



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

2021 SPECIAL REBATE APPLICATION

HEARING

Before Board Panel:

Irene Hamilton, QC - Panel Chair

Robert Gabor, QC - Board Chair

Carol Hainsworth - Board Member

(by phone)

Robert Vanderwater - Board Member

(by phone)

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

May 1, 2020

Pages 132 to 219

APPEARANCES

- 1
- 2
- 3 Kathleen McCandless ) Board Counsel
- 4 Robert Watchmen (by phone) ) Board Counsel
- 5
- 6 Steven Scarfone ) Manitoba Public
- 7 Michael Triggs (by phone) ) Insurance
- 8 Anthony Guerra (by phone) )
- 9
- 10 Byron Williams ) CAC (Manitoba)
- 11 Katrine Dilay (by phone) )
- 12
- 13 Charlotte Meek (by phone) ) CMMG
- 14
- 15 Curtis Unfried ) IBAM
- 16
- 17
- 18
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LIST OF EXHIBITS

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1 --- Upon commencing at 9:00 a.m.

2

3 THE PANEL CHAIRPERSON: Good morning,  
4 everyone. It's nine o'clock, and we'll call the  
5 hearing back to order.

6 Before we actually start, I'd like to  
7 just check and see who's on livestream. So the other  
8 panel members are Carol Hainsworth. Are you on,  
9 Carol?

10 MS. CAROL HAINSWORTH (by phone): Yes,  
11 I am.

12 THE PANEL CHAIRPERSON: Good morning.  
13 Bob Vanderwater...?

14

15 (BRIEF PAUSE)

16

17 THE PANEL CHAIRPERSON: Ms. Schubert,  
18 is he on, do you know? Okay.

19

20 (BRIEF PAUSE)

21

22 THE PANEL CHAIRPERSON: Bob, can you  
23 hear us?

24 Okay. We'll just have to take a pause,  
25 because we have to have all of the panel members on.

1 If you could try and connect with him again?

2 MR. ROBERT VANDERWATER: Bob

3 Vanderwater. I'm here.

4 THE PANEL CHAIRPERSON: Excellent.

5 Good morning.

6 MR. ROBERT VANDERWATER: Good morning.

7 THE PANEL CHAIRPERSON: Charlotte

8 Meek...?

9 MS. CHARLOTTE MEEK (by phone): Good  
10 morning. I'm here.

11 THE PANEL CHAIRPERSON: Good morning.

12 Curtis Unfried...?

13 MR. CURTIS UNFRIED: All right. Good  
14 morning.

15 THE PANEL CHAIRPERSON: Good morning.

16 And is Katrine Dilay on as well?

17 DR. BYRON WILLIAMS: I believe Ms.  
18 Dilay is listening in.

19 THE PANEL CHAIRPERSON: Okay. All  
20 right, that's everyone. Thank you.

21 Ms. McCandless...?

22 MS. KATHLEEN MCCANDLESS: Good  
23 morning, Madam Chair. Thank you.

24

25 (BRIEF PAUSE)

1 MS. KATHLEEN MCCANDLESS: So this  
2 morning, we are proceeding with oral submissions from  
3 MPI and Interveners on the application. We will  
4 finish by noon.

5 Before we proceed, I just wanted to say  
6 thank you to everyone for their cooperation. We had  
7 an application filed on Monday, and we'll be wrapping  
8 up a public hearing by Friday that couldn't have been  
9 done without everyone's efforts in getting here, so  
10 thank you very much.

11 THE PANEL CHAIRPERSON: Mr.  
12 Scarfone...?

13 MR. STEVEN SCARFONE: Thank you, Madam  
14 Chair. Just before MPI begins, there were a couple  
15 further exhibits that were circulated after we ended  
16 yesterday, so I'll read those into the record.

17 MPI Exhibit Number 5 is the pre-ask 5  
18 that was inadvertently not included with the pre-asks,  
19 and I'd just have Ms. Meek confirm that she now has  
20 that response.

21

22 --- EXHIBIT NO. MPI-5: MPI Pre-ask 5

23

24 MS. CHARLOTTE MEEK (by phone): Yes, I  
25 received that. Thank you very much.

1 MR. STEVEN SCARFONE: You're welcome.  
2 And MPI Exhibit Number 6 is the revised figure 2 at  
3 the application, and that was the figure that spoke to  
4 a number of cancellations and layups, and Mr.  
5 Giesbrecht read in to the record those new figures.  
6 So that exhibit reflects that evidence from yesterday.

7

8 --- EXHIBIT NO. MPI-6: MPI's revised figure 2 of  
9 the application

10

11 MR. STEVEN SCARFONE: MPI Exhibit  
12 Number 7 is a revised version of the pre-ask number 1  
13 for the CMMG.

14

15 --- EXHIBIT NO. MPI-7: Revised pre-ask 1 for CMMG

16

17 MR. STEVEN SCARFONE: And lastly, MPI  
18 Exhibit Number 8 is the closing submission of MPIC.

19

20 --- EXHIBIT NO. MPI-8: MPIC closing submission

21

22 MR. STEVEN SCARFONE: And so before  
23 MPIC begins going through its closing remarks, we have  
24 here in attendance with us Mr. Graham, the president  
25 and CEO of Manitoba Public Insurance, and he would



1 like to make a few remarks about the application and  
2 provide some context to the Board in MPIC bringing  
3 this application before you.

4 THE PANEL CHAIRPERSON: Mr. Graham...?

5

6 (BRIEF PAUSE)

7

8 REMARKS BY MR. BENJAMIN GRAHAM:

9 MR. BENJAMIN GRAHAM: Thank you, panel  
10 and Interveners. I'm -- I'm -- obviously, I'm not  
11 here to steal any of Mr. Scarfone's thunder, but I am  
12 here, if needed, to take any sort of final questions  
13 or queries. As I -- as I'm sure you're aware, we've  
14 really been trying to raise that level of  
15 transparency, and it sort of stops at the top, so if  
16 there are any questions that need to be asked, I'm  
17 obviously here to answer them. Unfortunately, I was  
18 unable to attend yesterday due to some prior  
19 commitments.

20 Firstly, yesterday, I did note some  
21 comments about government direction. I just wanted to  
22 be very clear that we, at MPI, have been brainstorming  
23 a number of options with the government as well as  
24 community representatives over the last six (6) weeks.  
25 Some of them have been work-from-home solutions for

1 our staff, handing over COVID testing sites, using our  
2 service centres for COVID testing requirements. The  
3 fifth one was handed over yesterday.

4 We've been heavily involved in  
5 discussions with the union about work sharing  
6 arrangements, et cetera. We've handed over forty-  
7 eight (48) staff to assist shared services when it  
8 comes to their warehousing operations for PPE.

9 We're looking at alternative and  
10 groundbreaking strategies to start driver examinations  
11 again. We'll be doing that in cooperation with  
12 Saskatchewan.

13 And the last, but not least, and the  
14 reason why we are here, is a number of financial  
15 relief proposals that we put forward to government to  
16 try and assist customers through this difficult time.

17 I also want to make note that the MPI  
18 Board, as well as the executive team, remain deeply  
19 committed to being fiscally prudent. Capital  
20 Management Plan and the appropriate MCT targets remain  
21 a very clear focus for us at MPI.

22 Prudence regarding this rebate is  
23 easily reflected through the two (2) months that we  
24 are proposing, and we will not jeopardize the future  
25 financial health of MPI by over-predicting claims

1 results flowing through June, July, and beyond.

2                   Unfortunately, I don't own a crystal  
3 ball. We've used this approach before, and I think  
4 the best example of that could be the use of naive  
5 interest rates through our GRA application.

6                   At this point, I believe that future  
7 savings beyond this current rebate would flow through  
8 the traditional GRA or CMP approach, depending on the  
9 claims results moving forward.

10                   We do appreciate -- back to Kathleen's  
11 point -- we do appreciate the flexibility shown by  
12 this Board, as well as the Interveners in attending  
13 this hearing. These savings could have flowed through  
14 the next GRA with significant rate reductions being  
15 requested, but we have heard through the government  
16 and through our customers that the long -- that the  
17 wider community needs this money in their hands now.

18                   Despite this, they might not receive as  
19 much as they would have if we had gone through the  
20 traditional GRA process, talking mostly here around  
21 the premium taxes that we need to pay on this premium,  
22 as well as the commissions that have already been sent  
23 to the broker community.

24                   The work that we have been doing,  
25 supported by many stakeholders, including the Public

1 Utilities Board, has allowed MPI to be in the strong  
2 financial position we are currently in to apply for  
3 this rebate.

4 As I mentioned yester -- as was  
5 mentioned yesterday, I apologize, I understand the  
6 need for the panel to assess this application  
7 appropriately. We are working on this rebate and the  
8 underlying work as we speak, and we will continue to  
9 do so over the weekend.

10 As mentioned by Mr. Scarfone, if a  
11 verbal order could be issued at the end of this  
12 hearing, i.e., today, we would greatly appreciate  
13 that, with a written order to follow. I would like to  
14 mention that it is not something that is expected, but  
15 if possible, that would be greatly appreciated.

16 Thanks again for your time, and before  
17 I hand over to Steve, again, I would accept any  
18 questions now or throughout the morning, if  
19 appropriate.

20

21 (BRIEF PAUSE)

22

23 THE PANEL CHAIRPERSON: Mr.

24 Scarfone...?

25

1 FINAL SUBMISSION BY MPIC:

2 MR. STEVEN SCARFONE: Thank you, Madam  
3 Chair. Just before I begin, I'd like to thank my  
4 colleague, Mr. Guerra, for helping me put together our  
5 closing presentation. Kristen, if you could advance  
6 to Slide 2. Thank you.

7 So we're here today, Madam Chair,  
8 obviously in the midst of a pandemic, historically a  
9 first and hopefully the last of its kind.

10 At page 4 of the application, the  
11 Corporation asked that these extraordinary  
12 circumstances be considered when assessing the nature  
13 and the content of this application.

14 MPI submits that this Board should not  
15 be tempted to analyse the application like it would a  
16 General Rate Application. MPIC is proposing this  
17 rebate only because there is an ongoing economic  
18 crisis, and the nuances that normally go -- go into  
19 rate setting were not the priority when this  
20 application was put together over the weekend.

21 A 1:100 year event perhaps for DCAT  
22 purposes, but auto insurance we say is, obviously, a  
23 very small part of how this has impacted everyone in  
24 the province, in the nation, of all ages, of all  
25 demographics.

1                   We have heard repeatedly over the years  
2 that the RSR is for unforeseen events and the proposed  
3 rebate would be paid from the RSR, the Rate  
4 Stabilization Reserve, which is Basic's capital  
5 reserve. Seems like a good time to make use of what  
6 the public might perceive as MPIC's rainy day fund.

7                   There are pros and cons to this  
8 application. The pros of course, Mr. Williams  
9 mentioned the perception of a feel-good story, people  
10 getting unexpected money to help buy groceries, pay a  
11 utility bill, et cetera.

12                   But on the other hand, as Mr. Graham  
13 just said, MPIC and all its Basic customers, not just  
14 the motorcyclists, would perhaps benefit more from  
15 rate decreases over the next three (3) years, in part  
16 because it would reduce expenses, lowering commissions  
17 paid to brokers, lowering premium taxes. These  
18 savings are now lost with the proposed rebate. Those  
19 are some of the cons.

20                   But that is not the bigger issue here,  
21 Madam Chairperson. Manitobans need the money today  
22 and not tomorrow. Next slide, please, Kristen.

23                   So MPI did, indeed, enter this pandemic  
24 on strong financial footing. You'll see there that  
25 the Corporation experienced favourable financial

1 performance because of lower than anticipated claims  
2 experience and prudent management of its investments  
3 and operating expenses. So that was before the  
4 pandemic brought this about.

5           The Corporation was anticipating  
6 another rate decrease in October, and the evidence  
7 that we heard yesterday confirms that statement. Mr.  
8 Giesbrecht said yesterday that the capital position of  
9 the Corporation has considerably improved over the  
10 last couple of years. You'll see there that back in  
11 February of 2018, the Basic MCT was at just 44  
12 percent, and then in February 2019 a slight  
13 improvement, until last year it grew up towards 90  
14 percent, and now we hover around 100 percent.

15           And you'll see his last indication  
16 there, that the drop going forward, because the  
17 substance of the rebate is based on claim savings  
18 assumed to happen between that period, that is the  
19 rebate period, he anticipates that the Corporation  
20 will remain in a strong financial position after the  
21 rebate, and that's important.

22           Mr. Johnston reiterated Mr.  
23 Giesbrecht's evidence about the financial position of  
24 the Corporation. He indicated one (1) thing when we  
25 had that initial call. MPI noted that the Board for

1 the first time would see just how good a year MPI had  
2 in '19/'20, as an example. He described it as a  
3 remarkable result, that reported claims were about a  
4 hundred and fourteen million dollars under budget.

5                   So, as I've indicated, Mr. Johnston  
6 said that the Corporation was going to be in a very  
7 good position coming into this year's General Rate  
8 Application, very good results. And while the  
9 pandemic situation was unfortunate, and is unfortunate  
10 for our customers, not so much for the Corporation,  
11 and has actually resulted in even better results.

12                   So Mr. Johnston said we really felt the  
13 need to act, given the amount of monies that we had,  
14 or that we're making from this situation.

15                   We'll see there that the evidence from  
16 yesterday and in the application said that after the  
17 rebate, Basic total earned revenues are projected to  
18 be \$1.116 billion, which is essentially equal to the  
19 compliance forecast that we saw last October. And  
20 beyond '20/'21, revenue forecast reflects the revised  
21 volume and upgrade projections which we will detail in  
22 the upcoming GRA.

23                   It is important to remember that  
24 revised capital amounts, as Mr. Giesbrecht indicated,  
25 are best estimates and subject to change with the



1 audit, but the Extension monies are still going  
2 directly to Basic ratepayers with the proposed rebate.  
3 The Corporation is simply accelerating it via a cheque  
4 instead of a future rate increase.

5                   And that, I might add, Madam  
6 Chairperson, is notwithstanding that there was no  
7 transfer of capital at fiscal year end, the \$75.1  
8 million that was cited in the compliance forecast.

9                   We heard yesterday that the  
10 Corporation's capital, when combined Basic and  
11 Extension, will exceed \$600 million after the rebate  
12 is paid out. And you may recall, I had to ask my  
13 witnesses twice to get that information out of them,  
14 and I think my friend Mr. Williams tried to do the  
15 same thing and I felt his pain because I guess it's  
16 the nature of their -- of their profession. They're a  
17 little reticent to provide that information.

18                   And we heard Mr. Giesbrecht talk about,  
19 well, you know, we haven't really closed the books and  
20 there's still the audit and -- and Mr. Johnston, the  
21 same thing, but when I -- when I pressed them and I  
22 said, you gentlemen can read these pro formas better  
23 than I can, they did confirm that the Corporation's  
24 capital position is forecast to be north of \$600  
25 million after the -- after the proposed rebate, and I

1 would suggest to this panel that that's pretty good.

2           And Ms. McCandless yesterday asked an  
3 important question. She wanted to know what the  
4 Corporation could point to, to give this Board the  
5 confidence that the Corporation can afford the rebate,  
6 because what we don't want to happen, and certainly  
7 what this Board doesn't want to happen, is MPI coming  
8 back in October, or even next October, and saying you  
9 remember that rebate from the spring of 2020, well, we  
10 need that money back; that is not going to happen,  
11 Madam Chairperson.

12           The evidence is that the CMP, the  
13 Capital Management Plan, will continue to work as  
14 presented last year to this Board for approval, and  
15 everyone, all major vehicle classes, will enjoy the  
16 benefit of a rate decrease.

17           Before you the slide reads that:

18                   "Rebating is responsible and  
19                   affordable and it touches upon  
20                   investments."

21           An understandable area of enquiry from  
22 the Board and the Interveners, and that's reflected in  
23 the pre-asks.

24           We are all aware of the current  
25 volatility of the market and -- and what's been

1 described as a bear market. So can the Corporation  
2 afford the proposed rebate? A short answer, yes. And  
3 will investments have to be sold to fund the rebate?  
4 The short answer is no.

5                   The Corporation, I might suggest, is  
6 flush with -- with cash, not colloquially but  
7 literally. The cash position on the ledger, the books  
8 of the Corporation, was arranged in anticipation of  
9 pandemic contingencies, and that's the evidence at  
10 page 10 of the application. The Corporation had the  
11 foresight to do that.

12                   And so I might be so bold as to suggest  
13 from the Board's perspective it would be easy to see  
14 how the Panel members might be impressed with the  
15 manner in which the Corporation has handled its  
16 investments.

17                   Madam Chairperson and Mr. Gabor, and --  
18 and Ms. Hainsworth and Mr. Vanderwater on the  
19 telephone, you're all aware of the recent history, the  
20 asset/liability management study that was done, MPIC  
21 having segregated its portfolios, the decision to  
22 remove growth assets from the Basic portfolio, and now  
23 the bonds that remain have not sustained the kind of  
24 losses that the equities have.

25                   All of this means that when the

1 Government called to enquire about returning money to  
2 Manitobans, MPIC was ready. MPIC did not have to say,  
3 sorry, all our money is tied up in bonds, we'd have to  
4 strip those down, we'd have to sell equities at a  
5 substantial loss.

6 They were ready to return premiums to  
7 Manitobans. So I would suggest that someone somewhere  
8 knows what they're doing on the investment side.

9 And I want to be careful, of course,  
10 when -- when tooting the MPI horn, because markets, as  
11 we know, can be volatile and there has been some  
12 recent criticism directed at MPI for the absence of  
13 return-seeking assets, for hedging inflation risk over  
14 performance. But for today at least, Madam  
15 Chairperson, those decisions are working out well for  
16 MPI and its customers.

17 The rebate aligns with the Capital  
18 Management Plan. The proposed rebate is tantamount to  
19 a capital release under the CMP; that is the evidence  
20 in the application.

21 The monies from Extension, the proposed  
22 monies from Basic are still flowing to the Basic  
23 ratepayers. That is the intent of the Capital  
24 Management Plan. We're doing it now in a more direct  
25 and immediate manner than envisioned under the Capital

1 Management Plan. And so the -- the application speaks  
2 about a pause in the transfer component of the CMP.

3                   The CMP is still working, it's just a  
4 pause in the transfer component from Extensions to  
5 Basic. And that is in order to respond to the  
6 pandemic.

7                   And it's important to remember as well,  
8 Madam Chair, the Capital Management Plan does not  
9 contemplate rebates. MPI thought it would never again  
10 rebate, but here we are, which speaks to the  
11 uniqueness of the situation we're in. And next slide  
12 please, Kristen. Thank you.

13                   The proposed rebate MPI says is fair  
14 and equitable. It is the best option from a list of  
15 non-perfect options.

16                   So if we compare the proposed rebate  
17 rules to an alternative that might include  
18 motorcycles, we run into some decision-making  
19 problems, I would suggest.

20                   And if you have -- Kristen, if you pull  
21 up -- it wasn't brought up yesterday, but there are an  
22 indication at some of the complaints that we expect as  
23 a result of this rebate at pages 24 and 25 of the  
24 application.

25                   So right there, if you scroll back up.

1 Sorry, back down. Right there, problem number 1.

2                   This is where it begins and -- and the  
3 Corporation, as I said, is trying to anticipate some  
4 of the problems that -- that customers might bring to  
5 our attention when the rebate is -- is provided. The  
6 first one being the customer reports not receiving the  
7 rebate cheque.

8                   Number 2, scrolling down, Kristen,  
9 thank you. The customer disputes non-entitlement or  
10 the amount of the entitlement. And that's an  
11 interesting one.

12                   Customer disputing non-entitlement,  
13 well the motorcyclists immediately come to mind,  
14 because as we know from the application, the  
15 Corporation has decided that they aren't entitled for  
16 reasons I'll touch upon shortly.

17                   The second one might be the amount of  
18 the entitlement. We expect there'll be complaints  
19 brought to our attention about that.

20                   Now, I don't fault the media for doing  
21 this, because these are the questions they ask, but  
22 the media has reported that the rebate will be about  
23 \$140 to \$160 per customer.

24                   If the motorcyclists are included, that  
25 amount will go down. And you can bet that there will

1 be a number of complaints about the amount of the  
2 entitlement from the 700,000 customers that we're  
3 expecting between 140 and 160.

4                   And so these are considerations that we  
5 ask the Board to -- to thought -- to think about when  
6 deciding on MPIC's rebate rules and whether they're  
7 fair and equitable. Because as I -- as I've  
8 indicated, the Corporation took what we believe is the  
9 best option from a list of non-perfect options.

10                   And if we can go back to the slide  
11 presentation, Kristen, please. You'll see there that  
12 there's no perfect method of determining who gets the  
13 rebate.

14                   And as it pertains to motorcycles on  
15 the next slide please, Kristen, Mr. Johnston's  
16 evidence yesterday was that no premiums have been  
17 contributed by the motorcyclists. And so it wouldn't  
18 be fair, in his view, to rebate the motorcycle group  
19 when they haven't contributed to the monies that were  
20 received by the Corporation during the rebate period.

21                   So really, the essence of this  
22 application is that claims costs are considerably down  
23 due to the pandemic, and the Corporation has collected  
24 too much premium. But we haven't collected that  
25 premium from the motorcyclists, only from the owners

1 of private passenger vehicles.

2 So in short, Madam Chair, the timing of  
3 this rebate did not work out for the motorcyclists.

4 And there's no evidence that  
5 motorcycles or other seasonal vehicles have  
6 contributed to the COVID-related reductions. That is  
7 the 29 million that we know we save in claims costs  
8 beginning April 15th.

9 And there's no way, as Mr. Johnston  
10 said yesterday, to confirm that a motorcycle policy  
11 will be in force on May 1, which is today. No  
12 justification to find that motorcycles will contribute  
13 to future COVID reductions in this rebate period. And  
14 that's the assumed reduction in claims, beginning  
15 April 15th to May 15th. The second month of the  
16 rebate period.

17 Another important point, and I -- I  
18 expect Ms. Meek will have something to say about this,  
19 but almost all motorcycles are registered as pleasure  
20 use. Ninety percent was the evidence from Mr.  
21 Johnston yesterday.

22 Therefore, there's no impact to them of  
23 not going to work or to school, and it's reasonable to  
24 believe that some motorcyclists will be cancelling  
25 their policy this summer because they need the money.



1                   As stated yesterday by Mr. Johnston,  
2 they may actually have more accidents, with more time  
3 to ride during this pandemic.

4                   Next slide please, Kristen. Thank you.

5                   So, just in closing, the Corporation is  
6 asking that this Board give careful consideration to  
7 the application but grant leave to accept the  
8 application outside the prescribed timeframes, and of  
9 course, Madam Chair, I'm talking about the -- the  
10 Board's ability to make a variation to those orders  
11 beyond the 30 day time period under the -- under the  
12 prescribed time frames.

13                   And -- and the relief that we're  
14 seeking, as I indicated in my opening, is to vary  
15 those directives in the past two Orders to the extent  
16 that they do not require the issuance of rebates.

17                   And -- and just -- just so that you're  
18 clear, because I wasn't, about why the release  
19 mentions both Orders, I'm told that some of the  
20 policies that were -- that the Corporation collected  
21 premiums on beginning March, those rates fall back to  
22 the Order from two (2) GRAs ago. And so we need both  
23 of those Orders varied, to the extent they don't  
24 reference issuing a rebate.

25                   The -- the Order we expect would also

1 direct MPIC to issue the special rebate as indicated  
2 there as a percentage of their annualized premiums for  
3 insurance policies in force and earning premium  
4 beginning on March 15th, 2020. That was the date that  
5 the Corporation picked for the reasons set out in the  
6 applications.

7                   The rebate is equal to \$58 million,  
8 that amount is fixed, as we heard yesterday. And  
9 we've put a date in there by May 31, 2020 or as soon  
10 as can be practically done.

11                   The Corporation says it's just and  
12 reasonable to issue the proposed rebate, and the  
13 methodology that we proposed, including the rebate  
14 rules, are just and reasonable, the best of the  
15 options the corporation considered.

16                   And subject to any questions that the  
17 Panel may have, that's the closing submission for  
18 MPIC.

19                   THE PANEL CHAIRPERSON: Thank you, Mr.  
20 Scarfone and thank you, Mr. Graham.

21                   Questions...?

22                   THE BOARD CHAIRPERSON: Mr. Scarfone,  
23 you raised this issue of the hundred and forty (140)  
24 to a hundred and sixty dollars (\$160). That depends  
25 on a lot of things.

1 MR. STEVEN SCARFONE: It does.

2 THE BOARD CHAIRPERSON: Right?

3 MR. STEVEN SCARFONE: Yes.

4 THE BOARD CHAIRPERSON: Depends on the  
5 kind of vehicle you're driving.

6 MR. STEVEN SCARFONE: Yes.

7 THE BOARD CHAIRPERSON: Depends on the  
8 cost of the vehicle. Depends on the age of the  
9 vehicle. So whether or not motorcycles are involved  
10 in this, people may complain. Because I drive an  
11 eleven (11) year old vehicle, I may get a lower amount  
12 than somebody who -- who gets a -- who drives a newer  
13 vehicle, correct?

14 MR. STEVEN SCARFONE: That's correct.

15 THE BOARD CHAIRPERSON: And a more  
16 expensive vehicle.

17 MR. STEVEN SCARFONE: That's correct.

18 THE BOARD CHAIRPERSON: So you could  
19 be getting -- you could be getting complaints for  
20 whatever reason, expectations raised by the media or  
21 otherwise.

22 MR. STEVEN SCARFONE: I agree with  
23 that, Mr. Gabor.

24 THE BOARD CHAIRPERSON: Okay. You  
25 made the comment that motorcycles may cancel their

1 insurance during the summer?

2 MR. STEVEN SCARFONE: Yes.

3 THE BOARD CHAIRPERSON: People driving  
4 cars may cancel their insurance during the summer as  
5 well.

6 MR. STEVEN SCARFONE: The distinction  
7 there, though, being Mr. Johnston's evidence was 90  
8 percent of these bikes are for pleasure use --

9 THE BOARD CHAIRPERSON: Right.

10 MR. STEVEN SCARFONE: -- which would  
11 suggest that they're a secondary vehicle. So they're  
12 carrying that particular motorcycle on a policy while  
13 having a vehicle, a private passenger vehicle, to  
14 drive.

15 THE BOARD CHAIRPERSON: But that's  
16 merely an assumption you're making. People may decide  
17 they've got two (2) vehicles; they can't afford two  
18 (2) vehicles; they're going to only have one (1) for  
19 the year because they've been laid off or whatever,  
20 correct?

21 MR. STEVEN SCARFONE: That's correct,  
22 and -- and that's why I was careful to say that Mr.  
23 Johnston's evidence yesterday was it's reasonable to  
24 assume that given the economic crisis, that  
25 motorcyclists, some of them, may decide to cancel

1 their policies --

2 THE BOARD CHAIRPERSON: Right.

3 MR. STEVEN SCARFONE: -- in this  
4 economic crisis.

5 MR. BENJAMIN GRAHAM: If I can just --  
6 sorry.

7 THE BOARD CHAIRPERSON: Sorry, yeah.

8 MR. BENJAMIN GRAHAM: Mr. Gabor, if I  
9 can just touch on that. I mean, I -- I own both a --  
10 a private passenger vehicle and a motorcycle. If I  
11 was to cancel one (1) of those policies, it would  
12 obviously be the motorcycle.

13 I -- I think it is a very broad  
14 assumption to say that there's going to be more  
15 cancellations. I think there might be more  
16 cancellations across the board. It's just that  
17 classification as a pleasure usage that means that  
18 they would probably be more inclined to cancel that as  
19 compared to their private passenger vehicle that could  
20 be used for transporting children to events, going to  
21 buy groceries, those types of things. I've tried to  
22 buy groceries on my motorbike before, and I can only  
23 take home a can of baked beans, so I would obviously  
24 have to cancel the motorcycle.

25 THE BOARD CHAIRPERSON: Right. But if

1 you're a -- a household that has two (2) vehicles,  
2 because of the financial situation people find  
3 themselves in --

4 MR. BENJAMIN GRAHAM: They'd be  
5 cancelling a vehicle.

6 THE BOARD CHAIRPERSON: -- may be  
7 cancelling a vehicle.

8 MR. BENJAMIN GRAHAM: Absolutely,  
9 yeah.

10 THE BOARD CHAIRPERSON: Yesterday, Mr.  
11 Scarfone, I raised this issue -- and you used the word  
12 again in yours, which was "timing." And I -- I put  
13 the question -- I believe Mr. Giesbrecht answered --  
14 which was, You've -- you seem to have \$12 million  
15 extra in Extension that normally would have been  
16 transferred to Basic. Because of the year end and --  
17 and numbers still coming in, the money will be -- will  
18 remain in Extension and move towards the current year  
19 --

20 MR. STEVEN SCARFONE: Correct.

21 THE BOARD CHAIRPERSON: -- so it's an  
22 issue of timing. Today's May 1st. If the pandemic  
23 started today, motorcycles would be covered, correct,  
24 because they're within your period?

25 MR. STEVEN SCARFONE: That's correct.

1 THE BOARD CHAIRPERSON: The fact of  
2 when they pay the premiums, the fact that their  
3 liability may have been covered --

4 MR. STEVEN SCARFONE: Would meet both  
5 the criteria.

6 THE BOARD CHAIRPERSON: They meet both  
7 the criteria. Okay, I just wanted to make sure of  
8 that.

9 Those are my questions. Thank you.

10 THE PANEL CHAIRPERSON: Thank you.

11 Ms. Hainsworth, do you have any  
12 questions?

13 MS. CAROL HAINSWORTH (by phone): No,  
14 I have no questions. Thank you.

15 THE PANEL CHAIRPERSON: Mr.  
16 Vanderwater?

17 MR. ROBERT VANDERWATER (by phone):  
18 No, I'm fine. Thank you.

19 THE PANEL CHAIRPERSON: Thank you.

20 I have one (1) question, Mr. Scarfone.  
21 With regards to Figure number 13, which is -- shows a  
22 number of things, but includes the average dollar  
23 rebate for policies in force -- for private vehicles -  
24 - or, private passenger vehicles, it says that the  
25 average rebate is sixty-seven dollars (\$67).

1                   So I'm just wondering where the one  
2 hundred and ten (110) to one hundred and forty (140)  
3 may have come from?

4                   MR. STEVEN SCARFONE:     So the -- the  
5 one hundred and ten (110) -- and it's not in evidence,  
6 so I've -- I ask the Board for -- to consider that.  
7 That was the number that the media reported, and I  
8 don't know if Mr. Graham is able to speak to that  
9 further, but the -- the range that the media reported  
10 per customer was one forty (140) to one sixty (160).

11                  THE PANEL CHAIRPERSON:     Okay, thank  
12 you.   So there -- there is going to be -- it may not  
13 be accurate.

14                  MR. STEVEN SCARFONE:     It may not be  
15 accurate, yes.

16                  MR. BENJAMIN GRAHAM:     I can elaborate  
17 on that, Madam Chairperson.   It was very much an  
18 archaic piece of mathematics that sort of figured out  
19 if it was 110 million, based on the number of  
20 vehicles, here's what it would kind of look like.   I  
21 think the number turned out being one hundred and  
22 fifty-six dollars (\$156), so it was -- it could be,  
23 let's just say one forty (140) to one sixty (160).

24                  And obviously, now, unfortunately, that  
25 might have set some expectations in the market, but



1 we'll have to manage that through an appropriate  
2 communication plan with customers moving forward.

3 THE PANEL CHAIRPERSON: Thank you, Mr.  
4 Graham. Mr. Williams...?

5

6 FINAL SUBMISSIONS BY CAC:

7 DR. BYRON WILLIAMS: Yes, thank you,  
8 and Ms. Schubert, I wonder -- Madam Chair, we did  
9 share a two (2) page document titled "CAC Manitoba  
10 Recommendations and Key Statutory Provisions." It's  
11 not evidence. I'll be speaking to it verbally. I  
12 don't know if you want it as an exhibit or not. I'm  
13 not -- I'm not sure it's necessary, but I'm just  
14 having that brought before you.

15 Before we -- before we start, our  
16 clients certainly want to thank Manitoba Public  
17 Insurance, their board, and their staff for their  
18 really quite impressive efforts, their hard work, and  
19 flexibility in responding so creatively with this  
20 application on a -- on a timely basis.

21 And similarly, our clients have asked  
22 us to thank the Public Utilities Board and its staff  
23 for initiating a transparent, evidence-based, and  
24 independent process on a timely basis. From our  
25 clients' perspective, that is greatly appreciated.

1                   Our clients have three (3) main  
2 recommendations in this matter. First, the Board  
3 should find, pursuant to Section 26(3) of the Crown  
4 Corporations Governance and Accountability Act, that  
5 circumstances have changed substantially, enabling  
6 this application to be brought forward and to review  
7 previous Orders.

8                   And the elements of that substantial  
9 change are the intertwined realities of the COVID-19  
10 pandemic, resulting in social and economic hardship  
11 for many Manitobans and profoundly changing, at least  
12 in the short term, the environment in which Manitoba  
13 Public Insurance works; and secondly, the lower  
14 collision and claims incurred costs experienced by MPI  
15 as a result of the COVID-19 pandemic. In our clients'  
16 views, that is a substantial change in circumstances,  
17 warranting a variation in the previous orders.

18                   Recommendation 2 is that in light of  
19 these substantially changed circumstances, the PUB  
20 should find that it is just and reasonable to review  
21 and vary Orders 159/'18 and 178/'19 and suspend the  
22 application of the Capital Management Plan approved by  
23 the PUB in last year's GRA for fiscal 2020/'21 for the  
24 purposes of issuing to ratepayers a percentage of  
25 their annualized premiums in respect of universal

1 compulsory automobile insurance policies in force and  
2 earning premiums on March 15th, 2020, through a  
3 special rebate in an amount equal to the approximate  
4 sum of \$58 million by May 31st or as soon thereafter  
5 as reasonably practical.

6 Third, relying on its authority under  
7 Section 26(3) of the Crown Corporations Governance and  
8 Accountability Act to respond to substantially changed  
9 circumstances and Section 44 of the PUB Act to grant  
10 such further or other relief in addition to, or in  
11 substitution for, that applied for by MPI, the PUB  
12 should, in our clients' submission, direct Manitoba  
13 Public Insurance to provide monthly filings for the  
14 next four (4) months following the rebate period  
15 regarding the impacts from the COVID-19 pandemic on  
16 MPI -- the -- the -- the documents that Mr. Johnston  
17 spoke of in terms of -- with the one (1) month lag in  
18 our discussion yesterday -- and reserve the authority  
19 to provide further emergency rate relief as is just  
20 and reasonable for the '20/'21 year, including options  
21 such as a further rebate, a credit to customer  
22 account, or other relief, if the evidence warrants it.

23 Before going into our main submissions,  
24 if Kristen could just move on this page just down a  
25 little bit further, and we'll take a look at Section

1 26(3) of the Crown Governance Act.

2                   If you look at it, there's some  
3 important language in this section. It authorizes the  
4 PUB when it's satisfied that the circumstances of a  
5 corporation have changed substantially, it may, on its  
6 own motion -- motion or, in this case, the application  
7 of MPI review an Order made pursuant to this section  
8 and modify the Order in any manner that the PUB  
9 considers reasonable and just in the circumstances.

10                   And that is the primary statutory  
11 vehicle, in our client (sic) submission, in -- in  
12 addition to -- to Section 44 of the PUB Act that  
13 grants the PUB the authority to -- to make this  
14 variation.

15                   Mr. Scarfone spoke eloquently of this  
16 this morning. Our clients do want to spend just a  
17 couple minutes talking about the factual backdrop to  
18 this application, as well as the financial backdrop to  
19 this application.

20                   And of course, the factual backdrop is  
21 a provincial state of emergency related to COVID-19.  
22 And along the -- of which the -- the Board can take  
23 judicial notice. And along with the direct costs of  
24 illness, and in some cases, death, there are profound  
25 related costs in terms of jobs lost, savings depleted

1 -- you can take this down now, Kristen -- and  
2 businesses closed, and an attendant social anxiety for  
3 far too many Manitobans.

4                   And with the state of emergency comes  
5 the reality of social distancing. More people working  
6 at home, some businesses and services being closed,  
7 and kids staying home from school. And the  
8 mathematical consequence of that is that people are  
9 driving less. There are less collisions. There are  
10 lower physical damage claims, with significant  
11 evidence from MPI for the March -- mid-March to mid  
12 April period confirming that. There are dramatic  
13 reductions in -- in physical damage costs, and a  
14 reasonable expectation that Personal Injury Protection  
15 Plan and comprehensive costs will be similarly  
16 reduced.

17                   These two (2) factors alone, the COVID-  
18 19 pandemic and its consequences in terms of hardship,  
19 as well as the lower claims incurred costs as a result  
20 of the pandemic, in the respectful view of our client  
21 (sic), should satisfy the Board that there's been a  
22 substantial change in circumstances.

23                   This Board, of course, is tasked with  
24 looking at the health, the balance between ratepayers,  
25 and the Corporation, not just today, but for the

1 future. And so there is also an essential financial  
2 backdrop to this application.

3                   And if Kristen could pull up figure 10  
4 from page 17 of 27 of the MPI application. Line 3,  
5 the third column in, tells us that the projected  
6 current forecast for Basic total equity at year's end  
7 2021 is in excess of 530 million. And if you go down  
8 to line 15, you'll see that's -- that's even after the  
9 current forecast.

10                   In our clients' view, the overall  
11 health of the corporate -- Corporation is essential  
12 financial context for this application. And the MPI  
13 Basic monopoly, fueled by a very good winter in  
14 '19/'20, and an expected for -- excuse me -- and a  
15 forecasted \$100 million reduction in expected claims  
16 in '20/'21 is projected to have over half a billion  
17 dollars in reserves at year end, even after this  
18 rebate -- this proposed rebate.

19                   And as well, the non-rate -- rate  
20 regulated but de facto Extension monopoly is poised  
21 for another strong year, with projected net income in  
22 excess of \$50 million. And if the Board's looking for  
23 reference to that, that's APF Extension Pro Forma  
24 number 3.

25                   And before our client digs into the

1 details, for just a moment, staying that the high  
2 level, it is a combination of these factors, the  
3 intersection of acute financial dis -- distress for  
4 Manitobans, with significantly improved short-term  
5 financial results for MPI, that convinces our client  
6 that it is important to act, and that MPI is  
7 financially capable of acting.

8                   And it is the overall health of the  
9 Corporation that leaves our client of the view that --  
10 that despite the risks and attendant uncertainty with  
11 -- with the social and economic dislocation of COVID-  
12 19, that it is appropriate and prudent to act.

13                   So if we think of the just and  
14 reasonable evaluation as a balancing act, there is  
15 evidence that consumers are overpaying -- private  
16 passenger consumers are overpaying in the mid March to  
17 mid April time period, and likely to be over to --  
18 paying in the mid April to mid May time period.

19                   And there is evidence that the  
20 returning \$58 million will not materially impair the  
21 overall health of the Corporation given both its  
22 dominance in the Basic and Extension marketplaces, and  
23 high to excessive reserves. And there is an urgent  
24 need to act, given the financial distress that many  
25 Manitobans are experiencing.

1                   Madam Chair and members of the panel,  
2 this is an emergency application, so our clients, like  
3 MPI, will not be digging extensively into the details,  
4 but there are some points that our clients want to  
5 discuss in terms of the forecasting risks relating to  
6 the Corporation, in terms of the reasonableness and  
7 prudence of picking a rate rebate rather than follow -  
8 - following the pathway set out in the Capital  
9 Management Plan, and again, going back to the overall  
10 health of the Corporation, and our clients will also  
11 have a few comments about equity -- equity among  
12 different classes of ratepayers, including  
13 motorcycles.

14                   So in digging into the details and in  
15 modifying Board Order 20 -- or the -- the rate Orders  
16 affecting the rebate, as it considers just and  
17 reasonable, in our clients' view, it is appropriate  
18 still for the Board to apply its long-standing  
19 criteria from Board Order 98/'14.

20                   Take a look at whether the forecasts  
21 are reasonably reliable. Is MPI -- secondly, is MPI  
22 acting in a prudent manner? Keep in mind the overall  
23 health of the Corporation, and -- and test whether  
24 rates are reasonab -- are reasonable and  
25 nondiscriminatory between different classes.



1                   And in looking at these criteria, the  
2 principles that underlie it from the just and  
3 reasonable perspective are the need to balance between  
4 different classes of ratepayers, and between  
5 ratepayers and the Corporation, and to keep in mind  
6 intergenerational equity, to keep in mind today's  
7 consumers, but future consumers.

8                   Turning to forecasting, our client  
9 would identify significant forecast uncertainty  
10 underlying this application in three (3) distinct  
11 ways.

12                   First, there is uncertainty in terms of  
13 the impact of COVID-19 on collisions and claims  
14 incurred costs, especially after the May 15th period.

15                   Secondly, there is forecast uncertainty  
16 in terms of the impacts of COVID-19 on revenues.

17                   And finally, there is forecast  
18 uncertainty in terms of the impact of COVID-19 on  
19 investment income, especially as it relates to  
20 Extension and the road -- rate stabilization reserve.

21                   This hearing is not a referendum on the  
22 asset liability matching program. That conclusion  
23 will not be available to us until many years down the  
24 -- in the future, but it is important to be alive to  
25 forecast uncertainty.

1                   And in terms of forecast uncertainty,  
2 our clients want to speak to claims incurred to start  
3 with. In our clients' respectful view, MPI has done a  
4 particularly impressive job in terms of the grand --  
5 granularity of its physical damage collision --  
6 collision data and analysis for the one (1) month  
7 period from mid-March to April 15th. Very impressive  
8 job on the physical damage side.

9                   There have been some simplifying  
10 assumptions. The assumption of perfect correlation in  
11 terms of the relationship between trends in physical  
12 damage, comprehensive, and the Personal Injury  
13 Protection Plan is oversimplified, but totally  
14 understandable and reasonable given the emergent  
15 circumstances.

16                   So there's great data in terms of  
17 physical damage. There's more uncertainty around the  
18 other elements of that estimate, but it's a very  
19 reasonable and strongly justifiable estimate as it  
20 applies to the mid -- mid March to mid April period,  
21 and certainly very reasonable to infer that same type  
22 of development for -- from mid April to mid May.

23                   The key area of uncertainty with regard  
24 to claims incurred, and Mr. Johnston candidly conceded  
25 this in oral questioning yesterday, it's the period

1 after May 15th, which -- because in MPI's estimates --  
2 and again it's an emergency. We take no issue for the  
3 purposes of this application. We just note it's  
4 uncertain afterwards because their estimates assume --  
5 assume no COVID-19 effect on claims incurred after  
6 that date.

7                   So the assumption that it will be  
8 business as usual on Manitoba roads is reasonable in  
9 the context of the rate -- rate rebate but is  
10 certainly worthy of monitoring to see if Manitobans  
11 are likely to continue to overpay in the '20/'21  
12 results as a consequence of COVID-19.

13                   And as the Premier made clear this  
14 week, the return to normal will be staged and there  
15 will be the possibility of future setbacks, and as the  
16 PUB Chair discussed with Mr. Johnston yesterday, it is  
17 not clear when we will return to normal or to what  
18 degree there will be a new normal.

19                   Manitobans are still being encouraged  
20 to work at home and to practice social distancing, and  
21 to the extent that COVID-19 impacts such as working at  
22 home, school closures, and social distancing extend  
23 beyond May 15th, that is not in the forecast and that  
24 may - underlining the word "may" only - suggest  
25 material opportunities for ongoing positive

1 developments in terms of claims incurred.

2                   Mr. Johnston also candidly confirmed  
3 yesterday the robust capability of Manitoba Public  
4 Insurance to undertake a monthly monitoring of claims  
5 incurred. They've been doing it for some time now,  
6 with a one-month lag.

7                   That is an ordinary course of business  
8 now, at least as we understand Mr. Johnston, and an  
9 expected course of business, and that again gives our  
10 clients confidence that an Order beyond May 15th  
11 asking for monitoring updates in terms of collisions  
12 is both highly feasible and not unduly burdensome to  
13 Manitoba Public Insurance. And frankly, Manitoba  
14 ratepayers deserve that kind of information given the  
15 dramatic change in claims incurred in -- in the mid-  
16 March to mid-April period.

17                   In terms of the estimates underlying  
18 this application, our clients do wish to outline one  
19 (1) other element of conservatism, not in a critical  
20 way, recognizing the -- the emergency, but just to  
21 note that this is also worthy of monitoring as we move  
22 beyond May 15th.

23                   And as Mr. Johnston noted yesterday,  
24 there is a -- historically a positive correlation, a  
25 positive relationship between claims incurred and

1 claims expenses. Again, this is understandable in  
2 light of the emergency application, that claims  
3 expenses for 2020/'21 are currently projected to be  
4 flat, leaving aside accounting judgments, and that  
5 would be inconsistent with Mr. Johnston's  
6 understanding of a positive correlation between claims  
7 incurred and claims expenses. So again, there's  
8 potential for positive development.

9                   From our clients' perspective, this  
10 should not affect the quantum of the rebate. There's  
11 no certainty with that, and there will be a lag, but  
12 it is certainly worthy of monitoring in the months  
13 that follow May 15th.

14                   So those are the two (2) elements of  
15 forecasting from our clients' perspective that are --  
16 tend to be somewhat conservative, not a bad thing in  
17 an emergency circumstance, but we want to flag those  
18 because they raise the possibility for future positive  
19 developments.

20                   On the other side of the ledger, in  
21 terms of where forecasting may be over-optimistic, is  
22 the forecast of flat revenues for the '20/21 year, and  
23 it is clearly a risk that a flat revenue forecast may  
24 be over-optimistic in light of the decline in gross  
25 domestic product related to COVID-19 and the risk that

1 Mr. Graham and Chairperson Gabor were talking about  
2 earlier today of people not insuring as many vehicles  
3 in -- in response to financial circumstances.

4                   So there is a risk that Manitobans may  
5 change their vehicle purchasing patterns or insurance  
6 coverages in response to the economic distress and  
7 uncertainty, and that would tend to pu -- push  
8 revenues lower.

9                   However, there is no evidence of that  
10 before the Board today in the context of this  
11 application, and no evidence to show a decline in  
12 driver insurance patterns to support a reduction in  
13 revenue estimates, and MPI confirms this at page 6 of  
14 27 of its application. Customers to date have  
15 cancelled or reduced coverage on less policies -- less  
16 policies than they did during the weeks of mid March  
17 to mid April 2019.

18

19   (BRIEF PAUSE)

20

21                   DR. BYRON WILLIAMS: Our clients  
22 appreciate learned counsel for MPI's comments about  
23 investment risk, and our clients do see investment  
24 risk as -- as a -- as a risk to Manitoba Public  
25 Insurance. It's always a risk at times of economic

1 uncertainty and volatility. But in the short term  
2 context of this application, the Basic portfolio of  
3 over \$2 billion is comprised entirely of Government  
4 and corporate bonds and unlikely in the short term to  
5 be at material risk, for a couple reasons.

6           First of all, duration mass -- matching  
7 of assets and liabilities materially reduces interest  
8 rate risk. And secondly, bonds are significantly less  
9 volatile, both in terms of -- as compared to equities,  
10 both in terms of downside risk as well as in terms of  
11 upside opportunity.

12           Our clients would note that there is  
13 more forecasting risk and uncertainty in the much  
14 smaller RSR and Extension investment portfolios, but  
15 they are roughly a quarter -- well, the -- they're  
16 significantly smaller than the Basic portfolio, and  
17 you can see that volatility even in the results,  
18 comparing February to March for those portfolios.

19           The Extension portfolios actually --  
20 shown a bit of improvement to March 31st as compared  
21 to February, whereas the -- the RSR has shown a  
22 deterioration, but that evidence is before you as  
23 well. So there is an investment risk but not  
24 primarily related to the Basic portfolio.

25           Our clients are going to leave

1 forecasting risk now, and they've already shared why  
2 they think that it is reasonable and prudent to  
3 provide rate relief in these emergency circumstances,  
4 but under the headline of reasonableness and prudence,  
5 our clients want to discuss why the RSR rebate is  
6 reasonable as opposed to the methodology set out in  
7 the approved Capital Management Plan.

8           As Mr. Johnson confirmed yesterday, and  
9 just to be clear, this is a one-time 50 million -- \$58  
10 million rebate from Basic. It is a capital release of  
11 excess monies now being held in the RSR. So the  
12 question of its reasonableness needs to be asked in  
13 light of the fact that RSR rebates are not  
14 contemplated under the Capital Management Plan and  
15 given the two-year trial approval for that plan by the  
16 PUB.

17           And our client is anxious not to be  
18 distracted by sophistry on this issue. In our  
19 clients' respectful view, the rate rebate plan being  
20 presented is definitely not the Capital Management  
21 Plan. It is distinct from the Capital Management  
22 Plan. It is fundamentally different in three (3)  
23 ways.

24           First, this is the one (1) time -- it  
25 is a one (1) time rate rebate as opposed to rate



1 decreases over a three (3) year period.

2                   Second, all eligible ratepayers are  
3 being paid by cheque at the same time, rather than  
4 having a reduction built into their rates and having  
5 the release of that reduction staggered throughout the  
6 renewal year, as their insurance becomes due.

7                   Third, there was no transfer of excess  
8 reserves from Extension to Basic after the end of  
9 March 20th, and that is a central element of the  
10 Capital Management Plan.

11                   So this is not a tweak to the Capital  
12 Management Plan, this is something that's  
13 fundamentally different. It walks and it talks and it  
14 look a lot like the Rate Stabilization Rebate  
15 mechanism that has been used by the Board successfully  
16 on a periodic basis to return excess returns at year-  
17 end to ratepayers since the early 2000s.

18                   But it does have one (1) important  
19 distinction, even from that traditional mechanism, and  
20 that is that the calculation of excess reserves  
21 includes a recognition that there is an estimated  
22 over-collection of revenues in the current year. A  
23 real-time estimate, almost, of some 58 million.

24                   So it's definitely not the capital  
25 management plan, it's very analogous to the historic

1 rate rebate mechanism which after fiscal year ends  
2 rebated monies to customers with that one (1)  
3 important and creative tweak.

4                   And that is why it's for the purposes  
5 of the Board's Order in -- in our client's view, the  
6 Capital Management Plan has to be suspended for the  
7 specific purpose of issuing the \$58 million rebate.  
8 It's not a tweak. This is something fundamentally  
9 different.

10                   That doesn't mean that it is imprudent  
11 of Manitoba Public Insurance to do so. While its  
12 application is a clear implus -- implicit rejection of  
13 the Capital Management Plan, for the specific purposes  
14 of the COVID-19 emergency, it is not imprudent, it is  
15 not unreasonable.

16                   Rejecting the Capital Management Plan,  
17 suspending it for the purposes of the rebate, is a  
18 good choice and well-justified.

19                   It gets money to consumers within two  
20 (2) months as compared to staggered over three (3)  
21 years. It gets money to consumers all at the same  
22 time when they need it most, rather than staggered  
23 over the insurance year.

24                   And it is an important good news signal  
25 in a time of seemingly unremitting stressful news.

1 And it is also a creative and innovative use of the  
2 historic rebate tool, providing the near real-time  
3 response to a dramatic drop in claims costs.

4                   It should be applauded, but not  
5 characterized as aligned with the Capital Management  
6 Plan. It just ain't, or isn't, to use better grammar.

7                   I should note that while our clients  
8 applaud the innovative use of the rate rebate tool and  
9 the suspension of the rate re -- release process  
10 envisioned under the Capital Management Plans, our  
11 clients do not endorse the MPI choice outside of the  
12 regulatory pro -- process to reject the Capital  
13 Management Plan for 2019/'20, by declining to transfer  
14 excess reserves in Extension to Basic.

15                   They do not support the rejection of  
16 the CMP for 19/20. And by leaving funds in expen --  
17 Extension above the 200 percent MCP, an amount which  
18 is currently estimated to be in the range of \$12  
19 million.

20                   So that, our clients do not endorse,  
21 but they say that that is, again, clear evidence that  
22 we're outside the Capital Management Plan were open.  
23 And that was a unilateral decision, to our clients'  
24 knowledge, and certainly not made in a transparent  
25 regulatory met -- way.

1                   Our client (sic) does concur with MPI  
2 that the funding mechanism for the rebate is prudent.  
3 And it notes that MPI currently does not anticipate  
4 having to liquidate invested funds to support the  
5 rebate, because the rebate is being funded primarily  
6 by cash on hand, as well as by revenues for the mid-  
7 March to mid-May period in which there is a high  
8 degree of confidence due to dramatically lower  
9 collision rates that there will be an excess of  
10 revenues.

11                   So our client (sic) supports and  
12 commends Manitoba Public Insurance for its prudent  
13 approach in terms of anticipating this need and in  
14 responding to it in a way that doesn't force the  
15 liquidation of investment assets at a highly uncertain  
16 time.

17                   Kristen, if we can just go back to  
18 figure 10 for a second, please.

19                   Our clients did talk about the overall  
20 health of the Corporation at -- at the outset of the  
21 comments. And again, these are forecasts that our  
22 clients do want to again point to line 3, the current  
23 forecast of Basic total equity for 20/21, being over  
24 530 million estimated forecast, excuse me. And for  
25 2020/'21/'22 being over 600 million.

1                   And if we could just go down to the MCT  
2 ratios, there you'll see anticipated in those two  
3 years MCT ratios of 130 percent for 2020/21, and of  
4 132 percent for 2020/21/22.

5                   These are extremely healthy level of  
6 reserves and the Board is aware that the level of  
7 reserves in Extension are actually above 200 percent  
8 MCT as well.

9                   And our clients note, as well, that  
10 Extension is forecast to have another good year in  
11 2021 with net income in the range of -- of -- in  
12 excess of 50, 5-0 million dollars.

13                   And looking at the overall health of  
14 the Corporation, our clients would also ask the Board  
15 to keep in mind that it is likely that the target for  
16 unregulated Extension is inflated, given the risks it  
17 faced, due in part both to the absence of competition,  
18 as well as the nature of the insurance risk, including  
19 related to deductibles.

20                   And our clients note the comment by the  
21 PUB in last year's GRA, that the magnitude of  
22 Extension reserves is of concern to the Board.

23                   So from the big picture again, in terms  
24 of the \$58 million rebate, our clients believe that  
25 there is con -- there can be significant confidence

1 that future ratepayers will not be unduly prejudiced.

2 In our clients' view there is a  
3 powerful message in retained earnings, that MPI's  
4 legal monopoly in Basic and defacto monopoly in  
5 Extension is in extremely good shape, with a plausible  
6 con -- conclusion that it is currently over-collecting  
7 as compared to real risks.

8 A rebate now in response to a  
9 substantial change in circumstances is unlikely to  
10 prejudice future ratepayers, materially.

11 It is legitimate, staying on the issue  
12 of risk, to ask: What about a bad winter? And again,  
13 our client (sic) appreciates and thanks Manitoba  
14 Public Insurance for undertaking a 1:100 year scenario  
15 for catastrophic winter experience, which estimated  
16 that would be 158 million.

17 And that scenario analysis suggests a  
18 1:100 winter would still leave Basic total equity in  
19 excess of 370 million with an MTA -- MCT ratio of 91  
20 percent. And that scenario analysis buttresses our  
21 clients' conclusions are not being put unreasonably at  
22 risk by the application.

23 Madam Chair, just a couple more points,  
24 and we want to turn to the appropriate allocation of  
25 the rebate between customer classes.

1                   And obviously the primary issue here is  
2 the dispute between MPI and CMMG, in terms of whether  
3 motorcyclists should receive the Basic rebates. And  
4 at least as our client understands the record, it is  
5 understood that most motorcyclists will be receiving a  
6 rebate from Extension.

7                   But in terms of the Basic rebate, the  
8 views of MPI and -- and CMMG are strongly held and  
9 very different.

10                  Our clients are more agnostic. In  
11 considering the issue and the back and forth between  
12 CMMG and MPI in the discussion yesterday, our client  
13 would observe that the only argument it found per --  
14 at least somewhat persuasive was the suggestion by Mr.  
15 Johnson -- Johnston that he does not have numerical  
16 evidence to conclude whether actual motorcycle claims  
17 and claims incurred in that mid-March to mid-April  
18 period are going up or down.

19                  And he appears to relate this lack of  
20 evidence in part to the fact that 90 percent of  
21 motorcycles are insured as pleasure insurance, which  
22 means their use and risk patterns may differ  
23 materially from private passenger class.

24                  Again, while our client is  
25 significantly more agnostic on the issue than MPI or

1 CMMG, our clients are not opposed to MPI's current  
2 determination -- proposal to determine eligibility at  
3 March 15th, 2020, for policies in force and earning  
4 premiums.

5 CAC Manitoba, still on this point, also  
6 is mindful of the urgency of returning excess reserves  
7 to ratepayers and of -- of avoiding undue delays.  
8 That being the sai -- said, if the PUB decides  
9 differently from what MPI is proposing, and it decides  
10 that it is just and reasonable to have a rebate for  
11 Basic that is more inclusive of motorcyclists, a one  
12 (1) week delay in issuing cheques would be regrettable  
13 but not unreasonable, in the respectful view of CAC  
14 Manitoba.

15 Going back to Mr. Johnston's point,  
16 which I think was point 8 on MPI's slide regarding  
17 this issue, in terms of the absence of evidence  
18 regarding the impact of COVID-19 on motorcycle claims  
19 incurred, if any, our clients' recommendation that the  
20 PUB continue monitoring -- that four (4) month  
21 monitoring period recommended by CAC Manitoba would  
22 provide numbers when we're confident that  
23 motorcyclists are on the road in terms of the impact  
24 on their driving behaviour, collision experience, and  
25 claims incurred.



1                   So that may not be of much solace to  
2 CMMG in terms of our clients' perspective, but that  
3 monitoring period may give important evidence if we  
4 can re -- to the extent that we can get insight in  
5 terms of what's happening outside the May 15th period.

6                   Before concluding its submissions, CAC  
7 wishes to flag its concerns about three (3) specific  
8 communication challenges in the record of this prozee  
9 -- proceeding, which, in its respectful view, are at  
10 risk of being understood (sic) by the public and could  
11 undermine confidence in what, from CAC Manitoba's  
12 perspective, is a prudent and reasoned response to a  
13 substantial change in circumstances based on the  
14 overall health of MPI.

15                   And in making these comments about the  
16 communication challenges, CAC Manitoba wishes in no  
17 way to detract from the dynamic efforts of MPI staff  
18 to develop a flexible and creative response to COVID-  
19 19 or to communicate and coordinate its response with  
20 the elected officials who are leading the emergency  
21 response. So any critical comments that follow are  
22 tempered by our understanding that the primary  
23 motivation was to act prudently and reasonably but in  
24 an expeditious and coordinated manner with government.

25                   The communication challenges that our -

1 - our client flags on the record of this proceeding  
2 relate to language both from the MPI application and  
3 Exhibit MPI Number 4, the board meeting minutes from  
4 April 15th, 2020, respo -- regarding responsibility  
5 for initiating the rate rebate.

6           At the MPI application, page 4, there's  
7 a suggestion that the special rebate application  
8 results from an announcement of the minister of Crown  
9 services. At page 17, line 6 to 7, of the application  
10 is a statement that:

11                   "Rather than applying the Extension  
12 capital transfer, MPI has instead  
13 received government approval [those  
14 words bolded] to immediately rebate  
15 52 million from Extension in May  
16 2020."

17           At Exhibit MPI-4, there is language in  
18 the April 15th, 2020, mem -- mem -- minutes that the  
19 members were supportive, and I'm paraphrasing here, of  
20 -- well, actually, I'm not:

21                   "The members were supportive of the  
22 providing a credit to customers and  
23 excess capital to government."

24           Again, our client (sic) realizes that  
25 this was done in an emergency, done with the best of

1 intentions, and -- and in haste. But these statements  
2 run the risk of creating confusion about the mechanics  
3 of the rebate and about the responsibility for  
4 initiating rate applications under the statutory  
5 framework.

6                   As the evidence confirmed yesterday,  
7 there was no transfer of excess capital to government.  
8 This cheque is coming from MPI from their rebates.  
9 And as reading of the statute makes clear, the  
10 responsibility for determining whether to seek a rate  
11 -- a rate rebate and bring forward an application to  
12 the PUB is that of the MPI board.

13                   MPI is not a government department. It  
14 is a Crown corporation. It is created by statute with  
15 a board, whose fiduciary duty lies to the Corporation  
16 and its ratepayers. So in the respectful view of CAC  
17 Manitoba, it may be helpful for the PUB -- in its  
18 written reasons, if any -- to clarify, as confirmed by  
19 Mr. Giesbrecht yesterday, that the special rate  
20 application results from a direction of the MPI board  
21 with guidance from mana -- management and support of  
22 the minister.

23                   And then we would add this language:

24                                 "And is representative of MPI's  
25                                 contribution to a com -- coordinated

1 response to the emergency led by the  
2 Province of Manitoba."

3 Our clients would like to finish where  
4 they began by acknowledging the leadership of the MPI  
5 board and the creative and hard work of the MPI staff  
6 in developing an evidence-based response to the COVID-  
7 19 emergency in an urgent but responsible manner.

8 Our recommendations, again, are to  
9 suspend the application of the Capital Management Plan  
10 for the purposes of issuing this special rebate; and  
11 to direct MPI to provide monthly filings for the next  
12 four (4) months, consistent with Mr. Johnston's  
13 evidence yesterday; and to reserve the authority to  
14 provide further emergency rate relief as is just and  
15 reasonable as the evidence may suggest or not suggest  
16 in the future.

17 Tha -- subject to any comments, our  
18 clients would end their submissions.

19 THE PANEL CHAIRPERSON: Thank you, Mr.  
20 Williams. Any questions...?

21 THE BOARD CHAIRPERSON: Mr. Williams,  
22 I have a few questions, and they have to do with your  
23 -- I guess they go to the issue of timing and your  
24 recommendation under number three (3) about the  
25 monthly filings and reserve the authority for the

1 board to provide further relief, including options  
2 such as a rebate and credit to customer account.

3                   So I'm trying to work this through. We  
4 asked for monthly filings, and hypothetically, let's  
5 say we get to August 15th, which is a month delay,  
6 thirty (30) day lag. MPI's filed an application, a  
7 GRA, in, as I understand it still, May. We've gone  
8 through an IR process -- or we're in the middle of an  
9 IR process. We get the filings. It appears that  
10 there may be an argument for a rebate -- a further  
11 rebate.

12                   I guess my two (2) question to you are:  
13 Number 1, how do we know they can pay for it? For --  
14 for this one, the evidence was they had \$80 million  
15 cash and they had other liquid assets.

16                   And Number 2, what's the impact on the  
17 GRA because it would seem to me that all of a sudden  
18 your numbers are just changing completely or  
19 significantly? And do we have further rounds of IRs  
20 to deal with amended numbers that occur after a rebate  
21 has been issued? I'm just trying to understand it so  
22 that -- that we can have sort of the most expeditious  
23 but fair process going forward.

24                   MR. STEVEN SCARFONE:     Just before Mr.  
25 Williams answers -- sorry, Mr. Williams -- on -- on

1 your question, Mr. Gabor, on the timing of it, the  
2 Corporation has made Board counsel and the Interveners  
3 aware that the May filing date is now not happening  
4 and that the -- the General Rate Application will be  
5 filed sometime in June, probably towards the end.

6 THE BOARD CHAIRPERSON: Okay. Thank  
7 you. I didn't -- I didn't -- the last word I had was  
8 that we were probably looking at the end of May or  
9 June. Okay, so we're looking at a later period of  
10 time.

11 But can you just provide comments on  
12 that because what we -- we need to provide a level of  
13 comfort to the public that there's a process,  
14 everybody understands the process is a transparent  
15 process?

16 So your comments, please.

17 DR. BYRON WILLIAMS: So the  
18 hypothetical -- I -- I think I've heard, Mr. Chair, is  
19 that if the evidence in August of 2020 suggests that  
20 there is a ongoing dramatic impact on claims in --  
21 incurred, I -- I think that's what I -- I've heard.

22 And I think the question you're asking  
23 is -- one is, how do they pay for it, but secondly,  
24 how does it relate to the GRA process.

25 In our -- in our clients' thinking,

1 there is a question of, first of all, materiality, as  
2 MPI stated yesterday and we would agree with them. If  
3 it's in the 10 to \$20 million range, that's not  
4 something that our clients would be -- that would just  
5 be new -- new information that -- that would inform  
6 the GRA and -- and not necessitate a -- any emergency  
7 response.

8                   If it's material, if it's another 50 to  
9 whatever million dollars, then that may be a different  
10 question.

11                   What our clients would suggest is,  
12 there's a couple of options at that point in time. If  
13 it's really large and the emergency is ongoing, if  
14 there is a second wave, then it would be open for the  
15 Board to do something more emergent, or another option  
16 would be to roll that into the GRA -- the GRA process  
17 and -- and give notice to the parties that among the  
18 options the Board is con -- considering is urgent  
19 relief flowing from the GRA or a resumption of the  
20 capital management process which the Board -- that's  
21 kind of how our clients see that.

22                   One (1) of the considerations would be,  
23 is an emergency rebate actually practical in the sense  
24 of -- or would it be cost prohibitive to MPI in that  
25 they'd have to liquidate assets.

1 I believe the evidence of Mr.  
2 Giesbrecht yesterday in terms of cash was that they  
3 have a range of between sixty (60) and -- and a  
4 hundred and that they would be leaning towards the  
5 upper side.

6 Mr. Chair, that's a very live question  
7 that we -- one can't answer until one sees a  
8 circumstance, but that's kind of how our client (sic)  
9 has been envisioning this working.

10 And from our clients' perspective, we  
11 all hope that things get back to normal May 16th, but  
12 there's something very dramatic that's happened in  
13 rates and there is something in the short term that's  
14 transformed what's going on in Manitoba.

15 Hopefully -- so given that and given  
16 the evidence the Board has before it, it's important  
17 to be alive and to at least be monitoring what's going  
18 on, and especially hearing Mr. Johnston speak  
19 yesterday, that this is now -- MPI has the capability  
20 to do this as the ordinary course of business.

21 Mr. Chair, from our clients'  
22 perspective, we don't see the reporting requirements  
23 having to be unduly onerous. The analysis will be  
24 done by MPI with the one (1) month lag.

25 Mr. Johnston and the MPI executive are



1 honourable people. If they detect that there's still  
2 substantial material changes in claims incurred  
3 experience, we can rely upon them to communicate that  
4 to the Board in a -- a very summary statement.

5 Our client (sic) isn't looking to add  
6 burdens. It's the same kind of reporting we would  
7 expect they would provide to their own management.

8 MR. STEVEN SCARFONE: The Corporation  
9 would consent to that reporting, Mr. Gabor, that  
10 monthly reporting. We have no difficulty providing  
11 that claims experience, monthly net income, during  
12 this time.

13 THE BOARD CHAIRPERSON: Yeah. That  
14 was my understanding from the testimony yesterday.

15 MR. STEVEN SCARFONE: Yeah.

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

18 DR. BYRON WILLIAMS: And we appreciate  
19 that from Manitoba Public Insurance.

20 THE PANEL CHAIRPERSON: Thank you.  
21 Ms. Hainsworth, do you have any questions?

22 MS. CAROL HAINSWORTH (by phone): No.  
23 I have no questions. Thank you.

24 THE PANEL CHAIRPERSON: Thank you.  
25 Mr. Vanderwater...?

1 MR. ROBERT VANDERWATER (by phone):

2 No. I'm fine, thank you.

3 THE PANEL CHAIRPERSON: Okay. Thank  
4 you very much.

5 We'd like to take a break for fifteen  
6 (15) minutes, so if we could come back, please, at 20  
7 to 11:00.

8

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

10 --- Upon resuming at 10:40 a.m.

11

12 THE PANEL CHAIRPERSON: Thank you very  
13 much. Ms. Meek...?

14

15 FINAL SUBMISSIONS BY CMMG:

16 MS. CHARLOTTE MEEK (by phone): Thank  
17 you, Madam Chair. Good morning to the Board, MPI  
18 executives, and other Interveners.

19 Similarly to Our Friends at CAC  
20 (Manitoba), CMMG would like to start off by thanking  
21 the Board and MPI for the efficiency with which this  
22 process has been conducted in order to provide  
23 financial relief to Manitobans during the current  
24 climate.

25 Manitoba Public Insurance has brought

1 an application before this Board requesting an Order  
2 to allow a capital release of funds. These funds have  
3 built up through a significant reduction in collision  
4 frequency and, therefore, claims costs as a result of  
5 the COVID-19 pandemic.

6                   Through the requested wording of the  
7 Order by MPI, the recipients of the rebate have been  
8 limited to those ratepayers with insurance policies in  
9 force and earning premium on March 15th, 2020. The  
10 use of this requirement has the effect of excluding  
11 the motorcycle class from eligibility for this portion  
12 of the rebate.

13                   In the application, MPI cited two (2)  
14 main arguments supporting their position that the  
15 motorcycle class should not be eligible for the  
16 proposed rebate from Basic. The first point MPI made  
17 was that motorcyclists are assumed to not  
18 significantly contribute to the lower claims frequency  
19 during the period from March 15th to May 15th. MPI  
20 supported this idea by pointing out that the riding  
21 season, as defined by MPI, is May 1st to September  
22 30th.

23                   Through the question-and-answer period,  
24 Mr. Johnston acknowledged that temperatures and road  
25 conditions since April 17th, 2020 were sufficient to

1 allow motorcyclists to be safely on the road. CMMG  
2 Exhibit 1 provided a selection of images between April  
3 17th and April 29th of road conditions illustrating  
4 roads were free of ice and snow.

5 CMMG Exhibit 2 demonstrated temperature  
6 highs since April 17th exceeding 11 degrees for the  
7 majority of days. Mr. Johnston acknowledged that  
8 while it was a choice for motorcyclists, he didn't see  
9 why motorcyclists couldn't be riding through that time  
10 period.

11 MPI is attempting to assert that as the  
12 riding season, as defined by MPI, only commences on  
13 May 1st, that MPI has no exposure to risk prior to  
14 that. This is simply inaccurate, as Mr. Johnston  
15 acknowledged that MPI provides insurance to the  
16 motorcycle class with active Basic policies year  
17 round. MPI, therefore, provides a service and covers  
18 claims outside of the riding season.

19 This year, given weather conditions and  
20 road conditions, the opportunity for motorcyclists to  
21 begin riding arose well before May 1st. MPI's  
22 assumption that motorcyclists do not contribute  
23 significantly to the lower claims frequency between  
24 March 1st and May 15th -- or, sorry, pardon me, March  
25 15th and May 15th is not based in fact.

1                   The second argument cited by MPI in  
2 support of their exclusion of the motorcycle class is  
3 that motorcycle premiums are fully earned during their  
4 defined riding season. As explored through the  
5 question-and-answer period, an earned premium is  
6 distinct from the date that the premium is collected  
7 by the Corporation from the insured.

8                   Mr. Johnston acknowledged that MPI's  
9 identification of the riding season and premiums being  
10 earned by MPI during that season is an accounting  
11 decision to match the recognition of revenue with the  
12 timing of the incurred loss, or in other words, to  
13 charge premiums when the exposure occurred.

14                  Mr. Johnston acknowledged that the  
15 riding season, as defined by MPI, upon which MPI earns  
16 premium, is not representative of the term of coverage  
17 for motorcycles within enforced policy.

18                  Mr. Johnston acknowledged that  
19 motorcyclists pay premiums outside of the earning  
20 period. The period upon which motorcycles earned  
21 premium is simply an accounting methodology used by  
22 MPI. It is not an accurate representation of the  
23 riding season for the motorcycles or for the period  
24 for which motorcycle premiums are actually paid by  
25 insured.

1                   Further, it is clear that premiums not  
2 yet being earned for the period in question by the  
3 motorcycle class is not sufficient to exclude a class  
4 from eligibility for the rebate, as Mr. Johnston  
5 confirmed that premiums for the private passenger  
6 class have not yet been earned up to and including May  
7 15th, 2020.

8                   Mr. Johnston, throughout his  
9 examination, repeatedly raised the point that a  
10 significant portion of motorcycle premiums are insured  
11 as pleasure vehicles as a reason why the vehicle class  
12 should be excluded. This point was additionally  
13 brought up by Mr. Scarfone in his submissions this  
14 morning.

15                   During the question-and-answer period,  
16 Ms. McCandless questioned Mr. Johnston, though, and  
17 con -- he confirmed that the proposed rebate by MPI  
18 would be covering private passenger vehicles insured  
19 under pleasure coverage. This clearly, then, does not  
20 represent a reasonable reason to exclude the  
21 motorcycle class.

22                   This year, motorcyclists are able to be  
23 driving much earlier than May 1st, and those with  
24 Basic policies were paying premiums that were in force  
25 as of March 15th. MPI provides full coverage to those

1 motorcyclists with Basic policies held as of March  
2 15th, 2020, and those policyholder -- holders will  
3 have contributed to the reductions in claims, and  
4 therefore contributed to the excess capital now held  
5 by MPI.

6 MPI's internal accounting methodology,  
7 which determines when premiums are deemed as profit,  
8 is not a sufficient reason to prohibit a major class  
9 from eligibility to the proposed rebate.

10 MPI has justified the proposed rebate  
11 by likening the rebate to a release of funds through  
12 the Capital Management Plan. As explored through the  
13 question-and-answer period, the Capital Management  
14 Plan allows for a capital relief where the RSR exceeds  
15 100 percent MPT. The Capital Management Plan allows  
16 the excess capital to flow back to ratepayers, usually  
17 in the form of future rate decreases.

18 Due to the negative economic impacts of  
19 the COVID-19 pandemic, MPI has suggested to the Board  
20 that it is just and reasonable that the relief to  
21 Manitobans be expedited by way of special rebate. MPI  
22 suggests that the Board, instead of distributing the  
23 rebate in the form of reduced premiums, that the MPI  
24 issue to ratepayers a lump sum payment calculated as a  
25 percentage of their annualized premiums.

1                   Mr. Johnston was able to confirm during  
2 the question-and-answer period that had the normal  
3 process been followed to allow a relief from the CMP  
4 through a reduction in premiums, that the reduction  
5 would have applied across all major classes. The  
6 motorcycle class would, therefore, have benefitted  
7 from the reduction in premiums.

8                   While I appreciate Ms. -- this morning,  
9 Mr. Williams suggested that the proposed rebate is not  
10 comparable to a CMP release, he equated the current  
11 rebate with a previous rebate mechanism for past GRAs.  
12 While I'm not familiar with the mechanisms of previous  
13 rebates, I would submit that where a previous rebate  
14 will be calculated from savings accrued over a year  
15 and equally dispersed to ratepayers, the same argument  
16 would apply.

17                   CMMG, through a number of pre-asks,  
18 requested MPI's confirmation that there would be no  
19 additional cost to provide the rebate to the  
20 motorcycle class as requested for the private  
21 passenger class. Mr. Johnston indicated that there  
22 would not be a massive cost, but noted that there may  
23 be delays of up to one (1) week where different  
24 queries were required.

25                   Upon further questioning by the Board,



1 Mr. Johnston and Mr. Giesbrecht provided differing  
2 estimates of possible delays.

3           What was clear from Mr. Johnston is  
4 that any insured receiving a rebate under the  
5 Extension would also similarly receive a rebate under  
6 Basic, and therefore, no additional cheques or  
7 additional costs for mailing would be incurred.

8           CMMG would recommend that where the  
9 delay would be up to one (1) week, that delay would be  
10 just and reasonable in the circumstances.

11           Mr. Scarfone, on re-direct, pointed out  
12 that by including the motorcycle class the rebate due  
13 to the 700,000 insured already qualified the re -- for  
14 the rebate, would have their rebate reduced.

15           While CMMG acknowledges that there  
16 would be a reduction in the rebate for other insureds,  
17 CMMG proposes that the rebate should be equally and  
18 fairly distributed to all vehicle classes, rather than  
19 the detriment of one class over another.

20           Further, Mr. Scarfone this morning  
21 suggested that motorcyclists may cancel their  
22 insurance before the riding season.

23           If we have a look at Exhibit 5, MPI  
24 Exhibit 5, I don't know if we're able to pull that up,  
25 Kristen? Thank you. If we just scroll down to the

1 chart.

2                   This was information provided by MPI  
3 recording the number of cancellation policies. And as  
4 you can see, the numbers in 2020 are actually  
5 significantly less than those numbers in 2019.

6                   It appears then that motorcyclists are  
7 not cancelling their insurance and they are down from  
8 -- significantly from last year. Therefore, I would  
9 submit that the numbers do not suggest the trend that  
10 supports MPI's position.

11                   Finally, MPI pointed out that the media  
12 has reported on certain numbers to the public of -- in  
13 the range of 140 to \$160 on average as a rebate.

14                   As pointed out by Madam Chairperson,  
15 these numbers are already clearly inaccurate and  
16 should not discourage the Board from ordering a rebate  
17 that would differ from the reported numbers.

18                   As I understood from Mr. Williams'  
19 submissions this morning, he suggested that future  
20 monitoring could be a benefit to allow the possibility  
21 of accommodation where reductions and collisions are  
22 reported during the period after May 15th.

23                   While CMM -- CMMG supports the  
24 proposition that monitoring continue after that date,  
25 CMMG would request that the Board note future releases

1 in terms of reduction and premiums will fail to  
2 compensate ratepayers in the motorcycle class during  
3 this period of economic uncertainty and will not help  
4 to discourage future cancellations of motorcycle  
5 coverage this year.

6                   While CMMG supports MPI's proposal that  
7 the COVID-19 pandemic presents a pressing and unique  
8 situation which demands an efficient response, it is  
9 the position of CMMG that any rebate must be fair and  
10 equitable across all vehicle classes.

11                   MPI's reasoning for excluding the  
12 motorcycle class is inconsistent with other vehicle  
13 classes, and does not accord with the intention of the  
14 proposed rebate.

15                   CMMG supports MPI's application to vary  
16 Board PUB Orders 159/'18 and 176/'19, but CMMG  
17 recommends that the wording of the Order be modified  
18 to allow the motorcycle class to be included in the  
19 proposed rebate.

20                   Subject to any comments, that concludes  
21 the submissions.

22                   THE PANEL CHAIRPERSON: Thank you very  
23 much, Ms. Meek.

24                   Mr. Gabor...? Ms. Hainsworth, do you  
25 have any questions?

1 MS. CAROL HAINSWORTH (by phone): No,  
2 I do not have any questions, thank you.

3 THE PANEL CHAIRPERSON: Mr.  
4 Vanderwater...?

5 MR. ROBERT VANDERWATER (by phone):  
6 No, thank you.

7 THE PANEL CHAIRPERSON: Okay, thank  
8 you very much.

9 Mr. Unfried, do you have any  
10 submissions to make?

11

12 FINAL SUBMISSIONS BY IBAM:

13 MR. CURTIS UNFRIED (by phone): I --  
14 yes, good morning. I just have a -- a brief  
15 submission that I'd like to make on behalf of IBAM.

16 At the outset, I too would like to  
17 thank the Board and -- and all members for appearing  
18 during this unprecedented time. I'd also like to  
19 thank Ms. Schubert for her assistance yesterday in  
20 guiding me through the dial-in process. I was in  
21 attendance yesterday, albeit on a 10 second delay. So  
22 I thank her for assisting me with that so I -- I'm on  
23 time in real time today.

24 As Ms. Hamilton, Ms. Hainsworth, and  
25 Mr. Gabor will recall from the General Rate

1 Application in October, I welcomed Mr. Vanderwater.  
2 IBAM has over 2,000 members. It's represented in over  
3 three hundred (300) store fronts, approximately one  
4 hundred and twenty (120) communities across Manitoba.  
5 Collectively they employ twenty-six hundred (2,600)  
6 people.

7 IBAM is focussed on ensuring the  
8 consumer is knowledgeable and informed about all of  
9 their -- all of their choices, including their  
10 exposures and risks when it comes to the purchase of  
11 auto property and commercial insurance.

12 When I appeared before the Board in the  
13 fall, I was the -- you know, essentially the new kid  
14 on the block. I hope Mr. Scarfone isn't too excited  
15 by that comment because I know he's always wanted to  
16 be in a boy band.

17 But on a serious note, I quickly  
18 learned of the work that goes into this process. Like  
19 Mr. Williams and the others, I'd like to thank MPI and  
20 the Board and its staff again, and all counsel for the  
21 unprecedented efforts, including Ms. McCandless, Mr.  
22 Watchman, Ms. Dilay, Mr. Williams, and Ms. Meek in  
23 responding to MPI's application.

24 Collectively they've -- they've  
25 identified the issues that have been raised before

1 you, and it's evident to IBAM that the interests of  
2 consumers are being protected by way of this rebate.

3                   As Mr. Grant Wainikka, the CEO of IBAM  
4 was recently quoted in the Winnipeg Free Press, he  
5 said premiums continue to go into MPI and they're not  
6 paying out claims.

7                   Brokerages on a daily basis are hearing  
8 from families, from people, from businesses that are  
9 really up against it financially, they're trying to  
10 make payroll and trying to make rent. Anything that  
11 the provincial government can do to support that,  
12 we're very happy to see.

13                   And I -- I can't sum it up any better  
14 when it comes to the -- the need and the reasoning for  
15 this particular rebate.

16                   Given the role that -- given the fact  
17 that the role of brokers was not raised, it was  
18 ultimately determined that there was no need for IBAM  
19 to file materials, given that the interests of  
20 consumers have been -- have been protected.

21                   I -- I should add as well that although  
22 IBAM has been largely watching from the sidelines for  
23 the purposes of this application, its member brokerage  
24 is our community communicating insurance options to  
25 consumers, notably with regard to vehicle

1 classifications and storage options.

2 In fact, IBAM has run various  
3 advertisements in Winnipeg and throughout rural  
4 Manitoba, including media and print advertising.

5 And I know that one (1) ad in  
6 particular that I'll -- I'll just simply read the --  
7 the content of it. It says:

8 "When your insurance needs change,  
9 contact us. It's normal to ask  
10 questions about your insurance right  
11 now. Your local broker is here to  
12 support you with the advice and  
13 solutions you're looking for. One  
14 conversation today, could you give  
15 some -- it could give you some peace  
16 of mind for tomorrow, we're just a  
17 click or a call away."

18 And it provides IBAM's website where  
19 they could find -- consumers can find the location of  
20 their nearest broker.

21 This campaign is designed to encourage  
22 consumers to think about their own insurance needs,  
23 including vehicle needs, that may have changed as a  
24 result of the pandemic, and to contact their brokerage  
25 for review.

1                   In addition to that, the Canadian  
2 Insurance Broker's Association, of which IBAM is a  
3 member, has been running a significant number of  
4 television spots highlighting the importance of proper  
5 insurance for both home and auto, which we're just  
6 concerning ourselves with auto here today. But we  
7 understand that they will continue to run these  
8 advertisements, again given this unprecedented  
9 situation we find ourselves in, and to ensure that the  
10 consumer's needs are properly gi -- covered.

11                   At the end of the day, IBAM is  
12 supportive of the re -- rebate on an emergency basis.  
13 Of course, there's a possibility of a slight delay and  
14 as others have stated, if that does occur it's  
15 unfortunate, but you know, at the end of the day the  
16 fact that the monies are going to be going back to  
17 Manitobans is -- is seen as a -- obviously a positive.

18                   And ultimately the rebate will not  
19 affect the financial stability of MPI and is in the  
20 best interests of Manitobans. So again, IBAM is  
21 supportive of -- of the rebate and obviously the  
22 sooner the better.

23                   So subject to any questions you may  
24 have, that concludes my submissions.

25                   THE PANEL CHAIRPERSON: Thank you, Mr.



1 Unfried.

2 Mr. Gabor...? Ms. Hainsworth, do you  
3 have any questions?

4 MS. CAROL HAINSWORTH (by phone): No  
5 questions, thank you.

6 THE PANEL CHAIRPERSON: Mr.  
7 Vanderwater...?

8 MR. ROBERT VANDERWATER (by phone): No  
9 questions, thank you.

10 THE PANEL CHAIRPERSON: Thank you.  
11 Ms. McCandless...?

12 MS. KATHLEEN MCCANDLESS: Nothing from  
13 me, thank you.

14 THE PANEL CHAIRPERSON: Thank you.

15 This concludes the '20/'21 -- I'm  
16 sorry. Mr. Scarfone...?

17

18 REPLY BY MPI:

19 MR. STEVEN SCARFONE: That's all  
20 right, Madam Chair. I often forget that I get to  
21 reply when I'm in court. But Mr. Graham reminded me,  
22 do we get to talk again? And so, we do.

23 But I will only, as the rules say,  
24 touch upon things that we couldn't have anticipated.

25 Let me begin with Mr. Williams. One

1 (1) of his recommendations was that this Board suspend  
2 the application of the Capital Management Plan for the  
3 fiscal year 2020/'21. I didn't hear, I don't believe,  
4 a reason for doing that. I don't know that it matters  
5 much, but just be careful about that, I would suggest,  
6 because next year in March 31, 2021, as we've set out  
7 in the application, we fully expected that there would  
8 be a transfer of excess capital in Extension to the  
9 benefit of the Basic ratepayers. And next year, that  
10 transfer represents Year 2 of the trial period.

11 And so if we are -- we're in a pause of  
12 the transfer this year because of COVID, and -- and we  
13 have a suspension next year, essentially, we've done  
14 away with the two (2) year trial period of the CMP.  
15 And we want to see how that works for our ratepayers.  
16 So be careful when -- when considering that particular  
17 recommendation.

18 On the motorcycle front, I'm -- I -- I  
19 would only add that ultimately, Madam Chair, this  
20 Board need only concern itself with one (1) thing, and  
21 that is doing what's just and reasonable in all the  
22 circumstances, and in particular, the circumstance of  
23 this application. And returning monies to a class of  
24 vehicle owners that haven't paid premiums is not just  
25 by any measure; in fact, it represents a windfall for

1 that motorcycle class.

2           And -- and so we are here today for one  
3 (1) reason: simply put, there's been a reduction in  
4 claims. And the motorcyclists have not made any claims  
5 in the rebate period. And so I know Ms. Meeks (sic)  
6 points to that figure, but it's important, when  
7 looking at that figure on cancellation of policies --  
8 and -- and Mr. Gabor asked me about that -- none of  
9 those weeks fall within the riding period.

10           So right now, none of those motorcycle  
11 owners are being asked to pay anything. The  
12 cancellations may dramatically change once they have  
13 to reach into their wallets and start paying premiums.  
14 But the -- but the evidence was clear from Mr.  
15 Johnston yesterday that they made no contribution  
16 whatsoever, and so a return of monies to the  
17 motorcycle class wouldn't be just.

18           As I've indicated, we agree on the  
19 recommendations of the CAC on the -- on the claims  
20 monitoring piece and believe, aside from this hiccup  
21 that we're here on today, that the Capital Management  
22 Plan should carry on unfettered to allow the  
23 Corporation to transfer excess monies as it sees fit.

24           And those are all the -- the comments  
25 I'm going to make in reply.

1 THE PANEL CHAIRPERSON: Thank you, Mr.  
2 Scarfone.

3 THE BOARD CHAIRPERSON: Sorry --

4 THE PANEL CHAIRPERSON: Mr. Gabor...?

5 THE BOARD CHAIRPERSON: -- Mr.  
6 Scarfone, I -- I just want to get clear in my mind.  
7 You made the comment "they haven't paid the premiums."

8 MR. STEVEN SCARFONE: Yes.

9 THE BOARD CHAIRPERSON: Okay. My  
10 understanding is they paid premiums, but they're not  
11 earned premiums --

12 MR. STEVEN SCARFONE: Correct.

13 THE BOARD CHAIRPERSON: -- because the  
14 way Manitoba -- MPI does its accounting. I mean, they  
15 pay premiums throughout the year. If there's -- as I  
16 understand it, if, for example, they are in an  
17 accident, they have insurance coverage because they've  
18 paid the premiums. But the issues is this definition  
19 of earned premiums. Is that correct?

20 MR. STEVEN SCARFONE: My understanding  
21 -- from Mr. Johnston's evidence yesterday, anyways --  
22 was that during that riding period that we've  
23 identified is -- is the period of time -- depending on  
24 how the customer wants to align their payments, is the  
25 period of time that the motorcycle customers will

1 actually pay their premiums. And so Mr. Johnston  
2 equated payment of premiums to earning premiums. He  
3 said they're essentially the same thing, if you look  
4 back at his evidence.

5 THE BOARD CHAIRPERSON: Well, but Mr.  
6 Graham, if you're riding your motorcycle on Aug --  
7 April 20th, and you have an accident, do you have  
8 coverage?

9 MR. BENJAMIN GRAHAM: Yes.

10 THE BOARD CHAIRPERSON: Okay.

11 MR. BENJAMIN GRAHAM: But I'll -- I'll  
12 --

13 THE BOARD CHAIRPERSON: Because you  
14 paid premiums towards --

15 MR. BENJAMIN GRAHAM: I'll -- I'll --

16 THE BOARD CHAIRPERSON: -- coverage  
17 that --

18 MR. BENJAMIN GRAHAM: -- interpret the  
19 --

20 THE BOARD CHAIRPERSON: Okay.

21 MR. BENJAMIN GRAHAM: Basically, I'm -  
22 - I'll use myself as an example. My renewal is due in  
23 the end of July. I pay my annual premiums for both my  
24 motor vehicle, my private passenger vehicle and my  
25 motorcycle. But MPI does not earn that premium -- or,

1 for a better term, the payment of that premium is not  
2 recognized by us -- until May 1st. So the money can  
3 sit there, but we're not earning it because the claims  
4 don't start coming in.

5                   And again, it's that -- that  
6 recognition of premiums matching the claims exposure,  
7 and at this point in time, we haven't had any claims  
8 by motorcyclists. We -- we haven't had them to match  
9 against that premium earning. That's all we're  
10 saying.

11                   THE BOARD CHAIRPERSON:     Okay.

12                   MR. STEVEN SCARFONE:     Yeah, and you'll  
13 recall, Mr. Gabor, that -- I thought it was helpful.  
14 Mr. Johnston yesterday provided some historical  
15 context about how this came about with the motorcycle  
16 group in -- in -- in collaboration with the CMMG and -  
17 - and that they changed the system because the  
18 customers -- it -- it wasn't a system that was  
19 palatable to the motorcyclists. So this is the --  
20 this is the way that they've now done it for these  
21 seasonal riders.

22                   THE BOARD CHAIRPERSON:     Okay. Thank  
23 you.

24                   THE PANEL CHAIRPERSON:     Thank you.

25                   This now concludes the '20/'21 Manitoba

1 Public Insurance Corporation Special Rebate  
2 Application Hearing. On behalf of the Board panel, I  
3 would like to thank everyone for their cooperation  
4 throughout this hearing. This includes the CEO of  
5 MPI, Mr. Graham; MPI witnesses Mr. Johnston and Mr.  
6 Giesbrecht and their counsel Mr. Scarfone, Mr. Triggs,  
7 and Mr. Guerra; the Interveners and their respective  
8 counsel -- for the Consumers' Association, Mr.  
9 Williams and Ms. Dilay; for CMMG, Ms. Meek; and for  
10 IBAM, Mr. Unfried; secretary of the Board, Dr. Darren  
11 Christle; and our document manager, Ms. Kristen  
12 Schubert; secre -- Ricardo Ratan (phonetic), who  
13 provided technical assistance for the virtual hearing;  
14 our court reporter, Digi-Tran, including Donna  
15 Whitehouse and Ms. Wen -- Wendy Woodworth; our  
16 advisers Mr. Cathcart, Mr. Pelly, and Mr. Man --  
17 Manktelow; and our counsel Ms. McCandless and Mr.  
18 Watchman.

19                   The Board also appreciates the members  
20 of the public who took the time to follow the  
21 proceedings via our live streaming on the PUB website.

22                   The Panel will be meeting to deliberate  
23 following this hearing, and we'll make our final  
24 determinations on the matter before us. Our decision  
25 will be communicated by counsel, with detailed reasons

1 to follow.

2                           This concludes our hearing. Thank you  
3 very much.

4

5 --- Upon adjourning at 11:07 a.m.

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8 Certified Correct,

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13 Donna Whitehouse, Ms.

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