
19 a -- that's a common occurrence, I gather?

20 MS. TARA CHAMMARTIN: Yeah.

21 MR. STEVEN SCARFONE: And that for
22 that to occur -- so that's a compensable transaction.

23 Is that correct?

24 MS. VALERIE HUTSAL: It is.

25 MR. BRETT MCGREGOR: Yes.

2558

1 MR. STEVEN SCARFONE: And so for that
2 to occur, we heard evidence that there's a photograph
3 that needs to be taken?

4 MS. TARA CHAMMARTIN: Correct.

5 MR. STEVEN SCARFONE: And that the
6 implication being, of course, that if that service was
7 to be provided online, perhaps directly through the
8 MPIC website, the photo requirement would be an
9 impediment to that occurring. Is that correct?

10 MS. VALERIE HUTSAL: A security issue,
11 I would think.

12 MR. STEVEN SCARFONE: Is that --
13 that's the -- that's the --

14 MS. VALERIE HUTSAL: I would -- I
15 would think that you're taking your own photo at home,
16 it could be a security issue.

17 MR. STEVEN SCARFONE: But that --
18 that's the impediment that you've raised, right? Is
19 that correct?

20 MR. BRETT MCGREGOR: Mr. Unfried
21 (sic), I think we're open to you know, the --
22 technology is advancing very quickly. So, you know,
23 I'm certainly not going to say -- sit here and say we
24 can never do it. But the issues, I think, that we
25 identified were identity theft and changes to rating

2559

1 that occur as a result of changing territory or
2 incorrectly reporting territory.

3 MR. STEVEN SCARFONE: And -- but
4 ultimately, Mr. McGregor, if -- if those concerns that
5 you've raised are something that occurs -- if, for
6 example, someone was to put the wrong type of use down
7 on the computer. Correct? Pleasure versus business?

8 MR. BRETT MCGREGOR: Correct.

9 MR. STEVEN SCARFONE: Ultimately,
10 that's a decision that's left with the consumer, and
11 they risk having their insurance coverage voided.
12 Would you agree with that?

13 MR. BRETT MCGREGOR: I agree. Yeah.

14 MS. VALERIE HUTSAL: I guess if they
15 understand the difference.

16 MR. BRETT MCGREGOR: Well, that's --

17 MS. VALERIE HUTSAL: Some people might
18 not understand the difference.

19 MR. STEVEN SCARFONE: And -- and that,
20 again, might be a decision for MPIC to investigate to
21 determine if they're going to provide coverage if they
22 didn't understand. Correct?

23 MR. BRETT MCGREGOR: Yeah. That would
24 be a very interesting business model if you're just
25 going to cover all those people that choose the wrong

2560

1 thing. I don't see any incentive to choose the right
2 thing under that model.

3 MR. STEVEN SCARFONE: Well -- and I
4 won't quarrel on you on the honesty of Manitobans,
5 Mr. McGregor, but--

6 MR. BRETT MCGREGOR: And I'm not
7 certainly not questioning it, Mr. Unfried (sic).

8 MR. STEVEN SCARFONE: Okay. Very
9 good. Mr. Scarfone.

10 MR. BRETT MCGREGOR: Scarfone.

11 MR. CURTIS UNFRID: My identity's
12 been stolen --

13 MR. BRETT MCGREGOR: You're pretty
14 good at tell --

15 MR. CURTIS UNFRID: -- over the last
16 couple of questions.

17 I was just going to say, Mr. Scarfone,
18 if -- if it helps, the list of non-paid transactions
19 are found at CAC-IBAM-1-11(a) at page 43.

20 MR. STEVEN SCARFONE: Thank you,
21 Mr. Unfried. I appreciate that.

22

23 CONTINUED BY MR. STEVEN SCARFONE:

24 MR. STEVEN SCARFONE: I just want to
25 move down, Kristen, if we can to some of the other

2561

1 transactions that -- at (c).

2 So these , as I understand it, are --
3 are the extras -- the Extension products that the
4 brokers sell to their customers. Correct?

5 MR. BRETT MCGREGOR: Through MPI?

6 Yeah.

7 MR. STEVEN SCARFONE: Yes. And we saw
8 that chart that you took exception to, Mr. McGregor,
9 that had the brokers not offering these certain
10 products. It was that descending percentages chart.
11 Do you recall that?

12 MR. BRETT MCGREGOR: I do.

13 MR. STEVEN SCARFONE: And -- and
14 you're quite right in that the -- the products, you
15 know -- one that's called the IRI Extension --

16 MS. VALERIE HUTSAL: M-hm.

17 MR. STEVEN SCARFONE: -- correct? So
18 that's the product that would have someone purchasing
19 income protection if they make too much money --

20 MR. BRETT MCGREGOR: Yeah.

21 MR. STEVEN SCARFONE: -- if they're
22 above, I think, ninety-eight thousand (98,000) you
23 said?

24 MR. BRETT MCGREGOR: Ninety-eight
25 thousand five hundred (98,500), I believe, is the

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1 current limit.

2 MR. STEVEN SCARFONE: And so,

3 Mr. McGregor, you don't -- you're not aware of what
4 safeguards might be in place if that particular
5 product were available online. Correct? You haven't
6 seen the system that MPIC might design in selling
7 those Extension products?

8 MR. BRETT MCGREGOR: No.

9 MR. STEVEN SCARFONE: And you might
10 envision a scenario where someone is wanting to
11 purchase that IR Extension, and the first question
12 that might be asked of them is, what do you do for a
13 living? Correct?

14 MR. BRETT MCGREGOR: You could design
15 it thousands of different ways.

16 MR. STEVEN SCARFONE: And you could --
17 the next question might be, and how much income do you
18 earn?

19 MR. BRETT MCGREGOR: Sure.

20 MR. STEVEN SCARFONE: And if it's over
21 \$98,500, it might say, do you need protection on the
22 additional income? It could ask that. Correct?

23 MR. BRETT MCGREGOR: Mr. -- yes.

24 Mr. Scarfone, to be clear, brokers are not arguing
25 against online.

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1 MR. STEVEN SCARFONE: Yes.

2 MR. BRETT MCGREGOR: We are saying
3 that online is good for Manitobans.

4 MR. STEVEN SCARFONE: Yes.

5 MR. BRETT MCGREGOR: We just need to
6 retain the protection of the broker. So absolutely, I
7 think you can design a system that when paired with a
8 broker interaction, absolutely you can design a system
9 in a way that Manitobans can choose that method of
10 buying their auto insurance and do it more safely than
11 doing it direct through MPI.

12 MR. CURTIS UNFRIED: I believe
13 Mr. McGregor misspoke there. He said, as long as it's
14 designed with the protection of the broker in mind,
15 and I -- I believe he meant to say customer in mind.

16 MR. STEVEN SCARFONE: Sorry.

17 MR. CURTIS UNFRIED: Yeah.

18

19 CONTINUED BY MR. STEVEN SCARFONE:

20 MR. STEVEN SCARFONE: Yes. And that's
21 fair. But the -- I appreciate that comment,
22 Mr. McGregor, because as I understand it, the
23 corporation isn't opposed to going online obviously.
24 But they'd like a -- what they'd called a shared
25 delivery model. Are you aware of that?

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1 MR. BRETT MCGREGOR: Just barely.
2 MR. STEVEN SCARFONE: Okay. But --
3 but you would agree that "shared" meaning the customer
4 has a choice where to purchase the product online.
5 Would you agree with that?

6 MR. BRETT MCGREGOR: I would agree
7 that's the definition of "shared." Yes.
8 MR. STEVEN SCARFONE: Yes. And you're
9 not opposed to the customer having a choice.

10 MR. BRETT MCGREGOR: No. In fact, we
11 are advocates of the model that gives them the most
12 choice which is doing their online transactions
13 through a broker, because as MPI knows or ought to
14 know, their -- customers sometimes do not know what
15 they don't know. So that's the model that we believe
16 MPI should be pursuing is an online through brokers
17 because MPI is smart enough to know that.

18 MR. STEVEN SCARFONE: Let me ask you a
19 question about the Extension products on that list.
20 So the first one -- and it's the most important one --
21 is when the customers lowers their deductible.
22 Correct?

23 MR. BRETT MCGREGOR: Correct.
24 MR. STEVEN SCARFONE: From five
25 hundred (500) to either one hundred (100), two hundred

2565

1 (200), or three hundred (300) --

2 MR. BRETT MCGREGOR: Sorry --

3 MS. VALERIE HUTSAL: The most

4 important one?

5 MR. BRETT MCGREGOR: Not the most

6 important --

7 MS. VALERIE HUTSAL: Not the most --

8 MR. STEVEN SCARFONE: The most common
9 one.

10 MS. VALERIE HUTSAL: Oh.

11 MR. STEVEN SCARFONE: Correct?

12 MS. VALERIE HUTSAL: The most common
13 one?

14 MR. BRETT MCGREGOR: I don't have
15 stats on that, but I definitely wouldn't call it the
16 most important.

17 MR. STEVEN SCARFONE: And -- and that
18 is where the customer comes in and lower the
19 deductible from five hundred (500) to either
20 three hundred (300), two hundred (200), or one hundred
21 (100).

22 MR. BRETT MCGREGOR: Correct.

23 MR. STEVEN SCARFONE: Is that correct?

24 And by virtue of doing that, they are purchasing
25 Extension coverage. Is that understanding?

2566

1 MR. BRETT MCGREGOR: Correct.

2 MR. STEVEN SCARFONE: And on the
3 same -- and that's for first party coverage. Correct?

4 MR. BRETT MCGREGOR: Correct.

5 MR. STEVEN SCARFONE: And on the
6 third-party liability side, it would be increasing
7 their deductible or their coverage from two hundred
8 thousand (200,000) to something above that.

9 MR. BRETT MCGREGOR: Correct.

10 MR. STEVEN SCARFONE: And by virtue of
11 having done that, they purchase Extension coverage.

12 MR. BRETT MCGREGOR: Correct.

13 MR. STEVEN SCARFONE: And if they
14 don't purchase anything else on that list, sir -- if
15 they come in and lower their deductible and increase
16 their third-party liability, what benefit does the
17 customer get from the Extension coverage purchased?

18 Are you aware?

19 MR. BRETT MCGREGOR: I'm not sure I
20 understand the question.

21 MS. TARA CHAMMARTIN: Is that the
22 unqualified --

23 MR. STEVEN SCARFONE: Yeah, I'm
24 wondering if --

25 MS. VALERIE HUTSAL: Unqualified --

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1 MR. STEVEN SCARFONE: -- what the
2 customer would receive.

3 MS. VALERIE HUTSAL: By not purchasing
4 those?

5 MR. STEVEN SCARFONE: No. By only
6 purchasing -- by only by lowering the deductible --

7 MS. VALERIE HUTSAL: M-hm.

8 MR. STEVEN SCARFONE: -- increasing
9 their third-party liability.

10 MS. TARA CHAMMARTIN: So if you're
11 referring to the wording in the event that the
12 customer neglects or forgets to renew their driver's
13 licence, there is some verbiage that indicates that as
14 long as they were authorized and qualified to operate
15 that vehicle, they would have coverage because they
16 purchased the Extension product.

17 MR. STEVEN SCARFONE: And -- and on
18 the third-party liability side, if they were to travel
19 outside of the jurisdiction where -- into a tort
20 jurisdiction, there's more coverage available for them
21 if they're at fault. Is that your understanding?

22 MS. TARA CHAMMARTIN: Yes. They
23 are --

24 MS. VALERIE HUTSAL: Yeah.

25 MS. TARA CHAMMARTIN: -- they would

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1 have the increased liability benefit in the event that
2 they were taken to task on a -- on a claim. Yeah.

3 MS. VALERIE HUTSAL: So you mean the
4 reason for purchasing third-party? Is that what
5 you're asking?

6 MR. STEVEN SCARFONE: They get the
7 benefit of extra protection --

8 MS. VALERIE HUTSAL: Yeah, so --

9 MR. STEVEN SCARFONE: -- if they're
10 increasing --

11 MS. VALERIE HUTSAL: -- so -- so if
12 you hit a train with your car, you can be sued for
13 that accident.

14 MR. STEVEN SCARFONE: Yes.

15 MS. VALERIE HUTSAL: The resulting
16 damage from that accident. So you can be sued for
17 some things. If you cause property damage with your
18 car, you can still be sued.

19 MR. STEVEN SCARFONE: And so my
20 question about the -- the Extension coverage being
21 purchased, if a customer was to come into the broker's
22 office, by way of example, and -- and maintain that
23 all they wanted was the Basic coverage, as
24 Mr. Williams has indicated, with a \$500 deductible,
25 \$200,000 third-party liability, and they get their

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1 PIPP benefits. Correct?

2 MS. VALERIE HUTSAL: Correct.

3 MR. STEVEN SCARFONE: Is there
4 anything that the broker can provide if that customer
5 is satisfied with that particular coverage and just
6 wants to renew year after year after year?

7 MS. TARA CHAMMARTIN: Is there
8 anything we can provide in the way of what? Like a
9 comment or them acknowledging that that's what they've
10 accepted to purchase?

11 MR. STEVEN SCARFONE: If the customer
12 has indicated to the broker that I'm -- I don't intend
13 to travel outside of the --

14 MS. TARA CHAMMARTIN: Yeah --

15 MS. VALERIE HUTSAL: But you just
16 heard me just speak about hitting a train with your
17 car, correct? So if you're driving at an uncontrolled
18 intersection and you come up and you hit a train and
19 the train disrails and, you know, something is spilled
20 all over -- a chemical -- you can be sued for that
21 accident. Would you -- would you want two hundred
22 (200,000) liability for that --

23 MR. STEVEN SCARFONE: No. But, ma'am,
24 the -- you got to listen to the question. The -- the
25 customer has indicated that that's the coverage

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1 they're satisfied with.

2 MS. TARA CHAMMARTIN: So in --

3 MR. BRETT MCGREGOR: That's at one
4 point in time, Mr. Scarfone. And --

5 MR. STEVEN SCARFONE: And -- and if
6 they want to renew that online and maintain that
7 coverage, that's their choice. Correct?

8 MR. BRETT MCGREGOR: Of course that's
9 their choice. Our role is to make sure they're making
10 an informed decision and that they're making changes
11 to their coverage over time as their financial
12 situation or their family situation or their travel or
13 their use of the vehicle.

14 I have a hard time imagining a scenario
15 where somebody has five hundred (500) deductible, two
16 hundred thousand (200,000) liability, and that that's
17 the coverage that they wish to have for their entire
18 lifetime.

19 I -- I think for sure at one point or
20 another, they may choose that. But over time, you
21 need to keep reassessing -- right -- and keep making
22 sure that customer understands they -- they don't --
23 they aren't in this every day so they --

24 MS. TARA CHAMMARTIN: Not to mention
25 new products that do come available.

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1 MR. BRETT MCGREGOR: Yeah. That's
2 another good point.

3 MR. STEVEN SCARFONE: And -- and if
4 that customer was to maintain that same coverage and
5 had designated your insurance brokerage as -- as the
6 broker, they would -- the broker receives a commission
7 on every renewal. Is that correct?

8 MR. BRETT MCGREGOR: Correct.

9 MR. STEVEN SCARFONE: Over those --
10 over the five (5) year term?

11 MS. TARA CHAMMARTIN: M-hm.

12 MR. BRETT MCGREGOR: Correct.

13 MR. STEVEN SCARFONE: Even if that
14 coverage is maintained at five hundred (500) and
15 two hundred thousand (200,000)?

16 MS. VALERIE HUTSAL: But that
17 conversation takes place ever year on the reassessed.
18 We go through all -- they might say and think they
19 want the five hundred (500) deductible, two hundred
20 thousand (200,000), but we go through and explain the
21 new coverages and the options they have.

22 MR. GRANT WAINIKKA: And I think the
23 context --

24 MR. STEVEN SCARFONE: The point of
25 this line of questioning, Ms. Hutsal --

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1 MR. GRANT WAINIKKA: -- the context --
2 the context is important as well. And -- and so back
3 to context of perspective. Brokers in Manitoba are
4 less than any other broker distribution force in
5 Ottawa and Canada.

6 So to -- to start to -- I see where
7 you're going, but that context and that -- is, I
8 believe, extremely important in all of this. And I
9 think that Mr. McGregor made a very good point
10 earlier. No system is perfect. No system is perfect.
11 And anytime you have commissionable sales, there are
12 going to be some transactions that cost you money, and
13 there are going to be some transactions that -- that
14 don't.

15 And so the -- the model in place tries
16 to compensate for both of that and that -- that
17 includes the model for trailing, as I understand it
18 right now as well which is where I think you're going.
19 So...

20 MR. STEVEN SCARFONE: No. I was -- my
21 point was a simple one, and I was -- I was putting it
22 to Ms. Hutsal just to confirm that -- and she was
23 changing the facts on me.

24 But if those customers maintain those
25 coverage year after year and that's what the customer

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1 has chosen to do, the -- the brokerage firm retains
2 the commissions on the -- on that policy for the life
3 of the policy. Correct?

4 MS. VALERIE HUTSAL: Correct.

5 MR. BRETT MCGREGOR: Thank you. Could
6 we go to CAC-2-4, please, Attachment A.

7

8 (BRIEF PAUSE)

9

10 MR. STEVEN SCARFONE: So first --
11 sorry, Kristen. Can we first go to CAC-2-4
12 Appendix 1? Thank you.

13

14 (BRIEF PAUSE)

15

16 MR. STEVEN SCARFONE: So this
17 particular document is a new panel survey that was
18 conducted by MPIC. Your counsel would have had an
19 opportunity to review that.

20 If you can scroll down, Kristen,
21 please?

22 And other than the -- the probe study
23 that -- that IBAM has undertaken to provide to us,
24 Mr. Wainikka, the association has no data or evidence
25 on customer surveys that the association has conducted

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1 concerning moving towards online services.

2 MR. GRANT WAINIKKA: I would have to
3 check into that.

4 MR. STEVEN SCARFONE: Okay. Yeah.

5 But that probe survey might be one?

6 MR. GRANT WAINIKKA: It is -- it is
7 not. We don't test that question. But we -- we
8 frequently do -- do research, so I'd have to check
9 that question specifically.

10 MR. STEVEN SCARFONE: And you'll see
11 from the first question that the results from this
12 particular survey have the Manitobans saying that they
13 would like to have online services provided, and the
14 association is in agreement with that, as I understand
15 it. Correct?

16 MR. GRANT WAINIKKA: Absolutely.

17 MR. STEVEN SCARFONE: And if you can
18 scroll down another one, please, Kristen?

19 And on this particular question, they
20 were asked which option they would like to see
21 provided online. And you'll that the majority of the
22 respondents indicated that of the seven (7) selections
23 made, five (5) of them they wished they could do
24 online. Would you agree with that?

25 MR. GRANT WAINIKKA: This is -- yeah

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1 -- a whole new world. Yeah. This is what people are
2 looking to do.

3 MR. STEVEN SCARFONE: This is what
4 people want. Correct?

5 MR. GRANT WAINIKKA: This is what
6 people want. I -- we agree with that. That's never
7 been in dispute.

8 MR. STEVEN SCARFONE: And I expect,
9 Mr. McGregor, that if you're being candid, you would
10 say that you have customers that attend at your
11 brokerage and complain about having to attend to make
12 an address change. Correct?

13 MR. BRETT MCGREGOR: I can't remember
14 that occurring. I'm sure there's some people that
15 feel that way with the current photo requirements. So
16 it's a pretty easy explanation on the address change.

17 MR. STEVEN SCARFONE: And if I
18 understood the evidence on the address change that the
19 big impediment would be MPIC's identification unit
20 that requires the photograph to be taken?

21 MR. BRETT MCGREGOR: That's one of the
22 major ones. Yeah.

23 MR. STEVEN SCARFONE: So if there was
24 to be a move in this regard, MPIC would have to make
25 some accommodations there.

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1 MR. BRETT MCGREGOR: That's correct.
2 MR. GRANT WAINIKKA: Again, it -- it's
3 so convoluted and complex, it depends on what the
4 change of address is for, I would think. I'm quickly
5 getting into a place where you guys might want to get
6 the cane out.

7 But there -- there are places where you
8 could probably change your address in a file that
9 are -- that are relatively administrative. There are
10 others -- there are other in places where a change in
11 address is material.

12 So -- so I think it -- it's always
13 complicated, I'm learning, and it -- and it depends, I
14 think.

15 MR. STEVEN SCARFONE: So just quickly
16 then because I know I'm running of time, Madam Chair,
17 the -- those particular transactions, the association
18 has no particular opposition to having those provided
19 online.

20 MR. GRANT WAINIKKA: No. We want to
21 negotiate that through conciliation and through --
22 with MPI directly. We believe that the broker should
23 be involved in -- in online transactions. That has
24 been our position.

25 I want to correct the record if I can

2577

1 as well. Earlier -- or just add to -- earlier
2 Mr. Scarfone asked me about whether we would consider
3 a BC-like model in -- in Manitoba, and I think -- it
4 was quite a hypothetical question.

5 And Mr. Scarfone went on to say that in
6 British Columbia, they have a flat fee. Would you
7 accept that in Manitoba? And I said -- I probably
8 said, it's hypothetical. Possibly.

9 I just want to add there that it is not
10 up to IBAM to accept that -- that sort of a change,
11 that that would have to go our membership, and that
12 our membership would first have to -- have to ratify
13 that. I just want to make sure that was on the record
14 and clear.

15 MR. STEVEN SCARFONE: Thank you. So,
16 Mr. Wainikka, you, I think, would agree that the
17 association has indicated that its -- it looks upon
18 the model used by Saskatchewan Government Insurance as
19 a favourable one. Is that correct?

20 MR. GRANT WAINIKKA: I think that we
21 can make it much better. I believe that we look upon
22 as favourable in both BC and Saskatchewan is the
23 commitment that the public insurance made to their
24 distribution channel.

25 MR. STEVEN SCARFONE: And we heard

2578

1 some evidence from Mr. Graham in this proceeding that
2 his understanding of -- of the model used in
3 Saskatchewan would involve a customer having a client
4 account called MySGI. Are you aware of that?

5 MR. GRANT WAINIKKA: I'm aware of
6 MySGI. Yes.

7 MR. STEVEN SCARFONE: And so you would
8 log into the account and -- the SGI account. Correct?

9 MR. GRANT WAINIKKA: We're getting
10 into -- into the weeds -- into foggy areas. But yes,
11 that's my understanding.

12 MR. STEVEN SCARFONE: And that -- and
13 I think you confirmed this already that once logged in
14 and insurance products are purchased, you can't exit
15 the program until you select a broker. Is that your
16 understanding.

17 MR. GRANT WAINIKKA: Did I confirm
18 that earlier?

19 MR. STEVEN SCARFONE: Yes.

20 MR. GRANT WAINIKKA: That is my
21 understanding, subject though to check, though,
22 please.

23 MR. STEVEN SCARFONE: Okay. And so
24 you would agree then, sir, that that particular model
25 that involves a customer logging onto the SGI website,

2579

1 that is, in essence, a direct customer model.

2 MR. GRANT WAINIKKA: Well...

3 MR. STEVEN SCARFONE: Customers going
4 directly to the insurer.

5 MR. GRANT WAINIKKA: Yes. But there
6 is a broker of record identified. And as mentioned,
7 the thing about the MySGI model is it -- it was
8 launched in 2008. So that's now almost twelve (12)
9 years ago.

10 So -- so there you're relying or
11 you're -- you're using older technologies. There's --
12 there's better ways to embed through application
13 coexisting websites. And in our model, it would be
14 coexisting a MPI -- we would be able to -- to work
15 into MPI's back end from a broker station. That's one
16 model that we're considering. And so there's been a
17 lot of advancement since then.

18 So we're not here suggesting that what
19 we want to do is -- is actually take a photo or -- or
20 a cookie cutter in Saskatchewan and put it in -- put
21 it in Manitoba. What we want to do is make the best
22 model possible for Manitobans based on the technology
23 that we have available.

24 And moreover what we want is to ensure
25 that Manitobans can -- can have the assurance that a

2580

1 licenced professional is with them through all of
2 these transactions and is available to them.

3 Lastly, if MPI seems to be favouring a
4 direct model and if 50 percent of the transactions go
5 this way, it will change the distribution model
6 markedly, and you will not have an option of having a
7 broker alongside of you for many Manitobans, at least
8 not a local one.

9 MR. STEVEN SCARFONE: Last question on
10 that SGI model, sir, you'd agree with me though the
11 customer has logged onto the SGI website, has selected
12 the insurance products that it -- he or she wants to
13 have, but before exiting out, has to select a broker
14 for the direction of commissions.

15 MR. GRANT WAINIKKA: You mean a new
16 customer?

17 MR. STEVEN SCARFONE: Yes.

18 MR. GRANT WAINIKKA: Yeah.

19 MR. STEVEN SCARFONE: That there
20 isn't, in that particular system, the safeguards for
21 the customer that the association is so concerned of.

22 MR. GRANT WAINIKKA: For a new
23 customer, they would be seeing a broker. They can't
24 do that online.

25 MR. STEVEN SCARFONE: No. So --

2581

1 but -- okay. So when you change the facts, you gotta
2 be careful, Mr. Wainikka. So they're logging onto --
3 they're logging onto the website; they're purchasing
4 insurance products, correct?

5 MR. GRANT WAINIKKA: And I've asked
6 you if that's a new customer, and you said yes.

7 MR. STEVEN SCARFONE: Okay. So --
8 but --

9 MR. GRANT WAINIKKA: So lets stick
10 with this example.

11 MR. STEVEN SCARFONE: Yes. But you've
12 said the new customer can't go onto the website and
13 purchase insurance products.

14 MR. GRANT WAINIKKA: No. My
15 understanding is that a new policy needs to be written
16 with a broker.

17 MR. STEVEN SCARFONE: Yes.

18 MR. GRANT WAINIKKA: Yes.

19 MR. STEVEN SCARFONE: So in my
20 example, that can't be a new customer. Correct?

21 MR. GRANT WAINIKKA: You just said --

22 BOARD MEMBER GABOR: Sorry to
23 interrupt. Are we talking about the SGI system?

24 MR. GRANT WAINIKKA: Yeah.

25 BOARD MEMBER GABOR: I'm having a

2582

1 difficult time giving a hypothetical question --
2 MS. VALERIE HUTSAL: Yeah.
3 BOARD MEMBER GABOR: -- to a witness
4 about a system that operates in a different
5 jurisdiction. I'm not sure we -- you know, we -- we
6 have some understanding of that system. I'm not sure
7 we know all the bells and whistles of the system.

8 But, I mean, you know, Mr. Scarfone, I
9 don't know if its appropriate to have an IBM panel
10 commenting on how the SGI system actually works.

11

12 CONTINUED BY MR. STEVEN SCARFONE:

13 MR. STEVEN SCARFONE: Well -- and
14 that's why I asked Mr. Wainikka if he's familiar with
15 the system, Mr. Gabor, and he confirmed that he --
16 that he had some understanding of the system.

17 So I'll follow up with one last
18 question then, sir. So in my example, the -- the
19 customer is logging onto the SGI website.

20 MR. GRANT WAINIKKA: A new customer.

21 MR. STEVEN SCARFONE: It doesn't
22 matter. The customer's logging on.

23 MR. GRANT WAINIKKA: It does matter.

24 MR. STEVEN SCARFONE: No. But I'm
25 just -- in my example, a customer -- an insurance

2583

1 customer is logging on and purchasing insurance
2 products.

3 MR. GRANT WAINIKKA: Okay.

4 MR. STEVEN SCARFONE: Okay? And
5 they've selected some insurance products. Is there
6 any safeguards there to prevent that customer in this
7 example from making the wrong choices?

8 MR. GRANT WAINIKKA: Yes. Because a
9 new customer wouldn't be able to close that
10 transaction through -- through the My SGI model, to my
11 understanding, and a new customer would -- the system
12 shuts down, to my understanding. And that customer
13 would then be redirected to a brokerage.

14 MR. STEVEN SCARFONE: And it shuts
15 down because they haven't selected the broker?

16 MR. GRANT WAINIKKA: Because -- no --
17 because the -- they provide information to say that
18 it's -- that it's a new registration or what have you.
19 So -- so that then backs -- gets backed out. That's
20 my understanding.

21 MR. STEVEN SCARFONE: That's to a new
22 customer.

23 MR. GRANT WAINIKKA: Again, to
24 Mr. Gabor's point, we're talking about a model in a --
25 at a jurisdiction with a terrible football team and --

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1 and so on that we don't work with every day. But
2 that's my understanding of -- of their model. And for
3 new policies, they're written with a broker.

4 MR. STEVEN SCARFONE: Yes. And that's
5 for the new customer, the new policy --

6 MR. GRANT WAINIKKA: That's what I've
7 been trying to clarify.

8 MR. STEVEN SCARFONE: Yes.

9 MR. GRANT WAINIKKA: Yeah.

10 MR. STEVEN SCARFONE: Yes. And that
11 wasn't the example I was providing, but I'll -- I'll
12 leave it -- I'm talking about an existing customer,
13 Mr. Wainikka.

14 MR. GRANT WAINIKKA: Well, I asked you
15 pointedly, and you said -- a new customer, and you
16 said, yes.

17 MR. STEVEN SCARFONE: But then you
18 made me aware that you thought that they couldn't --

19 THE CHAIRPERSON: I think that
20 we've...

21

22 (BRIEF PAUSE)

23

24 THE CHAIRPERSON: Thank you.

25 MR. STEVEN SCARFONE: Let me just

2585

1 review my notes, Madam Chair, and I may be done.

2

3 (BRIEF PAUSE)

4

5 MR. STEVEN SCARFONE: One (1) second,
6 Madam Chair.

7

8 (BRIEF PAUSE)

9

10 MR. STEVEN SCARFONE: Madam Chair,
11 subject to the undertakings, that concludes the
12 questions from MPIC.

13 THE CHAIRPERSON: Thank you, Mr.
14 Scarfone. Mr. Watchman...?

15 MR. ROBERT WATCHMAN: Thank you, Madam
16 Chair. Can we, perhaps, just stand down for a couple
17 of minutes --

18 THE CHAIRPERSON: Certainly.

19 MR. ROBERT WATCHMAN: -- and we can...

20 THE CHAIRPERSON: Let's start again at
21 ten (10) to 4:00, please. That's eight (8) minutes
22 from now.

23

24 --- Upon recessing at 3:42 p.m.

25 --- Upon resuming at 3:52 p.m.

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1 THE CHAIRPERSON: Thank you, everyone.

2 Mr. Watchman, can you give us an estimate, please, of
3 how long your cross-examination will take?

8 THE CHAIRPERSON: Okay. Thank you
9 very much. Please proceed.

10 MR. ROBERT WATCHMAN: Okay. Before I
11 begin, I would just like to enter on the record
12 another exhibit. And it is a -- a printout of a
13 webpage from the Insurance Brokers Association of
14 Manitoba website. And that will be Exhibit PUB-26.

15

16 --- EXHIBIT NO. PUB-26: Printout of a webpage from
17 the Insurance Brokers
18 Association of Manitoba
19 website

20

21 CROSS-EXAMINATION BY MR. ROBERT WATCHMAN:

22 MR. ROBERT WATCHMAN: Okay. And good
23 afternoon, panel. You'll be happy to know that I have
24 far fewer questions than My Friends did, but I did
25 want to speak to you first about the -- the IBAM

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1 website here. And this is the about us page.

2 And I've provided a copy of this to the
3 Association's counsel during the lunch hour. And the
4 description of about us is that:

5 "The Insurance Brokers Association
6 of Manitoba is an organization
7 representing approximately two
8 thousand (2,000) insurance brokers
9 from all communities across our
10 Province. The Association's
11 efforts, always with the best
12 interests of consumers in mind, in
13 speaking with the collective voice
14 as the insurance authority in
15 Manitoba is to ensure that insurance
16 brokers remain the primary provider
17 of insurance services in Manitoba."

18 And so we understand that it's IBAM's
19 position that while it provide a benefit to customers,
20 its efforts are primarily directed to ensuring brokers
21 position in the marketplace.

22 Is that correct?

23 MR. GRANT WAINIKKA: It's both, yes.
24 It's -- it's foc -- focussed on brokers and the
25 consumers.

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1 MR. ROBERT WATCHMAN: And there was
2 some discussion about training that brokers receive.
3 And I -- I just wanted to focus on the training that's
4 provided through the MPI channel, if I can describe it
5 that way.

6 And I take it that this is -- so
7 training that MPI offers for both Basic and its
8 Extension products?

9 Is that correct?

10 MS. VALERIE HUTSAL: Correct.

11 MR. ROBERT WATCHMAN: And is it -- is
12 it true that the cost of the training provided through
13 MPI is not borne by the brokers?

14 MS. TARA CHAMMARTIN: The actual cost
15 of the course itself?

16 MR. ROBERT WATCHMAN: Yes.

17 MS. TARA CHAMMARTIN: No, there is no
18 cost to brokers for it.

19 MS. VALERIE HUTSAL: Unless -- unless
20 you want to do a refresher of that course within five
21 (5) years. Then you're asked to pay a fee.

22 MR. ROBERT WATCHMAN: Do you know what
23 the fee is?

24 MS. VALERIE HUTSAL: I could find that
25 out for you.

2589

1 MR. ROBERT WATCHMAN: Okay. Well, I
2 won't ask that -- for that as an undertaking. But
3 perhaps before the hearing closes, the Associate --
4 Associations counsel could provide us with that
5 answer.

6 Now with respect to Extension products
7 from other insurers, I take it brokers take training
8 for that as well?

9 MR. BRETT MCGREGOR: Yes.

10 MR. ROBERT WATCHMAN: And is that
11 provided by the other insurers, or is there some other
12 method of training?

13 MS. TARA CHAMMARTIN: Both, I would
14 say. Through the CAIB program that is offered through
15 IBAM, you do learn about some of those extra products
16 as part of your courses that you take, and there is
17 direct from the insurance companies -- providers that
18 -- that do offer seminars for the staff.

19 MR. ROBERT WATCHMAN: And those other
20 insurers, were -- were they offered the training -- is
21 -- is the -- the cost of that training borne by the
22 insurer or by the brokers?

23 MS. TARA CHAMMARTIN: Both.

24 MR. BRETT MCGREGOR: Both.

25 MS. VALERIE HUTSAL: M-hm.

2590

1 MR. BRETT MCGREGOR: Yeah. Sometimes
2 it's free. Sometimes there's a charge.

3 MS. TARA CHAMMARTIN: Yeah.

4 MR. ROBERT WATCHMAN: Now -- and I --
5 I don't want to put words into anybody's mouths, and
6 we don't have inst -- instant transcripts, so -- but
7 my understanding from your evidence, and I believe
8 each of the brokers made mention of this, is that you
9 offer every available coverage or product from MPI to
10 every customer.

11 Is that accurate?

12 MR. BRETT MCGREGOR: That's accurate.

13 MR. ROBERT WATCHMAN: And you can
14 speak your own personal knowledge, but you don't have
15 personal knowledge of what the other brokers in
16 Manitoba do?

17 MS. TARA CHAMMARTIN: Correct.

18 MR. ROBERT WATCHMAN: And now Mr.
19 Williams asked a question about broker surveys, but I
20 take it that the Association doesn't conduct any
21 audits of its broker members to determine whether or
22 not they're offering every MPI -- MPI product to every
23 customer?

24 MR. GRANT WAINIKKA: No, and -- no.
25 We don't do audits in that regard. To answer your

2591

1 question, no.

2 MR. ROBERT WATCHMAN: Thank you. And
3 if we could turn to MPI Exhibit 62, slide 19.

4

5 (BRIEF PAUSE)

6

7 MR. ROBERT WATCHMAN: And there was
8 some discussion earlier today about this, and it -- it
9 represents the results of a customer survey that MPI
10 carried out.

11 Do you all recognize that?

12 MS. TARA CHAMMARTIN: Yeah.

13 MR. BRETT MCGREGOR: Yes.

14 MS. VALERIE HUTSAL: Yes.

15 MR. ROBERT WATCHMAN: And just in
16 terms of the -- the results of that survey and the
17 various products for which customers had recollection
18 of some discussion with their agent, is it fair to say
19 that you wouldn't expect each of these coverages to be
20 offered to every customer?

21 MS. TARA CHAMMARTIN: That's right.

22 MR. BRETT MCGREGOR: And -- yeah,
23 like, new vehicle protection, for instance, is only
24 available to the vehicles within two (2) --

25 MS. TARA CHAMMARTIN: Two (2) years.

2592

1 M-hm, two (2) years, same with a leased vehicle. I
2 mean, if they're not leasing a vehicle, it wouldn't
3 apply.

4 MS. VALERIE HUTSAL: And excess value
5 coverage would be -- would be offered based on the
6 bill of sale in a conversation, so.

7 MR. GRANT WAINIKKA: And again, I
8 would add, much like the automated reference in the
9 trailing commissions debate, this is on the public
10 record, and if a member of the public were to look at
11 this, the takeaway would be wow, brokers are really
12 not doing their jobs.

13 And it could not be less scientific
14 insofar as presentation. And so that's been our
15 concern with regard to this, and this is why we
16 continue to go back to it and harp on it.

17 MR. ROBERT WATCHMAN: Okay. And --
18 and has the Association conducted any similar survey
19 through an independent research agency?

20 MR. GRANT WAINIKKA: No. I think Mr.
21 Williams asked a similar question, not identical, but
22 similar, and -- and we would look to -- and we would
23 be open to -- to undertaking something like that. I
24 think it's a good idea.

25 MR. ROBERT WATCHMAN: Thank you. But

2593

1 is it fair to say, though, each broker, as they learn
2 of the customer circumstance in terms of vehicle use,
3 that sort of thing, exercises some judgment as to
4 which coverages to discuss and which not to discuss?

5 MR. GRANT WAINIKKA: Absolutely. If I
6 can -- maybe it's better -- best here, but absolutely,
7 and -- and to parlay that into the online discussion
8 right now and our belief that our -- our brokers --
9 our broker channel needs to be involved, brokers are
10 familiar with their customer base. And so -- and --
11 and it relates to this question.

12 And if -- if suddenly you'll see
13 something, depending on the model, you -- you would
14 see a -- a change in the existing customer that maybe
15 you've had for fifteen (15) years, and you would say,
16 wow, that doesn't look right, because I know -- I know
17 what -- for lack of a better example, that -- that Ms.
18 Hamilton (phonetic) goes to Florida every year, and
19 drives there, and need -- needs a certain amount of
20 liability, and -- and it's not reflected here.

21 And because of that intimate -- more
22 intimate knowledge of customers, it -- it's easier, or
23 I think better for consumers, and that can -- it --
24 brokers can then follow up with them and say, hey,
25 just so you know, you made these changes.

2594

1 MR. ROBERT WATCHMAN: And we're going
2 to come to the insurance workstation. That's the
3 interface that the brokers use. And I take it that
4 that interface, it doesn't force the broker to go
5 through every coverage before the coverage can be --
6 before the insurance can be placed.

7 Is that correct?

8 MS. TARA CHAMMARTIN: There are some
9 stops that -- that you do have to provide an answer, a
10 yes or a no, but not --

11 MS. VALERIE HUTSAL: No.

12 MS. TARA CHAMMARTIN: -- not on every
13 single one. No, not every product.

14 MR. ROBERT WATCHMAN: And -- and Mr.
15 McGregor, and again, not to put words into your mouth,
16 but I think when you were looking at this, you made a
17 comment to the effect that if the questions were asked
18 that way, or used those terms, that it doesn't
19 surprise you that the statistics would be what they
20 are, because this is not the language that a broker
21 would use with their customers?

22 MR. BRETT MCGREGOR: That's correct.

23 MR. ROBERT WATCHMAN: Fair to say?

24 MR. BRETT MCGREGOR: Fair to say.

25 MR. ROBERT WATCHMAN: And now there

2595

1 was some discussion about the terminology between the
2 Association's counsel and representatives from MPI.

3 And Kristen, if we could go to the
4 transcript from October 18th, 2019, page 2,017, at
5 line 14.

6 And this was testimony by Ms. Hora.

7 And I imagine that you -- and you know that she is the
8 director of service delivery and program operations
9 for MPI?

10 MS. TARA CHAMMARTIN: M-hm.

11 MR. ROBERT WATCHMAN: And you'll see
12 her response there:

13 "I wouldn't -- I would like to add
14 on this piece" --

15 The discussion about the terminology.

16 -- "this survey was done by
17 telephone, and the company that we
18 hire has additional notes to provide
19 customers if they have questions on
20 the terminology."

21 Do you see that there?

22 MR. BRETT MCGREGOR: Yes.

23 MR. ROBERT WATCHMAN: And so would you
24 concede that -- and we don't have the -- the notes,
25 but you would cons -- would you concede that MPI was

2596

1 at least alive to the fact that the terminology might
2 cause some issue for customers?

3 MR. BRETT MCGREGOR: Yeah, I -- I
4 would concede that. It'd be interesting to know what
5 the notes said, and what percentage of the respondents
6 actually asked for clarification.

7 MR. ROBERT WATCHMAN: But -- now with
8 that explanation, though, would you be prepared to
9 concede as well that the survey might actually reflect
10 or indicate that some brokers aren't actually offering
11 every product or coverage to every customer?

12 MR. BRETT MCGREGOR: I can only speak
13 for my office.

14 MR. ROBERT WATCHMAN: Thank you. Now,
15 as I said, there's been a fair bit of discussion about
16 the IWS, or insurance workstation. And we -- we have
17 now, thank you -- thanks to MPI, a screenshot. And
18 that's the IWS, and that's going to be far more
19 familiar to you than any of us.

20 And -- and so basically what happens is
21 information is input about the vehicle, the
22 registrant, and the use. And what comes up underneath
23 is first of the Basic Autopac insurance?

24 MS. TARA CHAMMARTIN: Yeah.

25 MR. ROBERT WATCHMAN: And then the

2597

1 Extension coverages are in a screen -- or -- or you
2 can scroll down to address various different Extension
3 coverages?

4 MS. TARA CHAMMARTIN: M-hm.

5 MR. ROBERT WATCHMAN: That's how it
6 works? So you don't -- in other words, you -- you're
7 on the same screen. You don't have to go to another
8 screen?

9 MS. TARA CHAMMARTIN: There's screens
10 that lead up to this final screen that you do make the
11 choices and selections in to get to this screen
12 indicating some of the primary coverages.

13 MR. ROBERT WATCHMAN: The primary
14 coverages --

15 MS. TARA CHAMMARTIN: So, for example,
16 the insurance use, the territories --

17 MS. VALERIE HUTSAL: So -- so where
18 you see the top left-hand corner policy-rating
19 information --

20 MR. ROBERT WATCHMAN: Yes.

21 MS. VALERIE HUTSAL: -- in there.

22 MS. TARA CHAMMARTIN: Yeah. So there
23 is a -- screens that prelude to this final screen to
24 confirm and make your final selections.

25 MR. ROBERT WATCHMAN: Right. And what

2598

1 -- and what I'm focussing on, though, here, is the
2 ease with which the broker can select, after Basic
3 Auto -- Autopac insurance, the Extension coverages.

4 MS. TARA CHAMMARTIN: Yeah. They're
5 there. M-hm.

6 MR. ROBERT WATCHMAN: So -- so there's
7 considerable ease of use --

8 MS. TARA CHAMMARTIN: Yeah, for sure.

9 MS. VALERIE HUTSAL: Yeah.

10 MR. ROBERT WATCHMAN: -- for the
11 brokers?

12 MS. TARA CHAMMARTIN: For sure.

13 Absolutely. Yeah.

14 MR. ROBERT WATCHMAN: And could you
15 just tell us, though, how does this compare to some
16 other insurer if the -- the customer in this case
17 said, well, I want to reduce deductible, but I don't
18 want to go through MPI.

19 What would -- what would the broker
20 have to do?

21 MS. TARA CHAMMARTIN: So, I mean, I
22 can speak to myself. We would go to another insurer's
23 website, and an online portal, and produce a quote for
24 that, yeah.

25 MR. ROBERT WATCHMAN: So you would

2599

1 have to go through this process, and then you have to
2 go through a second process?

3 MS. VALERIE HUTSAL: M-hm.

4 MS. TARA CHAMMARTIN: It -- m-hm.

5 MR. ROBERT WATCHMAN: And can you...

6

7 (BRIEF PAUSE)

8

9 MR. ROBERT WATCHMAN: And are there
10 practical impediments to -- in terms of, like, the
11 paperwork, and different systems that make it more
12 difficult to provide Extension through another
13 insurer?

14 MR. BRETT MCGREGOR: This would be the
15 most efficient system to provide Extension.

16 MR. ROBERT WATCHMAN: And because the
17 -- of course the evidence that's the before the Board
18 is that MPI's market share of Extension coverage is
19 something over 95 percent. And do you believe that
20 this sort of ease-of-use would contribute to that?

21 MS. VALERIE HUTSAL: Yes.

22 MR. BRETT MCGREGOR: Yes.

23 MS. TARA CHAMMARTIN: Yes, definitely.

24 MR. ROBERT WATCHMAN: And in that
25 regard, my understanding is -- is that the broker's

2600

1 commission for Extension coverage through MPI is 19.75
2 percent.

3 Is that your understanding?

4 MS. VALERIE HUTSAL: Yes.

5 MR. BRETT MCGREGOR: Yes.

6 MR. ROBERT WATCHMAN: And is there a
7 set percentage or a relative percentage that you --
8 you would receive as commission if the same coverage
9 was placed through another insurer?

10 MS. TARA CHAMMARTIN: The commissions
11 are set by other insurers, yes.

12 MR. ROBERT WATCHMAN: And our -- is it
13 -- is it less than 19.75 percent?

14 MR. BRETT MCGREGOR: Typically, yes.

15 MR. ROBERT WATCHMAN: And would you
16 agree as well that -- that for the customer, there is
17 a convenience, at least from the perspective of having
18 to make claims, to having one (1) insurer covering --
19 providing all of the insurance coverage rather than
20 having two (2) different insurers providing coverage?

21 MS. VALERIE HUTSAL: Sometimes,
22 though, there's coverages available with other
23 companies that aren't available with MPI.

24 MS. TARA CHAMMARTIN: M-hm.

25 MR. ROBERT WATCHMAN: Yes, but in this

2601

1 case -- so if we're looking at something like, I have
2 Basic, and I get two hundred (200) deductible through
3 another insurer, I've got to make a claim both to MPI
4 and the other insurer?

5 MR. BRETT MCGREGOR: Correct.

6 MR. ROBERT WATCHMAN: So there's a
7 convenience to having them both with MPI? Would you
8 agree?

9 MS. TARA CHAMMARTIN: M-hm.

10 MR. BRETT MCGREGOR: Correct.

11 MR. ROBERT WATCHMAN: Now, there has
12 been a fair bit of discussion concerning the online
13 model. And the Association's position is that it's
14 not opposed to the online provision of MPI insurance,
15 but what it doesn't support is the direct-to-customer
16 model.

17 Is that correct?

18 MS. VALERIE HUTSAL: That's right.

19 MS. TARA CHAMMARTIN: That's correct.

20 MR. ROBERT WATCHMAN: And -- so can I
21 describe what the Association is suggesting is a
22 broker only model, in that a customer may be able to
23 go directly to -- or place insurance through MPI, but
24 it has to go through a broker website.

25 Is that the model contemplated?

2602

1 MR. GRANT WAINIKKA: That's one (1) of
2 the models that we're contemplating, yes.

3 MR. ROBERT WATCHMAN: Okay. So in
4 this -- is the other -- is the -- like -- like the My
5 SGI model, where it's -- SGI directly -- but you must
6 select a broker?

7 MR. GRANT WAINIKKA: Forgive me if I
8 start to twitch. That is a model that we're alive to,
9 I'll put it that way, but we think we can improve upon
10 it greatly with our friends at MPI.

11 MR. ROBERT WATCHMAN: Okay. And so
12 could you just -- just, you know, describe for the
13 Board the -- the way in which you -- the Association
14 envisions it working. Because you spoke of, you know,
15 there's better ways to embed, I believe, coexisting
16 websites?

17 MR. GRANT WAINIKKA: Yes.

18 MR. ROBERT WATCHMAN: Then can you
19 describe that --

20 MR. GRANT WAINIKKA: I'll defer to --
21 I'll defer to Brett on this one.

22 MR. BRETT MCGREGOR: Sure. So we're -
23 - we're doing a lot of online sales already, so, you
24 know, the vision that I have in my head, as you would
25 come to the broker website, you would initially renew

2603

1 your driver's licence, because Mr. Scarfone -- it
2 sounds like they've got a solution to the picture, so
3 that's good news.

4 Then you'd move on. You'd renew your
5 Basic auto insurance. The next screen would be your
6 Extension. So on the screen would flash your options
7 side-by-side for MPI, SMI, Intact, whatever number the
8 -- of options you could provide. The customer could
9 choose that, and then you would also have an option
10 for -- you may also be interested in an umbrella
11 policy, and a description of what that provides.

12 So to me, that provides the most
13 efficient model of online, because the customer is
14 coming to one (1) online portal and completing the
15 whole transaction, including getting Extension options
16 and umbrella options.

17 MR. ROBERT WATCHMAN: Okay. And so
18 just so we're clear, is this -- do you envision this
19 being very similar to perhaps an upgraded version of
20 the IWS? That -- that's -- like, I'm -- I'm just
21 trying to get a -- a sense of, you know, who owns the
22 data, where is it stored, who is responsible for data
23 security, that sort of thing.

24 MR. BRETT MCGREGOR: That's all stuff
25 we'll have to figure out with MPI.

2604

1 MR. ROBERT WATCHMAN: Yeah. So --

2 MR. GRANT WAINIKKA: And -- and the
3 key difference in the model that Mr. McGregor
4 explained was that there were obvious options for --
5 for Extension, options outside of MPI.

6 So this Internet workstation, we've had
7 confirmed many times on the record by MPI, is only
8 going to consider MPI products.

9 MR. ROBERT WATCHMAN: So -- okay.

10 Now, you've heard about Project NOVA. And it's in the
11 evidence that the -- the budget, the -- the budget --
12 the current budget for that project is in excess of
13 \$100 million.

14 So this is MPI's commitment to
15 developing the online delivery of policies. I'm just
16 -- so what aspect of that or what cost do the brokers
17 or do the Association bear to provide that type of
18 system?

19 MR. GRANT WAINIKKA: What costs would
20 we bear?

21 MR. ROBERT WATCHMAN: Yes.

22 MR. GRANT WAINIKKA: You mean to build
23 it ourselves?

24 MR. ROBERT WATCHMAN: Why -- like, how
25 would you embed your websites? I mean, it creates --

2605

1 there is a number of issues, and I guess the question
2 is, is how much is the -- how much are the brokers and
3 the Association committing to it as compared to what
4 MPI is committing to it?

5 MR. GRANT WAINIKKA: Well, I don't
6 know. The -- the honest answer is I don't know, but I
7 would say that I can speak only for IBAM, and IBAM is
8 a not-for-profit organization. So we just don't have
9 the -- the kind of financial depth that a company like
10 MPI would have.

11 Typically what happens, if you're a
12 Wawanesa -- say, let's use a private insurance
13 example, if Wawanesa wants brokerages and brokers to
14 sell their product, they build their back end in such
15 ways to enable that.

16 And I -- I take MPI at face value that
17 they want to upgrade, and want to modernize, and --
18 and offer online services, and I think that's great.
19 We believe that if -- if legacy systems modernization
20 happened, that -- that could empower online
21 transactions throughout the Province, and you would
22 export that technology, then, to -- to different
23 communities around -- around the Province.

24 You keep the broker while you give
25 Manitobans what they want by way of an online service

2606

1 delivery, and -- and you're -- you're doing -- and --
2 and you're kind of checking all the boxes, for lack of
3 a better term.

4 The other thing that I would say is
5 what -- what we -- we called it'll -- a lot of things.
6 We've been -- gone through a lot with regard to direct
7 and online, and the difference between the two (2).
8 And one (1) thing about legacy systems modernization,
9 to my understanding -- I've been around projects like
10 this before -- is that most of that expense is going
11 to be fixing the back end of MPI, which I would
12 imagine is like a bowl of spaghetti.

13 So to get anything done, you've got to
14 go through all this stuff -- pardon me -- go through
15 all this stuff to -- in order to get anything useful
16 out of it. I don't know how much -- and I haven't --
17 I haven't gone through the business case in a lot of
18 detail, but I -- I don't know how much of that is
19 actually being allocated for actually the customer
20 facing part of the business.

21 So your question's a very astute one.
22 I don't know personally -- I haven't yet read what --
23 what is -- what's being allocated to the back end fix,
24 and what is allocated to the -- the GUI, or the front
25 end fix.

2607

1 (BRIEF PAUSE)

2

3 MR. ROBERT WATCHMAN: Now can you
4 indicate what costs are incurred by brokers for
5 processing the Basic transactions?

6 MS. TARA CHAMMARTIN: I mean -- well,
7 you obviously have the cost of staff, the training
8 required for the staff, benefits for the staff,
9 updated continuing education for the staff so that
10 they're always current, licensing costs, errors and
11 omissions insurance costs.

12 MS. VALERIE HUTSAL: Printers.

13 MS. TARA CHAMMARTIN: I mean, your --
14 your overall office supplies, I guess, generally,
15 right?

16 MR. ROBERT WATCHMAN: And how much of
17 that -- or do you und -- do you know? Like, how much
18 of that is dedicated to or specifically as a result of
19 placing MPI insurance versus the other insurance that
20 you place?

21 MS. TARA CHAMMARTIN: I wouldn't know
22 that answer. I wouldn't have a breakdown of that
23 offhand.

24 MR. GRANT WAINIKKA: I -- I would say
25 correlates to the amount of business you do at that

2608

1 brokerage.

2 MS. TARA CHAMMARTIN: Yeah.

3 MR. GRANT WAINIKKA: So earl -- in
4 earlier testimony, we heard some good questions around
5 this, and there -- there isn't really a uniform way.

6 There are some brokerages whose -- whose revenues are
7 60 percent plus MPI related, and there are others that
8 are much lower than that.

9 So I will say that the expense follows
10 that, they -- it would be correlated to the amount of
11 business done.

12

13 (BRIEF PAUSE)

14

15 MR. ROBERT WATCHMAN: I just -- sorry,
16 just one (1) minute.

17

18 (BRIEF PAUSE)

19

20 MR. GRANT WAINIKKA: While there's
21 silence, we can list more costs. There's onboarding.
22 There is disability pay. There's parking. There's
23 fixed costs, rent, or -- or buying buildings. And in
24 the model that we have today, MPI, on Basic, pays 3
25 percent for that. And when you include Extension, of

2609

1 course, the percentage is higher.

2 And we think the economics of that
3 model make obvious sense -- make obvious sense, so the
4 ratepayer and taxpayer is relieved from paying all the
5 expenses that are being borne by these small business
6 people, and in lieu of that, paying 3 percent on
7 Basic, basically. And -- and I think you'd be hard-
8 pressed -- hard-pressed to find a more economically
9 beneficial model for the ratepayer at MPI.

10 MR. ROBERT WATCHMAN: Okay. Thank
11 you. Just one (1) last question. With respect to the
12 insurance workstation, is that simply software that's
13 provided by MPI, or does MPI provide the hardware as
14 well?

15 MR. BRETT MCGREGOR: There has been
16 hardware provided at times in the past, and at other
17 times, not. So we are currently going through
18 upgrades to Windows 10, and brokers are footing that
19 cost.

20 There was one point in time -- what
21 year was that? 20 -- a few years ago, they replaced
22 all of the hardware to -- to get it on standard
23 hardware.

24 MS. TARA CHAMMARTIN: Like -- and by
25 that -- not every computer that's in our office that

2610

1 accesses the IWS system, just to be clear.

2 MR. BRETT MCGREGOR: Yeah, sorry.

3 MS. TARA CHAMMARTIN: Right? So no,
4 we are still incurring the costs of providing the
5 hardware that's required to run it, except for the
6 specifics like the -- the scanning system that MPI
7 provides, the camera system that MPI provides, but all
8 the other actual hardware costs are ours.

9 MR. ROBERT WATCHMAN: Okay. And thank
10 you very much, panel. Madam Chair, those are all my
11 questions.

12 THE CHAIRPERSON: Thank you, Mr.
13 Watchman. Mr. Gabor...?

14 BOARD MEMBER GABOR: Thank you.
15 Kristen, can we go back to MPI Exhibit 62, slide 19.
16 This is sort of the third or fourth kick at this.

17 As I understand the evidence before,
18 there was reference that items at the lower end, such
19 as income replacement indemnity extension, weren't
20 understood by customers, then -- and that in fact, the
21 -- the brokers would have to put it into -- to a
22 normal person's language.

23 I think, Mr. McGregor, you said
24 something to that effect. You'd have to explain it in
25 -- in terms they actually understood.

2611

1 MR. BRETT MCGREGOR: Yeah. I don't
2 think I used the term 'normal person', but yeah.

3 BOARD MEMBER GABOR: Okay. Well, I'm
4 -- I'm --

5 MR. BRETT MCGREGOR: In terms they
6 understand, for sure.

7 BOARD MEMBER GABOR: I'm a lapsed
8 lawyer, so I -- what about deductible amount?

9 MR. BRETT MCGREGOR: Yeah, I would
10 think that's much more understood.

11 BOARD MEMBER GABOR: That -- that's
12 better understood by the --

13 MR. BRETT MCGREGOR: Yeah.

14 BOARD MEMBER GABOR: -- general
15 public? Third-party liability?

16 MR. BRETT MCGREGOR: Again, more well
17 understood than income replacement indemnity
18 extension.

19 BOARD MEMBER GABOR: Okay. And as I
20 understand it, then, if I'm reading this chart
21 correctly, 48 percent of the people who answered this
22 survey discussed deductible amount with your agent.

23 Is that correct?

24 MR. BRETT MCGREGOR: That's what it
25 shows. It's -- it's very surprising, I would say. We

2612

1 just looked at the IWS system, and you can see how
2 easy it is. So I -- I would be surprised, like, it --

3 BOARD MEMBER GABOR: Okay. And
4 similarly, about 39 percent for third-party liability?

5 MR. BRETT MCGREGOR: Correct. Like --

6 BOARD MEMBER GABOR: Yeah. So that's
7 not an issue of the terminology, is -- is --

8 MR. BRETT MCGREGOR: I -- I don't
9 think deductible is. You know, third-party liability,
10 I think is less understood than deductible, probably.

11 BOARD MEMBER GABOR: I -- I --

12 MR. BRETT MCGREGOR: We -- we --

13 BOARD MEMBER GABOR: -- would just
14 indicate that new vehicle protection, I just found out
15 that one day, I bought a policy that doesn't work,
16 because my car was too old.

17 The other -- the other question, Ms.
18 Hutsal, you were talking about there's better
19 Extension coverage for certain things.

20 MS. VALERIE HUTSAL: That's right.

21 BOARD MEMBER GABOR: I'm sort of
22 interested. I don't -- I drive a normal sedan. Just
23 general purpose, what would be the better coverage for
24 Extension outside of MPI Extension?

25 MS. VALERIE HUTSAL: Well, I was

2613

1 talking about the new vehicle replacement --

2 BOARD MEMBER GABOR: Okay.

3 MS. VALERIE HUTSAL: -- I think was
4 the -- that you can purchase up to seven (7) years
5 with another company versus the two (2) -- two (2)
6 years with MPI. Yeah.

7 BOARD MEMBER GABOR: Okay.

8 MR. BRETT MCGREGOR: And you also
9 mentioned the original equipment manufacturer parts --

10 MS. VALERIE HUTSAL: Yes, the original
11 --

12 MR. BRETT MCGREGOR: -- option.

13 MS. VALERIE HUTSAL: -- yeah. The
14 original equipment manufacturer.

15 BOARD MEMBER GABOR: Mr. McGregor, you
16 were talking about what you saw, some sort of portal,
17 and how you would be able to show, I guess, a standard
18 screen, which would -- which would pop up all the
19 Extension coverage available.

20 MR. BRETT MCGREGOR: Yes.

21 BOARD MEMBER GABOR: Do you see that
22 as something that would be province-wide, or broken
23 down by the individual brokers?

24 MR. BRETT MCGREGOR: With the current
25 model, I think it would have to be broken down by the

2614

1 individual brokers, because we all have to be
2 contracted with the those --

3 BOARD MEMBER GABOR: Right.

4 MR. BRETT MCGREGOR: -- specific
5 companies.

6 BOARD MEMBER GABOR: Okay. That was
7 my point. And finally, Mr. Wainikka, in -- in the
8 original cross-examination by your counsel, I -- I --
9 based on it, I assumed that you were talking about
10 building your own website for the brokers. And what I
11 understand from you is now that there are a lot of
12 things on the table which is subject to the
13 conciliation, whether you strike a deal with MPI, go
14 through their website, whether you do something on
15 your side alone, is -- is something that's -- that's
16 just up in the air?

17 MR. GRANT WAINIKKA: At this stage --
18 and you're quite right. If you look at what's on the
19 table for brokers right now and for this industry
20 right now, which is a \$238 billion industry that it
21 contributes to GDP right now, on the one (1) side,
22 we've got MPI indicating that in four years (4), they
23 -- they are -- they're -- believe that they can take
24 50 percent of transactions online, direct.

So that's one (1) -- so that in itself

2615

1 would send shockwaves through the fine working people,
2 the hard-working innovators and entrepreneurs in this
3 industry. And on the other hand, you have an attack
4 on trailing commissions as well. And we're already
5 the lowest paid brokers in -- in Canada.

6 And by definition, trailing commissions
7 will always be 80 percent of the commission pool --

8 BOARD MEMBER GABOR: I understand
9 that. And that's -- that sort of -- your -- your
10 counsel is going to make the submission later. I -- I
11 guess the point was, have you started investigating
12 how much it would cost to design your own system to --
13 to -- in --in order to go through your brokers --
14 individual brokers? It's a big number --

15 MR. GRANT WAINIKKA: What --

16 BOARD MEMBER GABOR: -- and I'm sure
17 you realize it's a big number.

18 MR. GRANT WAINIKKA: It would be,
19 yeah, tens, if not hundreds of millions of dollars, I
20 would say, to do it effectively, yeah.

21 BOARD MEMBER GABOR: Okay. And I
22 guess my final question is you -- you related this now
23 in terms of what the -- what the impact would be on
24 your membership if MPI went ahead with this and hit
25 their 30 percent or 50 percent.

2616

1 Do you have any study that examines
2 your membership on an aggregated basis that says, this
3 is what the impact is? Because right now, we have
4 anecdotal evidence. We can use our imagination, which
5 everybody's imagination is somewhat different, but we
6 have no fixed information that we can look at to say,
7 this is what the impact is.

8 MR. GRANT WAINIKKA: Yes.

9 BOARD MEMBER GABOR: Is there any
10 study that's been done?

11 MR. GRANT WAINIKKA: It's underway.

12 BOARD MEMBER GABOR: It's underway.

13 MR. GRANT WAINIKKA: Yes.

14 BOARD MEMBER GABOR: And I take it
15 it's part of the -- your future discussions?

16 MR. GRANT WAINIKKA: Right. Right.

17 BOARD MEMBER GABOR: Okay.

18 MR. GRANT WAINIKKA: So you're --
19 you're referring to a sensitivity analysis of sorts?

20 BOARD MEMBER GABOR: Yes.

21 MR. GRANT WAINIKKA: Yeah.

22 BOARD MEMBER GABOR: Yeah. Thank you
23 very much. Those are my questions.

24 THE CHAIRPERSON: I have a question
25 for you, Mr. Wainikka.

2617

1 MR. GRANT WAINIKKA: Thank you for
2 saying my name correctly. Yeah.

3 THE CHAIRPERSON: Yes. With regard to
4 your discussion about operating expenditures and
5 commission as a percentage of operating expenses --

6 MR. GRANT WAINIKKA: Yeah.

7 THE CHAIRPERSON: -- Basic commission
8 as a percentage of operating expenses. Do you have a
9 number for total commissions paid as a percentage of
10 operating expenses?

11 MR. GRANT WAINIKKA: If we include SRE
12 as well, which is the private arm, so -- so again,
13 it's very difficult, but that would be -- well, I -- I
14 know the number would be somewhere around 85 million
15 over 1.33 billion, and that would include all
16 competitive lines, as well as Basic lines, and flat
17 fees.

18 We've got an issue with flat-fees that
19 we tried to work out as well, and is still alive in --
20 in our part, but we'll -- we'll cross that bridge
21 another time.

22 THE CHAIRPERSON: Okay. Thank you.
23 And Mr. McGregor, when you were speaking of your sort
24 of preferred state in terms of computer system, I'm
25 assuming that -- well, you tell me, are you talking

2618

1 about a replacement for IWS, but then there would be
2 additional screens that would be merged with that
3 system, or are you talking about an updated IWS as
4 proposed by MPI through the -- the legacy
5 modernization, or NOVA system, and then you would have
6 a separate system running that you could sort of run
7 side by side with the MPI system?

8 MR. BRETT MCGREGOR: To be honest, I
9 have not contemplated that. I've been more focused on
10 just trying to imagine what the online model would
11 look like, but it's a good question of what would sit
12 in our offices on a daily basis.

13 THE CHAIRPERSON: Okay. But are you
14 suggesting that the MPI system, the new system, should
15 include competitor information on Extension?

16 MR. BRETT MCGREGOR: No. I'm -- I'm
17 suggesting that there would be a -- a connection
18 between our system and the MPI system that is drawing
19 the data in and displaying it to the customer.

20 THE CHAIRPERSON: Okay. Thank you
21 very much. Those are my questions. Mr. Unfried...?

22

23 RE-DIRECT-EXAMINATION BY MR. CURTIS UNFRIED:

24 MR. CURTIS UNFRIED: Thank you. I
25 just have a -- a few questions on re-exam.

2619

1 The first is with Mr. Wainikka. There
2 was some questions posed to you by -- first by Mr.
3 Williams, and then with respect to Mr. Scarfone asking
4 questions about what you -- what customers in
5 Saskatchewan or British Columbia can do.

6 And I wanted to clarify what I believe
7 is some confusion as to whether or not a customer can
8 buy insurance online, direct, or whether they could
9 renew insurance online, direct.

10 MR. GRANT WAINIKKA: In BC, they can
11 do neither. Despite -- if you look at -- I'm not sure
12 that we ever did a reference -- that -- it -- it has
13 been put forward in a table presented by MPI that they
14 can't, and in BC, they can renew online. That is not
15 factual. And in BC (sic), you cannot buy online, but
16 you can renew online.

17 So in no -- in no public --

18 MR. CURTIS UNFRIED: In Saskatchewan?

19 MR. GRANT WAINIKKA: Saskatchewan --
20 sorry, it's late. In Saskatchewan, you cannot buy
21 online, but you can renew online. So -- so those are
22 the -- the models, the comparable models out there.

23 MR. CURTIS UNFRIED: And -- and Ms.
24 Hutsal, you -- you -- I believe you're the one who
25 responded to a question Mr. Scarfone had asked you to

2620

1 confirm that there were other lines of insurance that
2 could be sold in addition to MPI at your brokerage.
3 And I believe you mentioned farm insurance was -- was
4 one (1), home insurance.

5 Like MPI, do those insurers pay you a 3
6 percent commission?

7 MS. VALERIE HUTSAL: Absolutely not.

8 MR. CURTIS UNFRIED: And what would be
9 the next lowest commission you would receive there
10 that you could think of?

11 MS. TARA CHAMMARTIN: Fift -- 15
12 percent for optional extensions.

13 MS. VALERIE HUTSAL: Normally, it's
14 twel -- well, twelve and a half (12 1/2) would
15 probably be my next lowest.

16 MR. CURTIS UNFRIED: Okay. And what -
17 - and what -- for what type of transaction?

18 MS. VALERIE HUTSAL: That's for
19 Extension, or optional coverages through auto
20 insurance through another company.

21 MR. CURTIS UNFRIED: Okay. And then
22 Mr. McGregor, other -- the -- the -- sorry, if we just
23 have madam clerk bring up the October 18th transcript
24 again, at page 2 -- I think it's this one, 2,017, I
25 believe was the page number. It's the exchange

2621

1 between Ms. Hora and Mr. Watchman.

2 I'd direct to the -- you to the
3 response from Ms. Hora, indicating:

4 "I'd like to add on this piece, this
5 survey was done by telephone, and
6 the company that we hired was a --
7 has additional notes to provide the
8 customers if they have questions on
9 the terminology."

10 And of course, that was in reference to
11 the -- the survey. And I would just direct you to the
12 -- the follow-up as well, from myself. And -- and
13 similarly, again, there could be the broker. There
14 could be many products the broker would clearly deem
15 irrelevant, given the customer and their particular
16 circumstances at the time. And she -- Mr. Wennberg
17 agreed.

18 Is that something you would agree with
19 as well?

20 MR. BRETT MCGREGOR: Yes.

21

22 (BRIEF PAUSE)

23

24 MR. CURTIS UNFRIED: And again, if
25 madam clerk could please bring up -- it's the CAC-MPI-

2622

1 2-4.

2

3 (BRIEF PAUSE)

4

5 MR. CURTIS UNFRIED: And build -- I've
6 got it as page 10 of 113. I don't know, maybe page 2
7 of 2, actually, I guess it would be on here.

8 Just -- there were some questions posed
9 to Mr. Wainikka with respect to the Deloitte study
10 that was undertaken. And I was just wondering if you
11 could -- I'll refer you to a disclaimer that was
12 attached to that report by a Deloitte. If you could
13 read that, please.

14 MR. GRANT WAINIKKA: You want me to
15 read it?

16 MR. CURTIS UNFRIED: Yeah.

17

18 (BRIEF PAUSE)

19

20 MR. GRANT WAINIKKA: I'm tired.
21 "Please note the presentation there.
22 Our question was not part of an
23 engagement performed by Deloitte for
24 the benefit of MPI, and that it
25 should not be intended for any third

2623

4 MR. CURTIS UNFRIED: Thank you. Those
5 are my questions.

9 "Please prot -- please note the
10 presentation they're requesting was
11 part."

12 I believe Mr. Wainikka read it as:

13 "The presentation they're requesting
14 was not part."

15 MR. GRANT WAINIKKA: I told you that I
16 was tired, yeah.

20 MR. CURTIS UNFRIED: Yeah. Sorry.

21 That is correct.

22

23 (BRIEF PAUSE)

24

25 MR. CURTIS UNFRIED: Those are my

2624

1 questions. Thank you.

2 THE CHAIRPERSON: Thank you very much,
3 Mr. Unfried. Thank you very much for your panel
4 presentations.

5

6 (PANEL STANDS DOWN)

7

8 THE CHAIRPERSON: In a moment, we will
9 be adjourning to Thursday, October 24th, at which time
10 we will begin with closing remarks.

11 Just as a -- a matter to be considered
12 prior to closing remarks, I note from the preliminary
13 issues list order that there are certain things that
14 the Board is asking that the -- that counsel address.
15 And I'm just going to read those now to refresh
16 everyone's memory. And then there are a couple of
17 other things we would like to ensure that people are
18 addressing with us as well.

19 First, is the reserves regulation
20 valid?

21 Second, if the reserves regulation is
22 not determined to be invalid, must the Board ensure
23 that approved rates for service comply with it?

24 If compliance is not required, does it
25 remain a relevant factor to be considered when setting

2625

1 rates for service?

2 If compliance is required, does the
3 proposed Capital Management Plan comply with the
4 reserves regulation?

5 If the reserves regulation is
6 determined to be invalid, is the target -- what is the
7 target capital analysis and the target Basic total
8 equity threshold level?

9 This is Order number 92/'19, page 25
10 and 26, just for your reference.

11 The other things we would ask that you
12 address with us is:

13 First, what is the Board's jurisdiction
14 on the issue of the delivery of online services?

15 And secondly, as there is a
16 conciliation underway between MPI and IBAM on the
17 issue of online -- online services, and possibly other
18 issues as well, what are they and what are they
19 seeking by way of a directive or recommendation from
20 this Board in relation to that?

21 Thank you very much. We'll see
22 everybody Thursday morning at nine o'clock.

23 MR. STEVEN SCARFONE: Madam Chair,
24 just did before you adjourn, I apologize. So there
25 were a number of undertakings that were provided by

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1 various parties. MPIC will -- will commit to
2 providing the answers to those undertakings before
3 closing argument, so that those answers could be
4 incorporated into the argument if necessary, and would
5 ask that the other parties that gave undertakings
6 endeavour to do the same, so that we could have those
7 -- that evidence before we close on Thursday.

8 THE CHAIRPERSON: Thank you, Mr.
9 Scarfone. And are there undertakings outstanding from
10 any of the Interveners who are not present?

11 MR. STEVEN SCARFONE: That -- that's a
12 good question. I don't believe there is.

13 THE CHAIRPERSON: Okay.

14 MR. STEVEN SCARFONE: But I -- I don't
15 know that for sure, but do you know, Ms. McCandless?

16 MS. KATHLEEN MCCANDLESS: Not off the
17 top of my head. I -- I will double check the record,
18 and then confirm with counsel over email.

19 THE CHAIRPERSON: Thank you very much.

20 MR. STEVEN SCARFONE: Thank you.

21 THE CHAIRPERSON: Thank you, everyone.

22 Goodnight.

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24 --- Upon adjourning at 4:34 p.m.

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1 Certified correct,

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6 Wendy Woodworth, Ms.

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