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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE
2008 GENERAL RATE APPLICATION

Before Board Panel:

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

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 5th, 2007
Pages 514 to 708

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1 --- Upon commencing at 9:07 a.m.

2

3 THE CHAIRPERSON: Good morning everyone.
4 Mr. McCulloch, I believe you have something for us.

5 MR. KEVIN MCCULLOCH: Yes, Mr. Chairman,
6 there were four (4) pre-asks submitted by the Board. We
7 have responses to those four (4) pre-asks and I'd like to
8 file them now as exhibits.

9 Pre-ask number 1, I believe is MPI number
10 13; Pre-ask number 2, MPI-14; pre-ask number 3, MPI-15;
11 and pre-ask number 4, MPI-16.

12

13 --- EXHIBIT NO. MPI-13: Pre-ask 1

14

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16

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18

19 --- EXHIBIT NO. MPI-16: Pre-ask 4

20

21 MR. KEVIN MCCULLOCH: And I believe Mr.
22 Barron has copies for distribution.

23 THE CHAIRPERSON: Thank you very much.
24 Ms. Everard...?

25

1 MPI PANEL, Resumed:

2 BARRY GALENZOSKI, Resumed

3 OTTMAR KRAMER, Resumed

4 DON PALMER, Resumed

5 MARILYN MCLAREN, Resumed

6 WARD KEITH, Resumed

7

8 MS. CANDACE EVERARD: Thank you, Mr.

9 Chairman --

10 MR. DON PALMER: Excuse me, Ms. Everard.

11 I just want to go back to something -- a discussion that
12 we had in yesterday's Hearing.

13 We were talking about the existence or
14 non-existence of a clear model for motorcycles. And
15 after -- after the Hearing was concluded yesterday, Mr.
16 Pelly and I had a bit of a discussion regarding that --
17 that model or lack of model.

18 I have had a discussion with the Insurance
19 Bureau of Canada this morning and they have confirmed
20 that there is no motorcycle clear model.

21 What I stated on the record regarding
22 their list of differentials which was put together in
23 about 1986 I believe, and has been filed with this Board
24 probably two (2) or three (3) times in -- in response to
25 questions from the CMMG is still what they are using as

1 their list of differentials.

2 It has not been updated. In my discussion
3 with Mr. Tobachnik (phonetic) of Insurance Bureau of
4 Canada this morning, that is on their to-do maybe list
5 for some time in the future. It has been on their to-do
6 maybe list for probably a period of ten (10) years, so I
7 wouldn't hold our breath too much to have that model
8 updated in -- in the near future.

9

10 CONTINUED CROSS-EXAMINATION BY MS. CANDACE EVERARD:

11 MS. CANDACE EVERARD: Thank you for
12 clarifying that. I appreciate it. Moving on then with
13 the anti-theft area I just want to summarize a little bit
14 of what we talked about yesterday.

15 We went through the history of the
16 Immobilizer Program and the -- the various stages that
17 that has seen over the last couple of years. So if I
18 understand the evidence correctly, as it stands now there
19 is a list in place that the Corporation has created that
20 consists of what we call the MAR vehicles that are --
21 have odds of theft up to one (1) in sixty (60). Those
22 vehicles are subject to Government regulation requiring
23 immobilization, either prior to insurance renewal, after
24 a theft or attempted theft or upon being brought into the
25 province from elsewhere.

1 The remainder of the list are vehicles
2 with odds of theft up to one (1) in one hundred (100) and
3 the -- those additional vehicles are what we call the
4 voluntary group that can choose to be immobilized under
5 the free program if they so desire.

6 And then in addition to that, it's my
7 understanding that the -- the basic or the original
8 immobilizer offer of half financing is still available to
9 everyone else that is not on the list and that does not
10 have immobilization.

11 Is that all correct?

12 MR. WARD KEITH: That's all correct.

13 MS. CANDACE EVERARD: Thank you. So if I
14 could ask you to turn to Tab 30 of the book of documents,
15 this is the answer to question 31 posed by the Board in
16 the second round. And in particular I'd ask you to turn
17 to the table that's attached to the IR response.

18 Looking, first of all, at the -- the first
19 two (2) columns at the extreme left -- and I appreciate
20 that there's an explanation in the narrative part of the
21 answer that relates to these -- but could you explain for
22 the record the difference between the two (2) columns
23 that are entitled "MAR 2 Rank" and "MAR 1 Rank"?

24 MR. DON PALMER: The -- MAR 1 was the
25 original most at risk list that was developed based on

1 2003 to 2005 data. That was then updated with 2004 to
2 2006 data and so the rankings changed a little. Again,
3 developed using Winnipeg and commuter data.

4 MS. CANDACE EVERARD: Thank you. Now I
5 note that at the -- the far right hand column on the
6 table, is the heading, "Mandatory M or Voluntary V", and
7 I take it that that column designates whether a vehicle
8 on a particular line is in the mandatory group that I
9 described a minute ago, or the voluntary group, is that
10 right?

11 MR. DON PALMER: That's correct.

12 MS. CANDACE EVERARD: Now I note that if
13 you look on page 3 of 4, where about a third of the way
14 down the page, the -- the list of constant Ms in that
15 column stops, and it -- it switches to Vs, which one
16 would expect, based on the one (1) in sixty (60) and one
17 (1) in a hundred (100) odds of theft categorization.

18 Can you explain for the Board why though
19 there are some Ms that appear on the list interspersed
20 with -- with the Vs? And there are some on the following
21 page, as well.

22 MR. DON PALMER: Sure. Once -- from our
23 original list, that was deemed to be all mandatory. Once
24 a mandatory, always a mandatory, so even though that
25 there was some -- some shuffling in the -- certainly in

1 the transition as you point out, sort of in that one
2 forty (140) to one sixty (160) range, there are -- is a
3 little bit of movement within changes from MAR 1 to MAR
4 2. so since they were included in the MAR 1 list, they
5 are continued to be mandatory.

6 I will also direct your attention to page
7 4 of 4. There are a number of vehicles in there that
8 disappeared from the list -- from MAR 2 list entirely.
9 When we compiled the MAR lists, they were a subset of a -
10 - a list of the five hundred (500) most registered
11 vehicles, which makes up about 89 percent of our -- our
12 fleet.

13 So vehicles that hav -- there are two (2)
14 or three (3) vehicles registered in the province -- would
15 never make any list. In a difference between the MAR 1
16 and the MAR 2 list, there were some vehicles which didn't
17 have the adequate numbers to make the top five hundred
18 (500) list. But again, once -- once on the MAR list,
19 always on the MAR list. And those ones show up -- at the
20 end you'll note that the MAR 2 rank is listed as not
21 available, and that's why.

22 But again, once they've been on that list,
23 they will forever be on the list.

24 MS. CANDACE EVERARD: Thank you. One (1)
25 other point for confirmation; the list that we're looking

1 at, can you confirm that this applies only to territories
2 1 and 5?

3 MR. DON PALMER: That's correct.

4 MS. CANDACE EVERARD: Now at Tab 26 of
5 the book of documents there a --

6 MR. DON PALMER: There was a Information
7 Request looking for data on the other territories in the
8 second round. That data had not been compiled when we
9 filed the second round questions. I am told that it will
10 be filed before the end of this Hearing.

11 MS. CANDACE EVERARD: Thank you. Turning
12 to Tab 26 of the book of documents, this is the response
13 provided to the Board's question, 48, in the first round.
14 And it's set out at the bottom of page 1 of that
15 particular response, that:

16 "The Corporation has a limit -- has
17 eliminated [pardon me] the term 'most
18 at risk' from this year's report."

19 Although I appreciate we've been using
20 that language still in the Hearing.

21 The second sentence of that paragraph
22 indicates that:

23 "The change was made because the MAR
24 list has been expanded several times in
25 the past and is not expected to remain

1 static in the future."

2 So is that telling us that the Corporation
3 expects that the list will be further expanded, and if
4 so, how often or when do you think that might occur?

5 MR. DON PALMER: There are changes in
6 theft frequency rates for -- for vehicles. Certainly we
7 have seen with some of the vehicles that -- now
8 immobilized, there's been a little bit of a shift to the
9 non-MAR vehicles, in terms of theft.

10 We will be reviewing that on an ongoing
11 basis, but to say that it will be an annual update or a
12 bi-annual update or a semi-annual update, I wouldn't go
13 so far as to say that at this point in time.

14 MS. CANDACE EVERARD: Now, with respect
15 to the vehicles on the voluntary list, does the
16 Corporation plan to fund those installations from the
17 Immobilizer Incentive Fund, or the IIF?

18 MR. DON PALMER: Yes.

19 MS. CANDACE EVERARD: And does the
20 Corporation have a sense of what the additional cost is
21 going to be to it, if any, to immobilize the vehicles
22 that have been mandated by regulation that weren't
23 otherwise required to be immobilized?

24 MR. DON PALMER: All the projections that
25 we have include were for all -- all veh -- all vehicles

1 that we expect to be immobilized, so the as --
2 assumptions were made for mandatory -- for voluntarily,
3 and also there was a rate of immobilization that was
4 assumed for vehicles on neither list as well, that are
5 also funded from the IIF.

6 MS. CANDACE EVERARD: And while we're
7 talking about the IIF, perhaps you could just explain for
8 the record the purpose of that fund.

9 MR. DON PALMER: The IIF, or Immobilizer
10 Incentive Fund, was set up to fund the Immobilizer
11 Program and -- and pay for -- for installation of
12 immobilizers; fully fund for those vehicles on the
13 voluntary or mandatory list and half-fund other vehicles
14 that motorists wanted to be immobilized.

15 In addition, the Immobilizer Incentive
16 Fund play -- pays for the administrative cost of running
17 the program.

18 MS. CANDACE EVERARD: And the funding for
19 that particular fund comes from -- or came from the basic
20 retained earnings. Is that right?

21 MR. DON PALMER: That's correct.

22 MS. CANDACE EVERARD: And the initial
23 transfer was \$40 million in 2005/2006, and then an
24 additional ten (10) came in 2006/'07 for a total of 50
25 million. Is that right?

1 MR. DON PALMER: That was the total
2 infusion. After spending and -- or funding immobilizers;
3 that level was less than \$50 million now for sure.

4 MS. CANDACE EVERARD: Looking at Tab 8 of
5 the book of documents, which is TI-15, it appears that
6 the -- the IIF, or the Immobilizer Incentive Fund, is set
7 to be depleted in -- as of the end of 2009/2010.

8 Is that right?

9 MR. DON PALMER: It would be depleted
10 some time during that '09/'10 year, yes.

11 MS. CANDACE EVERARD: So are there any
12 immobilizer installations that are expected to take place
13 after the end of the close of that fiscal year?

14 MR. DON PALMER: Yes.

15 MS. CANDACE EVERARD: And how will those
16 be funded?

17 MR. DON PALMER: Those will be funded
18 directly from current operations.

19

20 (BRIEF PAUSE)

21

22 MR. DON PALMER: Just to put a little
23 more light on that, if you go to Tab 9 of your book of
24 documents, under the "Road Safety Loss Prevention" line,
25 which includes immobilizer installations, they continue

1 on at about the same level through the outlook period.

2

3

(BRIEF PAUSE)

4

5 MR. DON PALMER: And also at the bottom,
6 tying in with the retained earning statements on the
7 previous tab, there is no transfer from the Immobilizer
8 Incentive Fund in 2010/'11 or '11/'12.

9 MS. CANDACE EVERARD: Thank you. That
10 was going to be my next question.

11 So looking at TI-16 as you pointed out and
12 the -- you -- as you indicated there's a fairly constant
13 level for road safety.

14 Is it expected by the Corporation that the
15 Immobilizer Program will continue beyond the outlook
16 period that's listed here as -- or is there -- in other
17 words, is -- is there an expected end to the Immobilizer
18 Program?

19 MR. DON PALMER: We haven't planned
20 beyond '11/'12 regarding the Immobilizer Incentive Plan.
21 I would -- I would speculate that that would depend on
22 the level of thefts at that point in time and whether the
23 continuation of that would serve to continue to decrease
24 and fight auto theft in the province of Manitoba.

25 MS. MARILYN MCLAREN: It's important to

1 bear in mind that Transport Canada regulations came into
2 play last month that requires all vehicles manufactured
3 for sale in Canada must have a national standard
4 immobilizer straight from the factory. So the influx of
5 non-immobilized vehicles has effectively turned off.

6 We expect to continue the immobilizer
7 program for vehicles without national standard factory
8 immobilizers through the outlook period, but I think the
9 actual significant numbers of available vehicles to
10 immobilize basically starts to dry up pretty quickly
11 around 2011.

12

13 (BRIEF PAUSE)

14

15 MS. CANDACE EVERARD: Just going back to
16 TI-16 for a moment and the road safety line that's been
17 referenced, can you give us just a rough idea of how much
18 of the 21 or 22 million goes to the immobilizers, as
19 opposed to -- to the rest?

20 And I know that -- I think we talked about
21 this in a little bit of detail yesterday, but if you
22 could just confirm it now I'd appreciate it.

23 MR. DON PALMER: The easiest way to
24 determine that would be to take the difference between
25 that line and the transfer from the immobilizer incentive

1 fund. So we're looking at somewhere in the \$9 to \$10
2 million range without the immobilizer incentive.

3

4

(BRIEF PAUSE)

5

6 MS. CANDACE EVERARD: Just a couple more
7 questions about the MAR list or the MAR/voluntary list
8 that we looked at. And I appreciate, Mr. Palmer, your
9 evidence that you can't say at this point when the list
10 will be reviewed or when it might be changed.

11 Can you give us any indication of whether
12 the Corporation would consider putting vehicles on the
13 list that have odds of theft that are greater than one
14 (1) in a hundred (100); for example, one (1) in a hundred
15 and fifty (150) or some other number?

16

17

(BRIEF PAUSE)

18

19 MR. DON PALMER: It's -- it's hard to say
20 that there will be a number, whether it's an odds of one
21 (1) in a hundred and fifty (150) or one (1) in two
22 hundred (200).

23

24 There are a number of variables that go
25 into that determination -- changes in experience. As I
mentioned there seems to be a -- a shift from -- as the

1 MAR list are all being immobilized that the frequency
2 rates on the non-MAR list are going up a little bit.
3 They're -- the car thieves are -- are moving down, so to
4 speak, so we would expect those odds of theft to -- to
5 creep up.

6 And -- and again whether they would fall
7 in the one (1) in a hundred (100) or -- or within the one
8 (1) and sixty (62), at that point in time we will make
9 that decision.

10 One of the other variables that's
11 considered, that was put on the record some time in the
12 last couple of days, was the installation capacity. We
13 had determined the -- the list -- the mandatory list
14 based on the capacity of our installers, knowing that it
15 certainly would -- would cause great difficulty if -- if
16 we made immobilizers mandatory and then there wasn't the
17 capacity to install them.

18 So -- so that's another one of our
19 decision criteria that would be made at -- at the time,
20 but again, to -- to quote a number, I can't do that at
21 this point.

22 MS. MARILYN MCLAREN: Mr. Palmer provided
23 an answer based on the Corporation's perspective and an
24 analysis of theft claims and the analysis to the vehicles
25 in fact that are being stolen, but it's really important

1 to bear in mind that this is a significant public policy
2 issue. Any expansion of the most-at-risk list with
3 respect to the regulation, isn't the Corporation's
4 decision. That'll be a Government decision.

5 There's many, many factors at play here.
6 There are -- we suspect that there are a number of
7 vehicle makes and models out there in Manitoba that have
8 immobilizers in them that would qualify to meet the
9 national standard if in fact their manufacturers had them
10 tested. But they haven't, so they're not there.

11 We have some vehicles that are virtually
12 never stolen. They have some sort of anti-theft device
13 and probably it's a really good one. But we don't know
14 that because they've never been measured, in terms of the
15 national standard.

16 So we really need to just see how this
17 evolves. Is there an appetite in Manitoba for four
18 thousand (4,000) auto thefts a year in the City of
19 Winnipeg? If there is then we probably won't be
20 expanding the MAR list to -- to we again, the Government
21 won't be expanding it much.

22 So it's a public policy issue. How much
23 theft is okay? How much is too much? Those are the
24 kinds of considerations that have to be determined by the
25 duly elected representatives of the people of Manitoba to

1 decide where this initiative will go, over the long term.

2 MS. CANDACE EVERARD: Thank you. I want
3 to turn now to -- back to SM-8.3.

4

5 (BRIEF PAUSE)

6

7 MS. CANDACE EVERARD: And in particular
8 page 10. I'll just ask a couple of questions about the
9 Quality Assurance Program that's been established.

10

11 (BRIEF PAUSE)

12

13 MS. CANDACE EVERARD: Perhaps, just
14 initially, you could set out the reasons for commencing
15 the program.

16

17 MR. WARD KEITH: The Quality Assurance
18 Program was established really by industry, by the
19 Vehicle Security Installation Bureau, which is the Bureau
20 that is responsible for training and certifying all of
21 the installers of these devices in -- in Manitoba, and as
22 well with -- in conjunction with the two (2) distributors
23 of the product: CAA and Absolute AutoGuard.

24

25 MPI played a role in -- in encouraging
industry to develop those QA standards, because we
recognize that to maintain public support for the

1 Immobilizer Program we have to be absolutely sure that
2 the devices are effective and that the installations are
3 of a high quality nature so that there are not issues
4 with -- with the operation of the vehicle after the
5 immobilizers have been installed.

6 So what this group has done with our
7 oversight, to some extent, has developed a fair -- a very
8 comprehensive quality assurance, pro-active auditing
9 program for the installers in this province, and as well,
10 a customer care program, so that each of the distributors
11 as well as the Security Installation Bureau, have quality
12 assurance technicians on the ground in Manitoba who are
13 responsible for, again, going around to the installation
14 facilities that have been certified and -- and to sell
15 their -- sell and install their products, and ensuring
16 that they are meeting the high quality standards, with
17 respect to the insta -- each installation that get's
18 done.

19 And -- and then again, they've developed a
20 customer care program so that if a customer, after an
21 installation is -- has concerns about their -- their
22 device or about the installation of their device, there
23 is a very clear process for -- for that customer to
24 follow to -- to raise their concern, to have their
25 concern recorded and tracked, and then an escalation

1 process that examines that concern in detail, and to the
2 greatest extent possible, tries to resolve that
3 customer's concern.

4 MS. CANDACE EVERARD: The -- the material
5 mentions that there might have been a few customer
6 complaints, and you've mentioned customer concerns.

7 What were the -- the nature of any of
8 these complaints or concerns that were brought forward?

9 MR. WARD KEITH: Concerns that have been
10 raised generally relate to -- to the manner in which the
11 device has been installed. And what I mean by that is
12 that there are times when the antenna of the device needs
13 to be adjusted so that the key fob that we talked about
14 yesterday can send the signal appropriately to the device
15 in order to allow the vehicle to start.

16 So that's primarily what the issues have
17 been and those are raised almost immediately after the
18 installation. And it is a relatively quick and easy fix
19 for the installer to readjust the antenna.

20 But prior to this program coming into
21 place, there was sort of no formal structure in place for
22 the customer to -- to know where to raise their concerns
23 too. And so -- so I think that that's primarily the
24 concern that's been raised.

25 There have been some other concerns that -

1 - that do deal with faulty installations and -- and we
2 can't rule out the possibility that there could be a
3 faulty device as well. And in those cases, there are
4 warranty provisions with the device, and warranty
5 provisions with respect to the installation of that
6 device, and -- and those problems can be rectified as
7 soon as they're raised.

8 Having said that though, and I -- I don't
9 know if -- I believe we may have responded this -- to
10 this in one of the Irs. Having said that though, with --
11 with the number of installations that have been done of
12 these devices in Manitoba through the installation
13 network, we have a -- a customer concern rate of about
14 1.4 percent, which, put another way, is -- is 98.6
15 percent of the installs have been problem free.

16 And so when those -- so the -- so the
17 magnitude of the issues that have been raised is -- is
18 not significant. But having said that, every issue that
19 gets raised is an important issues, obviously, in terms
20 of maintaining support for the program, and that's one of
21 the reasons why this QA program has been put in place.

22 MS. CANDACE EVERARD: Thank you. And
23 just going back to the 1.4 percent that you ment --
24 mentioned, what number would that translate into in, in
25 regular numbers as opposed to a percentage?

1 Do you have a sense of that?

2 MR. WARD KEITH: A little over a thousand
3 (1,000) since the -- since implementation of the program.

4 MS. CANDACE EVERARD: Thank you. I'd now
5 like to turn to Tab 26 of the book of documents, which is
6 an answer to one of the questions posed by the Board in
7 the first round, number 48.

8 And there are a number of attachments to
9 this IR. Perhaps we'll start by comparing the answer to
10 the IR from last year, which was number 7 last year, to
11 the -- which is part of Attachment 1 to Attachment 2,
12 which is the -- the current schedule that essentially
13 sets out the take-up of the program.

14 If -- if I'm looking at this correctly, it
15 provides that -- or as -- and I'm looking at last year's
16 schedule initially, which would be the -- the second
17 schedule in 1-7 from last year.

18 It was projected at that point that the
19 total number of immobilizes installed as of the end of
20 the current year, '07/'08, would be about seventy-four
21 thousand (74,000).

22 Is that correct? Are you with me?

23

24 (BRIEF PAUSE)

25

1 MR. DON PALMER: No, I'm not.

2 MS. CANDACE EVERARD: Okay. Sorry --

3 MR. DON PALMER: Again, direct me,
4 please?

5 MS. CANDACE EVERARD: Absolutely. The
6 first attachment to this answer is one of last year's
7 answers, which was number 7 last year, and that consists
8 of two (2) charts attached to it, right?

9 So on the second one, if I'm reading this
10 correctly, it provide under the heading, "Immobilizers
11 Purchased Total", just before we get into the impact on
12 the income statement, for '07/'08, it's set out the there
13 was about seventy-four thousand (74,000) immobilizers set
14 to be installed by the end of that fiscal year, is that
15 right?

16 MR. DON PALMER: Now I'm with you.

17 MS. CANDACE EVERARD: Thank you. And
18 looking at the schedule for this year's answer, number
19 48, which is Attachment 2; so it's at the same tab, it's
20 just one (1) page over. It's provided that by the end of
21 the current year, the total installations for
22 immobilizers should be about ninety thousand (90,000).
23 So in other words, the numbers for the same year has gone
24 up by about fifteen thousand (15,000), from year over
25 year.

1 MR. DON PALMER: That's correct.

2 MS. CANDACE EVERARD: Now, looking at the
3 impact on the income statements, as at last year the
4 impact on the income statement was -- for the end of the
5 year that has finished, '06/'07, was about a seven point
6 one (7.1) positive number, is that right?

7 MR. DON PALMER: At the end of '06/'07,
8 yes.

9 MS. CANDACE EVERARD: And at the end of
10 '07/'08 was about a \$12 million positive number, looking
11 at again, last year's schedule?

12 MR. DON PALMER: That's correct.

13 MS. CANDACE EVERARD: And for this year,
14 looking at this year's answer, Attachment 2 to question
15 48, the -- and particularly the '07/'08 column, if -- if
16 we're comparing apples to apples, we would be looking at
17 the -- well, can you confirm for me which number we would
18 be looking at on this year's schedule?

19

20 (BRIEF PAUSE)

21

22 MR. DON PALMER: There are a couple of
23 different impact lines; that was the cause of my
24 confusion. Just to -- going back to last year's
25 statement, and you had talked about an impact of \$12

1 million and that was regarding the decrease of -- of
2 claims incurred. But there's also another line, "Total
3 Impact," which -- about half a dozen lines down from
4 that, that shows nine hundred and ninety-nine thousand
5 (999,000).

6 So if we -- and I'm not quite sure which
7 one of those that you would rather refer to, but the
8 corresponding numbers in this years, the twelve point two
9 (12.2) now corresponds to a number of 6.7 million, and
10 the nine hundred and ninety-nine thousand (999,000) now
11 corresponds to a loss of 6.4 million.

12 MS. CANDACE EVERARD: Yes, that would
13 be the six point four (6.4) under the column of '07/'08
14 on Attachment 2 to number 48.

15 MR. DON PALMER: That's correct.

16 MS. CANDACE EVERARD: And can you
17 indicate for the record why the figure has changed, as
18 you've described?

19 MR. DON PALMER: A couple of reasons:
20 Our thefts didn't decrease to the extent that we thought
21 they would. And -- and the second reason is that there
22 are more immobilizers being installed; that was that
23 corresponding number to the -- to the ninety thousand
24 (90,000).

25 And also there's the effect of the

1 increase in the cost of the immobilizers from the two
2 hundred and eighty dollars (\$280) to the three hundred
3 (300); that's also included in those numbers.

4 I'm getting all kinds of information. And
5 one (1) other impact is the -- with more installations
6 there's more discounts given -- the more -- the forty
7 dollar (\$40) discounts and that's also taken into effect
8 here.

9 MS. CANDACE EVERARD: Thank you. And I
10 think we'll come back to Tab 26 a little bit later on,
11 but I'd ask you at this point to turn to Tab 29. There
12 is an answer at this particular tab, posed by the Board
13 in the second round, number 27.

14 And this comes back to the mandatory
15 versus voluntary issue, or question. And I -- I must
16 admit I'm a little bit unclear on some of the -- the
17 content here and I'm sure that you can explain it.

18 In sub(a) the question was asked to
19 provide a breakdown between mandatory and voluntary
20 installations. And the answer in the narrative part --
21 I'm just looking at the bottom of page 1 -- explains that
22 there will be twenty-eight thousand nine hundred (28,900)
23 enhanced installations in Winnipeg in '07/'08 and
24 '08/'09; and I'll just leave out the part in brackets for
25 the moment.

1 hundred (4,600) number is a cumulative number, not an in-
2 year installation number.

3

4 (BRIEF PAUSE)

5

6 MS. CANDACE EVERARD: Okay. Just looking
7 at the -- the number for the previous year on the chart
8 on page 5 of 5, the previous year's number was about
9 sixteen hundred (1,600) which would indicate a difference
10 of three thousand (3,000), year over year.

11

12 (BRIEF PAUSE)

13

14 MS. CANDACE EVERARD: Just maybe to be of
15 some assistance, is it possible that it has to do with
16 the forecast not being updated?

17 MR. DON PALMER: We'll -- we'll take the
18 reconciliation of these numbers as an undertaking.

19

20 --- UNDERTAKING NO. 9: MPI to reconcile for the
21 Board the numbers in the
22 breakdown between mandatory
23 and voluntary installations

24

25 CONTINUED BY MS. CANDACE EVERARD:

1 MS. CANDACE EVERARD: Just before we
2 continue on with this section, I just have one (1)
3 additional question with respect to the MAR list.

4 And the question is: If the installation
5 capacity available to the Corporation were to expand,
6 would that mean that the MAR list would be changed or
7 expanded itself?

8 MR. DON PALMER: I don't know necessarily
9 that I can answer that question on -- in terms of
10 speculation what -- what may have happened.

11 We were -- we currently have an install
12 capacity that we have based our mandatory -- or mandatory
13 program on, and that's what we did. To speculate what
14 would have happened if there was more or less capacity, I
15 guess we can -- can make the assumption that -- that
16 maybe we would have gone to the enhanced list but that's
17 -- that's difficult for me to -- to say at this time.

18 MS. CANDACE EVERARD: Just so that I'm
19 clear, we did go through yesterday one of the answers to
20 the IR's which explained that the number of one (1) in a
21 hundred (100) odds of theft for the voluntary group, was
22 set based on the installation capacity that was
23 available?

24 MR. DON PALMER: The one (1) in sixty-two
25 (62) number was based on the installation capacity.

1 MS. CANDACE EVERARD: Thank you.

2

3 (BRIEF PAUSE)

4

5 MS. CANDACE EVERARD: Okay. Sticking
6 with Tab 29 for the moment, but looking at page 3 of 5
7 and -- and actually onto 4 of 5.

8 I'd like to have confirmed for the record,
9 the anticipated claims cost savings in the outlook period
10 that relates to this initiative.

11 MR. DON PALMER: Could -- could you
12 repeat the reference please?

13 MS. CANDACE EVERARD: Sure. Tab 29 page
14 -- I -- I think the -- the cumulative savings chart is
15 the -- the chart on page 4 of 5 that's titled "Theft
16 Savings Ultimate Fiscal Year Reported."

17 MR. DON PALMER: I have it.

18 MS. CANDACE EVERARD: So is -- is this
19 the chart that reflects the savings to-date and the
20 anticipated savings relating to the Immobilizer Program?

21 MR. DON PALMER: Yes, it is.

22 MS. CANDACE EVERARD: So for the current
23 year, 2007/2008, it's anticipated that the savings will
24 be about 10.7 million, and for the year of the
25 application it's anticipated that the savings will be

1 about 13.7 million.

2 Is that right?

3 MR. DON PALMER: That's from the base
4 forecast that was contained in the 2006 General Rate
5 Application, yes.

6 MS. CANDACE EVERARD: And continuing
7 through the -- the remainder of this table, the savings -
8 - looking at the very last year in the far right column,
9 2013/'14, the savings are projected to be approximately
10 32 1/2 million in that year, is that right?

11 MR. DON PALMER: That's correct.

12 MS. CANDACE EVERARD: Okay. Looking back
13 at page 5 of 5 and the second table on that page, which
14 sets out the number of vehicles to be immobilized. If
15 I'm reading this correctly for the 2007/2008 year, so the
16 year that we're in, it's anticipated that, looking at the
17 very last row, about 48.3 percent of vehicles will -- not
18 of all vehicles but of the unprotected vehicles, will be
19 immobilized by the end of February 2008.

20 Is that right?

21 MR. DON PALMER: That would be for 48
22 percent of all Winnipeg major class 1 vehicles.

23 MS. CANDACE EVERARD: Thank you for
24 clarifying that. And in terms of that forecast, are
25 things on track at this point in time, keeping in mind

1 that filing was from just over a month ago?

2 In other words, are appointments being
3 filled by the vehicles in question?

4

5 (BRIEF PAUSE)

6

7 MR. WARD KEITH: Yes. With respect to
8 the mandatory program, the vehicles that were targeted
9 and are effected are in fact booking appointments as per
10 the schedule, in advance of their renewal date.

11

12 (BRIEF PAUSE)

13

14 MR. DON PALMER: We -- we are definitely
15 ahead. I've got some hot-off-the-press numbers, as at
16 October 1st.

17 A vehicle was in Winnipeg with an
18 aftermark -- market immobile show at fifty-seven thousand
19 three hundred and twenty-eight (57,328). That would
20 compare to a forecast in the table that we were just
21 looking at, of fifty-six thousand one-o-eight (56,108)
22 that was predicted for the end of '07/'08. So we are
23 even ahead of that number at the current time.

24 MS. CANDACE EVERARD: Thank you.

25 MR. DON PALMER: Excuse me. That -- that

1 number was the total af -- aftermarket. The prediction
2 for the end of '07/'08 is in fact, seventy-one four
3 ninety-nine (71,499), so we're not quite there, but we
4 are ahead of schedule, in terms of as at October.

5 MS. CANDACE EVERARD: Thank you. I'd now
6 ask you to turn to the very last sheet in Tab 29, which
7 is the Attachment B, to 27 -- question 27, posed by the
8 Board in the second round.

9 And in particular, the line that -- that's
10 entitled, "Total Impact," which is about a third from the
11 bottom of the page, I take it this sets out the -- for
12 the years that are known, the actual financial impact,
13 and the forecast and projected financial impact in years
14 ahead, arising from the Immobilizer Initiative?

15 MR. DON PALMER: That's correct.

16 MS. CANDACE EVERARD: So for the current
17 year, there's a \$6.4 million negative number indicated,
18 and for the year of the application there's a \$4.5
19 million negative number indicated?

20 MR. DON PALMER: That's correct.

21 MS. CANDACE EVERARD: And you would agree
22 as well that those numbers, and even the number for the
23 previous year, '06/'07, of 5.2 million, are less than the
24 amount transferred from the IIF in those years?

25 In other words, the amount transferred

1 from the RSR, or from the IIF, is greater than the
2 numbers reflected for those three (3) years?

3 MR. DON PALMER: That's correct.

4 MS. CANDACE EVERARD: And would the
5 Corporation agree that at least a portion of the program
6 for those years was self-sufficient?

7 MR. DON PALMER: The -- the amount that's
8 transferred from the IIF is -- is the cost of the program
9 and do not have an offsetting savings. We do have some
10 sav -- obviously some savings in the theft rates, as it
11 has been told to this Board over the last couple of days,
12 with decreases in our current year theft. So there are
13 savings being incurred. The transfers from the IFF are
14 not net of those savings, so I think that's a long way of
15 saying yes to your question.

16 MS. CANDACE EVERARD: So my next question
17 would be: Given that -- did the Corporation need to have
18 the IIF established in the first place, and if not, why
19 not?

20 MS. MARILYN MCLAREN: Yeah. The
21 Corporation is of the position that we definitely needed
22 to have the IIF, absolutely, remembering in the early
23 days of this program, we were spending significant money
24 to -- to purchase immobilizers; to get the program up and
25 running. There were no savings in the -- really in, you

1 know, the first couple of years of that.

2 And even at this point, we continue to
3 install immobilizers. We said yesterday that the auto
4 thieves still have a one (1) out of two (2) chance of
5 finding a non-immobilized vehicle here in the City of
6 Winnipeg.

7 Now we're gonna get into a debate as to
8 are the savings that we're re -- that we're enjoying this
9 year related to WATSS or are they related to the
10 immobilizer. That's a pretty difficult analysis to
11 actually figure out.

12 There are -- our inclination is to believe
13 that it's mostly related to WATSS. We really believe
14 that at a one (1) in two (2) chance of finding a non-
15 immobilized MAR vehicle, they are still out there
16 looking. And definitely we needed the IIF to get us up
17 and running, to get these things funded, and to generate
18 the public interest that has proven to be very supportive
19 of it.

20 MS. CANDACE EVERARD: I note that for the
21 2009/2010 year on this same schedule, the loss is down to
22 about a hundred and ninety-two thousand (192,000), which
23 given the numbers that we deal with here is -- probably
24 could be called breaking even.

25 Would it be fair to say that for 2009/2010

1 as per this schedule, there won't be a need for the IIF
2 funds to be transferred?

3 MR. DON PALMER: That's the year that the
4 Immobilizer Incentive Fund will be fully depleted.

5 MS. CANDACE EVERARD: Has the Corporation
6 -- just going back to Ms. McLaren, your comments about
7 WATSS versus the immobilizers and theft counts, has the
8 Corporation had a chance, or have they looked at the
9 relationship between the theft counts and the number of
10 vehicles immobilized?

11 Is that an analysis that's been done?

12 MS. MARILYN MCLAREN: Definitely. But
13 we're really -- we're measuring the same thing. We can
14 clearly show that the theft rate on immobilized vehicles
15 -- and I think there was a question in the IR process
16 about this -- there are people now with fully functioning
17 MPI funded immobilizers who occasionally leave their keys
18 in the car and it still gets stolen. But those rates are
19 very, very low.

20 And we can see that as the number of
21 vehicles -- number of MAR vehicles with immobilizers
22 grows, the theft rate of MAR vehicles overall, including
23 those immobilized, falls. So clearly the reduction in
24 theft this year is because there are fewer MAR vehicles
25 being stolen. Is that because of WATSS, or is that

1 because there are more MAR vehicles with immobilizers?
2 That's the question.

3

4 (BRIEF PAUSE)

5

6 MS. CANDACE EVERARD: Mr. Palmer, a few
7 minutes ago we had an exchange about the -- when we were
8 comparing last year's schedule to this year's schedule
9 and the forecast and the \$6 million dollar difference.

10 I just have a follow-up question on that
11 point, and that is whether or not the -- based on the
12 fact that the forecasted amount was -- did not
13 materialize, whether the Corporation has taken steps or
14 is -- intends to change anything about the forecasting
15 process or the assumptions that flow into that?

16 MR. DON PALMER: As -- as I mentioned,
17 the -- some of the basis of those assumptions has
18 changed. For instance, the -- the amount of the -- the
19 amount of the -- the installations has gone up from two
20 hundred and eighty dollars (\$280) to three hundred
21 dollars (\$300). We didn't know that last year.

22 This year we have a mandatory program,
23 last year we didn't. So there are a number of new
24 assumptions; I don't think that that's necessarily a
25 criticism of the forecasting process, but things change.

1 And I don't know that there's a -- we update assumptions
2 all the time. Our -- our theft rates are con --
3 constantly being monitored and will go into our
4 forecasts.

5 The rate at which the non-MAR vehicles are
6 being stolen, we are closely monitoring that. It will
7 change over a period of time. Exactly how much it
8 changes, there will be a change in assumption on that
9 next year, I'm sure. I've been in the forecasting game
10 long enough to know the only thing I'm going to be with
11 my forecasts is wrong.

12 And we are constantly monitoring and
13 updating to improve those. I don't see that as a
14 criticism of the process.

15

16 (BRIEF PAUSE)

17

18 THE CHAIRPERSON: Are you moving on to
19 another area now? Okay.

20 MR. DON PALMER: We are just -- one (1)
21 update to that. We are in fact better than we -- this
22 year we are better than forecast. I've been accused of
23 once in a while being a little on the conservative side
24 with our forecasts and we're ahead of what they -- they
25 had been.

1 THE CHAIRPERSON: Just carry on, Ms.
2 Everard.

3 MS. CANDACE EVERARD: Thank you.

4

5 CONTINUED BY MS. CANDACE EVERARD:

6 MS. CANDACE EVERARD: I think that brings
7 me to the end of the questions about anti-theft
8 initiatives for this -- or -- or at least at this point
9 in time, so I just want to move into a couple of other
10 topics.

11 I've a few questions have interprovincial
12 trucking, so I think we'll move to that area at this
13 point.

14 Perhaps, first of all, it can be confirmed
15 for the record what the insurance treatment is relating
16 to interprovincial truckers?

17 MR. DON PALMER: Under the PIPP Program,
18 all Manitoba residents are covered under the PIPP
19 Program. For residents who are injured and are also at
20 work while they're injured -- while they're driving,
21 whether it be truck drivers or -- or being -- driving in
22 the course of their employment, would also be eligible
23 for Workers' Compensation. They do have the right to
24 elect whether they want to receive PIPP benefits or
25 Workers' Compensation benefits.

1 There -- a couple of -- a few years ago
2 we, in fact, discontinued charging premiums to the extra-
3 provincial trucks -- a number of reasons, but the bottom
4 line is that they do not -- they are not charged a -- a
5 premium. And, generally, there are -- most of the -- the
6 drivers would elect Workers' Compensation, but there are
7 some claims that -- that do exist within that category
8 and, so, hence, there are some claims and no premium.

9 MS. CANDACE EVERARD: And so the -- the
10 cost of those claims, to the extent that they occur, is
11 borne by Basic; is that correct?

12 MR. DON PALMER: That's correct.

13 MS. CANDACE EVERARD: Now, in last year's
14 Board Order at page 73, the Board made a recommendation,
15 and it's not on the list of recommendations at the end of
16 the Order, but it's in -- in the body of Order on page 73
17 that the Board recommended that the -- that SRE transfer
18 sufficient net income to Basic to cover this subsidy that
19 we've -- we've just been discussing.

20 Has the Corporation acted on that
21 recommendation at all?

22 MR. DON PALMER: No.

23 MS. CANDACE EVERARD: And why not?

24

25 (BRIEF PAUSE)

1 MS. MARILYN MCLAREN: The Personal Injury
2 -- Personal Injury Protection Program protects Manitobans
3 from automobile injuries, and it's funded through Basic
4 ratepayers. Most of the revenue comes from vehicle
5 owners that have vehicles that are required to be
6 registered and insured through MPI.

7 Some of the premium comes from drivers.
8 So Manitoba residents who are truckers and eligible for
9 benefits are required to hold Manitoba driver licences.
10 They contribute to the PIPP Program through their driver
11 licence premiums. There's no obvious fit in any sort of
12 actuarial effort to attribute costs and revenue between
13 those people, necessarily, and SRE.

14 SRE generally has some net income and if
15 that was really the sole basis of the recommendation of
16 the Board, to just take some of that net income because
17 they insure trucking companies and these claims are from
18 Manitoba resident truckers; that didn't seem a
19 straightforward enough alignment, in our mind, to
20 seriously pursue that recommendation.

21 SRE insures trucking fleets that employ
22 many non-Manitobans. That was the problem with the
23 initial premium that was charged on these vehicles.

24 The vehicles often are primarily operated
25 outside of Manitoba with non-Manitoban drivers and,

1 therefore, they're paying premiums into a fund that their
2 employees have no access to.

3 On the other hand, there are non-Manitoban
4 plated trucks that are frequently in Manitoba, and have
5 non-Manitobans driving them, and are frequently elsewhere
6 as well, that end up having the opportun -- or Manitobans
7 driving them, I mean -- that have the -- then have the
8 opportunity to claim against the fund, and those trucking
9 companies don't pay any premium.

10 So the whole thing is just virtue of the
11 fact that this is a national and international business,
12 subject to national and -- national rules and
13 international agreements. So there's no real ability to
14 align in that fashion. Nor is there by looking at it as
15 the SRE line of business.

16 So, Manitoba truckers are the only ones
17 eligible to claim, for the most part, with some very
18 limited exceptions. Manitoba truckers are el -- eligible
19 to claim PIPP benefits if they're injured in -- as Mr.
20 Palmer said, through the course of their employment, and
21 they chose to forward a PIPP claim.

22 They have driver licences. They pay into
23 the fund. We left it at that.

24 MS. CANDACE EVERARD: Ms. McLaren, we
25 spoke briefly yesterday about the driver funding

1 agreement. We were looking at an IR response that listed
2 the cost for that.

3 And you had confirmed that that -- and I'm
4 talking about the agreement between MPI and I think it's
5 the Manitoba Truckers Association or the MTA -- you had
6 confirmed that tho -- the cost for that agreement will be
7 funded solely by SRE or -- at -- at any event, not by
8 Basic?

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

10 MS. CANDACE EVERARD: And you had
11 indicated that the reason for that was that it would
12 benefit those who had paid into the fund?

13 MS. MARILYN MCLAREN: Yes. It would be a
14 direct benefit of the trucking companies that insure
15 through SRE.

16 MS. CANDACE EVERARD: Thank you.

17 I'm going to move to some questions with
18 respect to the PAYD, or the Pay-as-You-Drive study.

19

20 (BRIEF PAUSE)

21

22 MS. CANDACE EVERARD: Now, this is a
23 study that the Corporation undertook in response to one
24 of the Board's recommendations in last year's Order
25 number 15, which stated that the Corporation should

1 undertake serious research into the -- the PAYD, P-A-Y-D,
2 concept, the objective being to determine the potential
3 efficacy of implementing a trial PAYD program in Manitoba
4 to assist with environmental sustainability.

5 And I would direct your attention to, in
6 the inside of the -- the PAYD materials that were
7 provided, we have the terms of reference dated July the
8 5th of 2007. And I would ask someone to read in the
9 objectives that are listed on page 2 of that document at
10 subparagraphs (a) through (d).

11 So, the question is to read them in.

12 MR. DON PALMER: The start -- that starts
13 with "In response to the Order...".

14 MS. CANDACE EVERARD: Yes.

15 MR. DON PALMER: "In response to the
16 Order,

17 Manitoba Public Insurance is
18 undertaking a study to;
19 a) learn about more -- more about P-A-
20 Y-D Insurance Rating Systems that are
21 in operation, with particular interest
22 in determining the extent to which such
23 systems demonstrate reduced distances
24 driven by the insured participants.
25 And;

1 b) learn more about the efficacy of
2 other non-insurance financial
3 mechanisms that may influence distances
4 driven by those effected by such
5 mechanisms. Examples would include,
6 but are not limited to;
7 1) analysis of correlation between gas
8 prices and gas consumption;
9 2) efficacy of toll and surcharge
10 systems on vehicle usage. For example,
11 what has been the effect of the City of
12 London surtax?
13 c) learn more about current and
14 emergent -- emerging leading theories
15 with respect to the many factors that
16 influence vehicle usage and the complex
17 interplay between those factors.
18 d) Learn more about current and
19 emerging leading theories with respect
20 to the relative advantages of the many
21 potential approaches to reducing
22 greenhouse gases from private passenger
23 automobiles."

24 MS. CANDACE EVERARD: Thank you, and I
25 understand that the Corporation contracted with Aon, A-0-

1 N, Consulting with respect to the objective at
2 subparagraph (a) only, and that the Corporation intended
3 to work with respect to subparagraphs (b) through (d)
4 with existing internal resources. Is that right?

5 MR. DON PALMER: That's correct.

6 MS. MARILYN MCLAREN: A small point of
7 clarification; it's Aon Re, which is not the same as Aon
8 Consulting. They are both parts of Aon Corporation, but
9 Aon Re is our reinsurance broker. Aon Consulting is the
10 people that we're contracting with to do the
11 asset/liability. Totally different people, just for the
12 record.

13 MS. CANDACE EVERARD: Thank you. I
14 hadn't picked on that so I appreciate that. Now, as is
15 reflected in the Pay-As-You-Drive study that's been
16 filed, there are currently two (2) insurers in North
17 America that offer paid which are Progressive and Aviva,
18 is that right?

19 MR. DON PALMER: That's it, yes.

20 MS. CANDACE EVERARD: And both of those
21 insurers offer, what they call, onboard diagnostic
22 devices, or an OBD, as opposed to a -- a GPS system. And
23 I'm -- just as a point of reference, I'm looking at page
24 1 of the Executive Summary.

25 The third subparagraph from the bottom or

1 the second bullet from the bottom.

2

3

(BRIEF PAUSE)

4

5 MR. DON PALMER: Yes, I see it. That's
6 correct.

7 MS. CANDACE EVERARD: Now, I'd ask you to
8 turn a few pages in. You'll see, after the narrative of
9 the Executive Summary, there are some charts that are
10 attached. And these pages don't appear to be numbered.
11 but the first of the charts lists, across the top of the
12 page, Aviva Canada, GMAC US and Hollard SA.

13 MR. DON PALMER: That's correct.

14 MS. CANDACE EVERARD: Looking at the --
15 the column entitled Aviva Canada Autograph; it indicates
16 under the -- the first row which is titled "Voluntary or
17 Mandatory":

18 "Voluntary can choose if you want to
19 submit the data. May choose not to
20 submit the data with no penalty."

21 In other words, it's -- submission of
22 information is not mandatory under that program?

23 MR. DON PALMER: That's correct.

24 MS. CANDACE EVERARD: It's also indicated
25 at the third row across sub (c) entitled "Mileage and

1 Other Classification Variables" that a claims discount
2 presumably is given when drive at slower speeds, less
3 annual kilometres and at safer times of the day?

4 MR. DON PALMER: That's correct.

5 MS. CANDACE EVERARD: And then at the
6 last row on that page, sub (e), entitled "Rates Fixed
7 Portion," it's indicated that up to 25 percent off the
8 premium can be provided based on the information
9 submitted.

10 MR. DON PALMER: That's correct.

11 MS. CANDACE EVERARD: Now, turning over
12 two (2) pages, you'll see a similar type of chart. This
13 one -- the first heading for second column from the left
14 is "Progressive US Trip Sense" which would be other --
15 company that offers this type of service in North
16 America.

17 MR. DON PALMER: I have it.

18 MS. CANDACE EVERARD: And it indicates
19 under row 'B', entitled "Means of Measurement of
20 Mileage," that the trip sensor is installing your car,
21 device is free, records trip start time, duration,
22 distance, the amount of time spent and different time
23 bands and the number of sudden starts and stops.

24 MR. DON PALMER: That's correct.

25 MS. CANDACE EVERARD: It also indicates -

1 - "does not record where you drive."

2 MR. DON PALMER: That's correct, yes.

3 MS. CANDACE EVERARD: And under the row
4 entitled "(e)", sub (e), "Rates, Fixed Portion," it
5 indicates that there's a fixed premium, but then get a
6 discount based on how much you drive. The discount will
7 range from zero to 20 percent with an additional
8 potential 5 percent?

9 MR. DON PALMER: That's correct.

10 MS. CANDACE EVERARD: Has the Corporation
11 looked into either of these systems or the types of
12 devices that are described that are being offered by
13 Progressive and Aviva?

14 MR. DON PALMER: No.

15 MS. CANDACE EVERARD: Why not?

16 MS. MARILYN MCLAREN: For the record, we
17 got the report about two (2) days before we shared it
18 with you.

19 MS. CANDACE EVERARD: So does the
20 Corporation plan to look into either of those options?

21 MS. MARILYN MCLAREN: We plan to review
22 the entire binder full of information very closely over
23 the next year or so. Clearly, the two (2) that are in
24 operation in North America would certainly attract our
25 attention, but certainly wouldn't limit it to that.

1 There's an awful lot of information in here that we need
2 to learn more, understand more, and start to draw some
3 conclusions.

4 MS. CANDACE EVERARD: Thank you. If we
5 could turn to page 3 of the executive summary. There's
6 reference here to a couple of studies that have been
7 undertaken; one (1) in Texas and one (1) in Minnesota.

8 And under the -- the heading of the Texas
9 Study under the second bullet point which is titled, "Key
10 Findings," it would appear to indicate that under that
11 study the initial data indicated that paid programs may
12 decrease miles driven; that lower automobile insurance
13 rate are among the top incentives cited by customers and
14 that there is high interest in pilot programs among
15 progressive customers. Are you with me?

16 MR. DON PALMER: Yes.

17 MS. CANDACE EVERARD: With respect to the
18 Minnesota study, which is the second heading on that
19 page, it indicates in the third paragraph which is --
20 begins, "In the first report" second last sentence:

21 "The findings indicated that per-mile
22 pricing does result in measurable but
23 small reductions on driving."

24 MR. DON PALMER: Yes.

25 MS. CANDACE EVERARD: It also states:

1 "The largest effect is on weekend and
2 peak weekday travel."

3 MR. DON PALMER: That's what it says,
4 yes.

5 MS. CANDACE EVERARD: And moving to the
6 top of the next page, still on the Minnesota study, it
7 indicates at the -- the last two (2) sentences of that
8 first paragraph that:

9 "Paid concepts, if implemented, would
10 likely be targeted to niche markets.
11 The study showed that 25 percent to 30
12 percent of the marketplace might be
13 interested."

14 MR. DON PALMER: That indicates the
15 interest, yes.

16 MS. CANDACE EVERARD: And does the
17 Corporation agree that reduced vehicle and corresponding
18 reduced emissions would assist the Corporation in meeting
19 its obligations under the Sustainable Development Act?

20 MS. MARILYN MCLAREN: No, not
21 necessarily.

22 MS. CANDACE EVERARD: Can you elaborate?

23 MS. MARILYN MCLAREN: I think that's a
24 conclusion that we're not prepared to make. You know, I
25 think there are any number of ways the Corporation may be

1 considered fully compliant with its responsibilities and
2 obligations under the Sustainable Development Act without
3 switching its insurance rating systems.

4 MS. CANDACE EVERARD: And I -- I
5 appreciate your evidence earlier that this wasn't
6 received all that long ago and that there needs to be
7 some -- some time to review what's contained here. Is
8 consideration of a pilot program something that the --
9 the Corporation will look at?

10 MS. MARILYN MCLAREN: It's possible that
11 that might be a conclusion coming out of this --
12 certainly not in a position to say that right now. You
13 know, the point that you just brought to everyone's
14 attention here on page 4 with respect that this pay-as-
15 you-drive concept may be something that would be
16 attractive to niche markets.

17 Manitoba Public Insurance Basic Compulsory
18 Automobile Insurance Program is not much into niche
19 marketing. So, if you have -- potentially, if you had a
20 pilot that would -- would attract the attention of a
21 particular segment of the population who would be looking
22 for something like that anyway, I'm not sure how
23 applicable that would be to the population as a whole.

24 Do -- should the program do something that
25 moves it more towards a niche marketing approach to its

1 business?

2 That's the broader question, I think,
3 first that would need to be addressed because I think
4 it's pretty clear from just the little bit of evidence
5 you drew (sic) to our attention over the last few
6 minutes, that this is not something that, in the short
7 term, 90 percent of the motoring public would be quickly
8 attracted to.

9 So how do we balance niche aspects with
10 our responsibilities as a mandatory insurer? How do we
11 continue to evolve our relevance to Manitobans? All of
12 those are questions that need to be considered with --
13 before we come to answering the question, Might we
14 consider a pilot?

15 Certainly not something that I am
16 precluding right now, but can't say much more than other
17 than what I've said.

18 THE CHAIRPERSON: Are you aware of the
19 actions of Manitoba Hydro with respect to environmental
20 matters?

21 MS. MARILYN MCLAREN: To a certain
22 extent. I'm not fully cognizant of everything that
23 they're doing.

24 THE CHAIRPERSON: To some degree that
25 they've turned themselves inside and out, looking for

1 ways to address greenhouse gas emissions, and things of
2 that ilk?

3 MS. MARILYN MCLAREN: And beyond. I've
4 seen the fish commercials on TV.

5 THE CHAIRPERSON: Okay.

6

7 (BRIEF PAUSE)

8

9 CONTINUED BY MS. CANDACE EVERARD:

10 MS. CANDACE EVERARD: Would the consider
11 -- or, pardon me, would the corporation consider
12 conducting a type of study or survey within Manitoba with
13 respect to this possibility?

14 MS. MARILYN MCLAREN: Again, you know, we
15 need to -- maybe I can just draw your attention to some
16 of the comments that Professor Miller made in his opening
17 statements. You know, he and I met and, you know,
18 clearly, with respect to his -- his third point, talking
19 about exploring MPI's potential roles, and addressing
20 sustain ability issues in the transportation sector.

21 My undertaking to him that I did contact
22 the Centre of Sustainable Transportation at the
23 University of Winnipeg. I'm very interested in convening
24 a working group to discuss potential roles for MPI and
25 addressing sustain ability issues in general; climate

1 change issues in particular in the transportation sector.

2 Corporation is starting to begin that
3 work; hopes to collaborate successfully with the
4 Sustainable Transportation Centre at the University.

5 So, might at some point public surveys be
6 something that is done? Certainly. But I -- you know,
7 in terms of specifically talking about what might we do
8 or not do to conclude whether or not we would do a pilot
9 -- it's just too early.

10

11 (BRIEF PAUSE)

12

13 MS. CANDACE EVERARD: Thank you. I have
14 a couple of questions with respect to driver safety
15 rating, and then I think my part of the cross in the main
16 will be completed.

17 THE CHAIRPERSON: Ms. Everard, I think
18 we'll take our break then, right now.

19 MS. CANDACE EVERARD: Okay.

20 THE CHAIRPERSON: Okay, thanks.

21

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

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

24

25 THE CHAIRPERSON: Mr. McCulloch...?

1 MR. KEVIN MCCULLOCH: Yes, Mr. Chairman.
2 I'd first like to call on Mr. Keith to respond to a
3 couple of undertakings that were given yesterday dealing
4 -- the first one with the NuGen contract -- N-U-G-E-N --
5 and the second one with the computer system that's being
6 developed with the recyclers.

7 MR. WARD KEITH: Yes, just to put some
8 information on the record from yesterday, the NuGen
9 contract is a five (5) year contract in duration that
10 started in December of '05 and the cost for that system
11 over the course of the five (5) years is just under 1.1
12 million.

13 And -- and of course that amount has been
14 -- has been offset in the first year of operation through
15 -- through the savings that have been attributed to that
16 system.

17 With respect to the recycler system, the
18 cost for that implementation of that system is a hundred
19 and forty-five thousand dollars (\$145,000); forty-eight
20 thousand (48,000) of which is hardware, and the remainder
21 of which is labour, and that includes a -- a significant
22 30 percent contingency, so it -- it may not even be a
23 hundred and forty-five thousand dollars (\$145,000). And
24 then an additional ninety-six hundred dollars (\$9,600) in
25 maintenance costs for every year thereafter.

1 So based on the amount of -- of that sort
2 of money, that would be expensed as soon as its incurred,
3 and again, while we would expect, and we would hope to
4 see, increased participation from recyclers through that
5 system, the -- the real driving need to rep -- to -- to
6 incur those costs was to replace the current system.

7 There is one (1) other point that was
8 raised yesterday, and that is with respect to the
9 statistics in the WATSS section of SM-8, in terms of the
10 number of arrests and number of charges that the police
11 service has -- has laid as a result of that program, and
12 there was reference to a ten (10) month reporting period.

13 What that reporting period is, is from May
14 of 2006 to the end of the fiscal year of February 2007.
15 The reason being, that it was in May of 2006 that the
16 police service started tracking that information through
17 the Stolen Auto Unit, so that's the ten (10) -- the ten
18 (10) month period that we were referring to. Thank you.

19 MR. KEVIN MCCULLOCH: And Mr. Chairman,
20 Mr. Palmer also has some information to -- to clarify one
21 of the questions that was put to him.

22 MR. DON PALMER: Before the break, Ms.
23 Everard was asking me questions regarding Tab 29 and
24 reconciling two (2) figures, a -- a nine hundred (900)
25 for voluntary immobilizers, versus the, what looked like

1 three thousand (3,000) different in the chart on page 5
2 of 5.

3 It -- it has to do with the timing of --
4 of creating these charts. When we were doing our
5 forecasts, the mandatory Immobilizer -- the full
6 mandatory Immobilizer Program that was put in place in
7 September 1, wasn't contemplated in -- in the chart on
8 page 5 of 5, but -- but did include virtually full
9 capacity.

10 When the absolute mandatory Immobilizer
11 Program came in, the forecasts of total capacity didn't
12 change, but the swapping from the voluntary to the
13 mandatory -- mandatory program was just a swap of units.

14 So there is really -- the -- it's all
15 about timing and -- and when we had information regarding
16 the new program.

17 THE CHAIRPERSON: Please.

18

19 CONTINUED BY MS. CANDACE EVERARD:

20 MS. CANDACE EVERARD: Thank you for that.
21 Actually, on the anti-theft line, I just had two (2)
22 followup questions that I don't think have been touched
23 on, on the record, to this point.

24 The Board did ask an Information Request
25 about whether the Corporation had heard of, or had any

1 information with respect to one (1) of the aftermarket
2 immobilizers being overcome after installation, and the
3 answer was "no".

4 We did not ask a question, though, about
5 factory installed immobilizers.

6 Are there any issues that the
7 Corporation's aware of with respect to a factory
8 installed immobilizer being defeated?

9 MS. MARILYN MCLAREN: No. National
10 standard immobilizers have not been defeated, in either
11 the aftermarket or the factor version, to our knowledge.
12 And we would -- we wouldn't know about that, because we
13 are in regular contact on these issues with the Vehicle
14 Safety Installation Bureau, IBC, and Transport Canada.

15 MS. CANDACE EVERARD: And I -- I do
16 recall maybe from a prior year, that there -- before the
17 Transport Canada regulation came into place, there might
18 have been certain -- maybe GMC vehicles, that didn't have
19 an -- a nationally approved immobilizer put in, so the
20 answer that you just gave would exclude those.

21 You're talking only about the actual
22 approved ones?

23 MS. MARILYN MCLAREN: Yes, absolutely.
24 If you go back to the conversation about our MAR 1 and
25 our MAR 2 and the differences between them, you'll notice

1 that the MAR 2 has a number of fairly new model GMC
2 products that climbed quite high on the list because they
3 have aftermarket devices that don't meet the national
4 standard and are easy to defeat.

5 MS. CANDACE EVERARD: You said
6 "aftermarket," I think you meant --

7 MS MARILYN MCLAREN: I'm sorry, factory
8 installed.

9 MS. CANDACE EVERARD: -- factory
10 installed.

11 And just for the purposes of the record,
12 technically speaking, what's the difference between the
13 factory installed immobilizer and the aftermarket?

14 Does the Corporation have any information
15 on any technical differences in terms of what the system
16 is or are they the same?

17 MS. MARILYN MCLAREN: No, they're
18 virtually the same. They work the same. They defeat the
19 same three (3) components of the vehicle. And it's just
20 a matter as to whether they are installed as part of the
21 construction -- vehicle construction process -- or
22 whether they're done later.

23 MS. CANDACE EVERARD: Thank you. Moving
24 then to some questions about the driver safety rating.

25 I appreciate, Ms. McLaren, on the first

1 morning of the Hearing this week you testified that the
2 Corporation doesn't have a precise date when it will be
3 asking for the special hearing on this issue, but that
4 the Corporation is working towards implementation
5 beginning in mid-2009 to be completed in mid-2010. And I
6 think your evidence was that you would -- as such, the
7 hearing would be requested sometime between now and mid-
8 2009.

9 So presumably would that be in 2008
10 sometime next year?

11 MS. MARILYN MCLAREN: Yes, I can promise
12 that it will not be in 2007. And I -- we will work very
13 hard. We understand everyone's scheduling
14 responsibilities and -- and the challenges that people
15 have. We will work very hard to come forward with a
16 proposed timetable for such a special hearing before
17 spring of '08.

18 MS. CANDACE EVERARD: Thank you. We've
19 already reviewed the anticipated costs associated with
20 the driver safety rating being approximately 8.3 million,
21 between 2006/2007 and 2008/2009.

22 We talked about that yesterday?

23 MR. DON PALMER: That's correct.

24 MS. CANDACE EVERARD: And I'd just like
25 to refer you to AI-9.

1 (BRIEF PAUSE)

2

3 MS. CANDACE EVERARD: And in particular
4 I'm looking at page 13, where the section with respect to
5 the driver safety rating begins, and actually maybe the
6 top of page 14.

7

8 (BRIEF PAUSE)

9

10 MR. DON PALMER: I have it.

11 MS. CANDACE EVERARD: It's stated there
12 that until the merger between the Corporation and DVL the
13 Corporation's ability to make improvements to the driver
14 safety rating was restricted by the separation of the
15 licensing and vehicle registration functions as there was
16 a very limited opportunity to change driver licence
17 systems and processes.

18 Is that right?

19 MR. DON PALMER: That's correct.

20 MS. CANDACE EVERARD: It's also stated on
21 page 14 in the last paragraph that with respect to the
22 new driver safety rating program, the Corporation intends
23 to seek out public consultation as well as input and
24 validation from customers and shareholders -- or
25 stakeholders, pardon me?

1 MR. DON PALMER: Yes.

2 MS. CANDACE EVERARD: And does the
3 Corporation also intend to consult with other insurers?

4 And I think Ms. McLaren might have spoken
5 to this already but I -- I didn't have a very good note
6 on it.

7 MR. DON PALMER: We are aware -- aware of
8 what other insurers are doing. I don't know that we will
9 ask them to verify our findings or -- or to seek their
10 approval when we come up with solutions.

11 MS. CANDACE EVERARD: Okay. And I think
12 it's been stated on the record already that all of the
13 costs related to the driver safety rating are to be borne
14 by Basic?

15 MR. DON PALMER: That's correct.

16 MS. CANDACE EVERARD: Now, I understand
17 that the Corporation has conducted a survey with respect
18 to driver safety rating and the -- that survey appears as
19 part of the answer to question 19, posed by the Board in
20 the second round. I'll just ask you to go to that.

21

22 (BRIEF PAUSE)

23

24 MS. CANDACE EVERARD: In terms of --

25 MR. DON PALMER: This was the survey that

1 was done or the report dated June 8th of 2006?

2 MS. CANDACE EVERARD: This is the one.

3 MR. DON PALMER: Thank you.

4 MS. CANDACE EVERARD: I -- I understand
5 that the -- the driver safety rating for -- revamping or
6 the -- in -- in connection with the -- the special
7 hearing that's going to be happening, was actually in the
8 past anticipated to have been completed sooner than it
9 ultimately is going to be.

10 Is this survey one of the reasons or
11 causes for the change in timing?

12 MR. DON PALMER: Not directly. We had
13 this survey last -- and in fact I believe that we had
14 this filed at last year's hearings as well. We still
15 have intended to -- to be faster than -- than we have
16 been. So no, I wouldn't say that this survey had a
17 direct impact on that.

18 MS. CANDACE EVERARD: And I don't intend
19 to get into the details of the survey in -- at any
20 significant level because obviously the -- that'll be
21 what the special hearing will be for.

22 But could the Corporation just comment at
23 a high level with respect to the results of the survey?

24

25 (BRIEF PAUSE)

1 MR. DON PALMER: The -- the results of
2 the survey confirmed a number of things that -- that we
3 already knew, that serve as warnings to us in -- in some
4 standpoint.

5 For instance, we asked the question on
6 comparing your driving behaviour with the average
7 Manitoban. All Mani -- or 98 percent of Manitobans think
8 that they're average or better. That's a warning to us
9 that whatever we do in terms of penalizing a bad driver
10 is not going to be met with open arms because nobody
11 thinks they're a bad driver.

12 We also asked questions regarding the
13 fairness of the existing system. Overwhelming majority
14 think that the current system is fair.

15 We also asked some questions in this
16 survey about whether you understand the system and most
17 Manitobans think they do.

18 So that -- again that really gives us some
19 -- some flags in terms of the changes that we would
20 contemplate, just because we have public acceptability of
21 the -- the current system.

22 One -- one (1) other thing that certainly
23 came out is that there is some understanding and great
24 love among Manitobans of their merit point. We -- we
25 know from this survey that -- that people do know that --

1 how many merits that they have. I can tell you with some
2 of the registration issues that we've had in the past,
3 people don't know what kind of car they drive, but they
4 know how many merit points they have.

5 So from -- from that standpoint again
6 that's something that, from a public acceptability
7 perspective, we certainly have to be aware of.

8 MS. CANDACE EVERARD: Thank you. Mr.
9 Chairman, that concludes my part of the cross. We're
10 back to Mr. Saranchuk with your permission.

11 THE CHAIRPERSON: Thank you, Ms. Everard.
12 Perhaps, before Mr. Saranchuk re-enters, we have a few
13 additional questions: two (2) related to forecasting
14 matters, one (1) with respect to off-road vehicles and
15 two (2) with respect to MPI Exhibit Number 14 which was
16 handed out this morning.

17 First of all, Mr. Barron, if you could
18 distribute this table. Or does someone else have it?

19

20 (BRIEF PAUSE)

21

22 THE CHAIRPERSON: While he's getting that
23 document I'll just move to another one to save time.

24 The second one that's related to forecast,
25 if you could just help us understand something a little

1 bit better, with respect to thefts, attempted thefts and
2 vandalism. And we just note of course that though the
3 thefts are trending down, the attempted thefts and the
4 vandalism certainly indicates a significant and
5 continuing problem.

6 MPI is advised of many partners in the
7 effort to drive down thefts. Working with your partners,
8 has MPI developed an overall annual cost to the economy
9 of thefts, attempted thefts and vandalism?

10 I'm thinking of one that includes MPI's
11 claims costs and all the various dimensions; road safety
12 and operating costs, as well as those of the police,
13 Justice, Corrections and Health.

14 To help a bit, back of the envelope it
15 suggests to us that the overall economic cost must be
16 well in excess of \$100 million dollars. It's probably
17 modest. And that even just for MPI, that the total
18 annual cost of thefts, attempted thefts, and vandalism --
19 including the Immobilizer Program, operating costs, all
20 the various types of claims costs, et cetera, et cetera -
21 - are probably the equivalent of 10 percent of the annual
22 premium.

23 Are these type of estimates reasonably
24 fair?

25 MS. MARILYN MCLAREN: Yes, I think

1 they're reasonably fair. Yeah.

2 THE CHAIRPERSON: I expect actually on
3 the overall cost to the economy, if you threw in the lost
4 wages and everything else, the costs would be far more.
5 It's a very significant problem. It justifies a lot of
6 the activities that are ongoing.

7 Now, if you could please look at A-1
8 10(b), just for a second.

9

10 (BRIEF PAUSE)

11

12 THE CHAIRPERSON: I'm not going to spend
13 a lot of time on this. I realize the forecast is a fair
14 bit out, but trends are significant.

15 I'm wondering if you could help us a
16 little bit better to understand why, after, by then, five
17 (5) or six (6) years of the Federal new car requirements,
18 five (5) to seven (7) years of the provincial and MPI
19 actions, the thefts and the costs related thereto would
20 still be expected to be so high?

21 And also attached to that, given that
22 situation why would the road safety aggregate, which
23 presumably would include -- its main component right now
24 is related to the Immobilizer Program -- also remain so
25 high?

1 You don't have to answer right now, but I
2 would appreciate a response.

3 It's just a general thing. The numbers
4 seem high when you think about the Feds of -- a lot of
5 the cars would have the immobilizers by then you would
6 think, presumably there would be other steps that you
7 would be continuing to tighten down. The IFF would be
8 worn down and out.

9 It seems to be an extremely negative view
10 of the prospects for Manitoba going out that far, with
11 all of those actions combined together.

12 MS. MARILYN MCLAREN: We will do that.
13 We will come back with something on the record.

14 THE CHAIRPERSON: Thank you very much.

15

16 --- UNDERTAKING NO. 10: MPI to indicate to the Board
17 why, after the Federal new
18 car requirements, the
19 provincial and MPI actions,
20 that thefts and the costs
21 related thereto would still
22 be expected to be so high.
23 And given that situation why
24 would the road safety
25 aggregate also remain so high

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THE CHAIRPERSON: I realize that it's a far out -- but will all of this investments going in, I recall last year's hearings when we were estimating what the present value to the Corporation was, it goes to the overall forecast of what the prospects are. Thank you.

Now I'll go back to the one that we missed, if Mr. Barron wouldn't mind distributing it. It's self explanatory, but...

(BRIEF PAUSE)

THE CHAIRPERSON: It's a simple table. The intention is, is without a lot of actuarial factors and numbers, will help us understand a little bit the forecast going forward.

And what we want to see is sort of the flow-thru of weekly indemnity cases as to numbers: individuals; how many are there at the beginning of a year; what's coming in new; what's coming in new through reoccurrences; how many are leaving the books; and how many are at the end of the year.

Now the PIPP has been in process now for thirteen (13) years, and I believe the evidence that you put on the record before, was that the average bodily

1 injury liability was something like nine (9). I'm not
2 relating to them, because we know that some cases can be
3 with you for many, many years longer than that. And we
4 also are aware that the RIB benefits came in much later,
5 and presumably that one will be still trending up.

6 But if you wouldn't mind taking that as an
7 undertaking, we'd appreciate it.

8 MR. DON PALMER: Yes, we'll take this as
9 an undertaking. Just with the -- if I may be so bold as
10 to correct the Chairman, this may look like a simple
11 table, but it's not. Or at least the filling out the --
12 the entries of this table is not a matter of -- of
13 pressing a button. So it'll be near the end of the
14 Hearing before we can file this.

15 THE CHAIRPERSON: Well we -- we still
16 appreciate -- we appreciate the effort. It'll help us a
17 great deal. Thank you.

18 MR. DON PALMER: Thank you.

19

20 --- UNDERTAKING NO. 11: MPI to supply Board the flow-
21 thru of weekly indemnity
22 cases as to numbers:
23 individuals; how many are
24 there at the beginning of a
25 year; what's coming in new;

1 what's coming in new through
2 reoccurrences; how many are
3 leaving the books; and how
4 many are at the end of the
5 year
6

7 THE CHAIRPERSON: Leaving that for a
8 minute, just a general comment because -- Mr. Barron if
9 you could distribute the newspaper article. Oh, it's
10 already done. Okay.

11 Now, this is just a general remark. With
12 respect to the off-road vehicle premium proposal, I've
13 distributed this story taken off the internet the other
14 day.

15 With the human toll associated with these
16 vehicles so high and apparently rising, are you concerned
17 that a no-increase premium decision may send the wrong
18 message?

19 I'm reminded of MPI's portrayal of
20 motorcycles as being inherently dangerous, so I'm
21 wondering about ATV's.

22 MR. DON PALMER: Remember the -- the
23 context of -- of the current coverage under ATV's and
24 then the -- the proposed coverage that -- that we're
25 looking at.

1 Under the current -- the current coverage
2 for third party liability, what is covered under our
3 current program is the damage that these vehicles do to
4 others, not the driver. So if -- if an ATV driver runs
5 into a gate, he can be sued for the replacement of the
6 gate, and the coverage really doesn't give anything for
7 his own injuries for hitting that gate.

8 So -- so in terms of -- of the insurance
9 cost, the claims with the current coverage are minimal.
10 With the coverage that we are adding onto, again will be
11 the assumption that someone else is liable for the
12 injuries. So if someone had illegally put up a gate on a
13 public -- public right-of-way, then they would be liable
14 for that. And the driver of the ATV could sue and if
15 there was insufficient coverage then, then the proposed
16 under-insured motorist protection would kick in for that.

17 Again, we are not looking at a very common
18 occurrence. Once in a while you hear of -- of two (2)
19 snowmobiles hitting each other but again it's -- it's
20 fairly rare.

21 I have not read through this particular
22 article, but my belief is that most of the ATV vehicles -
23 - ATV accidents that are referenced would be single
24 vehicle accidents at which the driver is -- is liable,
25 and they're doing -- doing damage to themselves based on

1 their own activities. Again, that's not something that
2 is included in our basic Autopac protection.

3 THE CHAIRPERSON: Thank you, Mr. Palmer.
4 Another underlying reason other than the facts which
5 stand for themselves with respect to the story, is that
6 we're confirming in a way that MPI's premium development,
7 which you explained to Ms. Everard at some length, is
8 cost causation driven.

9 MR. DON PALMER: We, wherever possible,
10 base our rates on actual experience, yes.

11 THE CHAIRPERSON: That might go someway
12 to explaining some of the difficulties perhaps when you
13 come into the environmental field. Thank you.

14 Now the other one on Exhibit 14, if I may
15 just for a minute. And this exhibit reminds us of a few
16 things and I just want to quickly cover it off.

17 With respect to MPI Exhibit Number 14
18 which was a pre-ask, 2, which provides the -- what I'm
19 looking at specifically -- not that the severities are
20 not important -- but the frequencies; frequencies of
21 injuries over the years or, if you like, since 2001.

22 What strikes us in looking at it is that
23 in recalling the introduction of no-fault in 1994,
24 remember one (1) of the purposes was to arrest what was
25 then claimed to be very bad or negative claim trends

1 which were linked in large measure to whiplash; soft
2 tissue injuries.

3 But following the change, it would appear
4 that the whiplash frequency has reasserted its upward
5 climb, and continues to climb quite sharply. In 2001,
6 seventy-three hundred and nine (7,309); 2007, fourteen
7 thousand five hundred and eight (14,508).

8 Is this a fair observation?

9 MR. DON PALMER: With one (1) caveat.
10 You'll notice that within the other category that there
11 is -- has been a real decrease in the number of "others"
12 that was -- and due to better information, we have
13 categorized most of those "others." We certainly don't
14 have as many "others" as we used to have. Most of those
15 would be in the -- now in the whiplash category.

16 So, if you say that there's approximately
17 three thousand (3,000) of them, there still is an upward
18 trend, but it certainly is not as dramatic as if you had
19 excluded those. So -- so that's one (1) caveat into the
20 -- and even though it's an upward trend it's probably not
21 as up -- as much upward as would seem on the surface.

22 THE CHAIRPERSON: But the severity has
23 dropped considerably, particularly taking into account
24 inflation and the change in purchasing power?

25 MR. DON PALMER: Again, from a severity

1 perspective, these would be severity "as at" numbers.
2 The older claims would have more time to develop than the
3 newer claims. So these -- these severities would not be
4 developed ultimately.

5 THE CHAIRPERSON: If policy remained
6 consistent and application remains consistent, would it
7 be a reasonable expectation at some point after thirteen
8 (13) years of PIPP that things would sort of stable up?

9 MS. MARILYN MCLAREN: I'm not sure about
10 that. Just in the area of minor injuries, I think that
11 is really because of some societal changes. You know, I
12 think there is a growing appreciation amongst society,
13 generally, of the value of treatments such as
14 chiropractic care, things like that.

15 I think, generally, many insurers across
16 jurisdictions are finding that the likelihood of people
17 with minor injuries to seek treatment is growing --
18 somewhat slowly, but growing nonetheless over time. So I
19 think that's something that we really need to consider.

20 Outside of the insurance industry world,
21 you know, I think if most employers look at their
22 employee benefits usage. People are going for more
23 massage therapy. They're going for chiropractic
24 treatment. They're going for things that would sometimes
25 fit into the broader category of wellness, as opposed to

1 going to their family doctor.

2 So I think it's those kinds of things that
3 are likely to cause our claims frequency to increase.
4 But, again, the program design -- you know, we're in such
5 a different environment than we were leading into the
6 introduction of no-fault. We don't see that as an
7 emerging risk to the viability or the -- or the cost
8 efficacy of the program in the short or medium term.

9 THE CHAIRPERSON: Has there been any
10 policy or adjudicative approach changes that would
11 account for any of this?

12 MS. MARILYN MCLAREN: Well, I think, you
13 know, Mr. Palmer and his conservative approach to these
14 matters clearly rose -- raised the -- the lack of
15 development. But -- but definitely, our last agreement
16 with the chiropractors significantly changed the approach
17 to managing.

18 And the majority of whiplash victims who
19 seek any sort of treatment at all -- many still don't,
20 you know. They -- which is often the medical
21 profession's best advice as to how to best recover from
22 those is -- is to just go about your business, carry on
23 with your life, and it will improve. But for those who
24 seek treatment, most of them seek chiropractic treatment.

25

1 The last agreement changed the way we work
2 with the chiropractic association in terms of managing
3 those claims, and I think that's having some effect.

4 THE CHAIRPERSON: Please remind me.
5 Having an effect in which way?

6 MS. MARILYN MCLAREN: In setting the
7 parameters of treatment in sort of setting an upper limit
8 as to the number of treatments that can be authorized or
9 paid without significant intervention from a specialist
10 from -- you know, that the Corporation would identify.
11 Establishing protocols for treatment, durations,
12 frequencies of treatment -- things like that is -- is all
13 part of the chiropractic agreement.

14 So it's not something that we imposed, it
15 was part of the agreement with the Association.

16 THE CHAIRPERSON: So those changes would
17 gradually take effect from the point in which the
18 contract --

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

20 THE CHAIRPERSON: Okay. Thank you.

21 Also with respect to Exhibit 14, going to
22 the -- it's not that whiplash can't be painful, but to
23 the really tragic accidents. When you look at the
24 aggregate of fatal brain damage, quadriplegic, and
25 paraplegic; unfortunately when we look on this trend,

1 think people are driving -- there are more vehicles,
2 they're driving more miles, there is more activity on the
3 roadway.

4 Generally speaking, there is a fair bit of
5 stability when you consider the fatals and the very
6 serious injuries.

7 THE CHAIRPERSON: Now they've gone up it
8 looks like, when you work it through the tables, they're
9 up about 10 percent, and that seems to be fairly
10 consistent on the way back.

11 But it seems a far cry from the 2010; that
12 National Project target. I relate it back just to the
13 Board's interest, if you like, in traffic law
14 enforcement, and things of that ilk. And the
15 significance of the project we know that you're working
16 on, which is the Driver's Safety Rating Program, and I
17 think that, at least for ourselves, we have to remind
18 ourselves by looking at these charts, why all of these
19 measures are important.

20 Because it's great to have a Corporation
21 that looks after the claimants well and gets them back to
22 work and that, but I think everybody in this room would
23 prefer not to have the claimant at all. Okay, well we're
24 reading it fine then, thank you.

25 Okay, Mr. Saranchuk.

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MR. WALTER SARANCHUK: Thank you, sir.
At the outset, let me request that the CanWest News Service report dated October 4th, 2007; the one (1) that you referred to in your comments, Mr. Chairman, be marked at Exhibit PUB Number 10.

THE CHAIRPERSON: Thank you, sir.

--- EXHIBIT NO. PUB-10: CanWest News Service report dated October 4th, 2007

CONTINUED CROSS-EXAMINATION BY MR. WALTER SARANCHUK:

MR. WALTER SARANCHUK: I have some questions relative to the multi-year rate application. And, at the outset, I'd refer everyone to SM-9 in Volume I of the filing...

(BRIEF PAUSE)

MR. WALTER SARANCHUK: -- where, at page 2, there's reference to the primary reasons for the Corporations having filed this multi-year application. And I would begin by asking perhaps, Ms. McLaren, if you wouldn't mind; looking at the paragraph under "Rationale", reading of the third sentence beginning

1 with the word "however" there.

2 MS. MARILYN MCLAREN: "However, after
3 nineteen (19) annual applications and
4 thirty-five (35) years of operations,
5 the Corporation believes its
6 forecasting and rating practices have
7 reached a maturity level and financial
8 stability whereby multi-year rate
9 applications are more appropriate. The
10 forecasting and rate-making
11 methodologies at Manitoba Public
12 Insurance have changed very little for
13 a number of years, therefore a change
14 to multi-year applications is
15 warranted."

16 MR. WALTER SARANCHUK: Yes, thank you.
17 And, of course, one (1) of the primary reasons for filing
18 the multi-year application is indicated in the second
19 bullet as "Rate Stability."

20 Is that correct?

21 MS. MARILYN MCLAREN: Yes.

22 MR. WALTER SARANCHUK: And when looking
23 at page 4 of SM-9, that is addressed, indeed, with a
24 little chart there, indicating the minimal changes in
25 rates over the last ten (10) years. And it's indicated

1 that -- the chart, essentially, illustrates the rate
2 stability that Manitobans have experienced over the past
3 decade. Is that correct?

4 MS. MARILYN MCLAREN: Yes.

5 MR. WALTER SARANCHUK: And a question of
6 rate stability was addressed in interrogatory number 58
7 fil -- submitted by the Public Utilities Board. And I
8 would ask you to turn to that, and I'll give you the
9 opportunity to respond to the first question.

10 The -- the first question in that
11 interrogatory, PUB/MPI-1-58, which stated as follows:

12 "Please summarize the Statistics Canada
13 research which shows that the
14 Corporation leads the country in
15 insurance rate stability, and provide a
16 chart which shows each Canadian
17 jurisdiction and overall national
18 total."

19 If you wouldn't mind just reading in the
20 narrative response in the first paragraph of a).

21 MS. MARILYN MCLAREN: "Statistics Canada
22 uses the consumer price index for
23 automobile vehicle insurance premiums
24 to measure the insurance rate
25 stability. Based on Statistics

1 Canada's data, the Manitoba auto
2 insurance premium increased only 8.3
3 percent, or 0.9 percent per year, since
4 1998, the lowest across the country."

5 MR. WALTER SARANCHUK: Yes, thank you.

6 And I'd also draw your attention to the
7 news release; it's formed part of this filing. The one
8 dated June 13th, 2007 where you've indicated in the first
9 page -- in fact, there is some quote from you in that
10 third paragraph of the news release, Ms. McLaren, and if
11 I can, for the record, it says, quote:

12 "We know that Manitobans expect and
13 require rate stability because it helps
14 them manage the family budget,
15 President and CEO Marilyn McLaren said.
16 This rate application means that over a
17 ten (10) year period, Manitobans will
18 have had only one (1) rate increase
19 with five (5) rate decreases, and four
20 (4) years of holding the line on auto
21 insurance rates."

22 That is a -- an accurate quote from what
23 you said, Ma'am?

24 MS. MARILYN MCLAREN: Yes.

25 MR. WALTER SARANCHUK: And in the

1 highlights of the Corpor -- of the Application, as shown
2 there as well, on the first page, there's a bullet that
3 states as follows, quote:

4 "This rate application stretches the
5 Corporation's rate stability beyond a
6 decade. In ten (10) years the
7 Corporation will have held the line to
8 reduce auto insurance rates nine (9)
9 times." End of quote.

10 Is that correct?

11 MS. MARILYN MCLAREN: Yes.

12 MR. WALTER SARANCHUK: And in the
13 Backgrounder, which is a further document that's forming
14 part of your filing where the news release appeared; in
15 the second page of that document under the heading "Rate
16 Stability", again, there is a comment in the middle of
17 the paragraph there, quote:

18 "The outcome has been a decade of rate
19 stability that is unmatched in Canada."
20 End of quote.

21 Do you see that, Ms. McLaren?

22 MS. MARILYN MCLAREN: Yes.

23 MR. WALTER SARANCHUK: And, of course,
24 the Corporation is proud of that record. Would you
25 agree?

1 MS. MARILYN MCLAREN: Yes.

2

3 (BRIEF PAUSE)

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5 MR. WALTER SARANCHUK: I'd ask you now to
6 turn to the Annual Report that was filed by the
7 Corporation at AI-6, Volume III, part 1, page 39.

8

9 (BRIEF PAUSE)

10

11 MR. WALTER SARANCHUK: Let me ask you
12 first. Who prepares the narratives for these Annual
13 Reports, Ms. McLaren, in general? Do you have a
14 committee or are certain persons required --

15 MS. MARILYN MCLAREN: Communication staff
16 within the Corporation.

17 MR. WALTER SARANCHUK: Okay. And then
18 you obviously read this off and then the Chair, the Board
19 and you sign off on it?

20 MS. MARILYN MCLAREN: Yes.

21 MR. WALTER SARANCHUK: Page 39, Ms.
22 McLaren, on the right hand column, 4th paragraph down,
23 the paragraph beginning with the word "The Corporation
24 has significant concerns..."

25 I wonder if you would please read into the

1 record the second sentence in that paragraph?

2 MS. MARILYN MCLAREN: "The Corporation's
3 ability to provide Manitobans with
4 continued rate stability has been
5 weakened by the PUB's actions."

6 MR. WALTER SARANCHUK: And I'd ask you to
7 reconcile that comment with your observations regarding
8 your rate stability record over the last decade.

9 MS. MARILYN MCLAREN: Certainly. Key
10 focus of that reconciliation would be in the first
11 sentence of that paragraph and that would be the word
12 'future'.

13 What we're talking about when it comes to
14 the RSR, the need for an RSR, the size of the RSR is
15 about future unanticipated events and future rate
16 stability. So, absolutely, we are proud of our history
17 of ten (10) years of stable results.

18 And we are here with a near-term outlook
19 period that -- that shows continued rate stability in the
20 near term. But there's no guarantee that that will
21 continue. And the Corporation is of the view that a
22 larger RSR, more in line with what the target RSR is for
23 other organizations running compulsory programs like ours
24 would be, would position us to better able to continue
25 the rate stability.

1 MR. WALTER SARANCHUK: So, correct me if
2 I'm wrong, but I interpret you're answer to mean then
3 that it's the future rate stability of the Corporation
4 that you believe has been weakened by the Public
5 Utilities Board's actions?

6 MS. MARILYN MCLAREN: Yes. As -- as laid
7 out in the first sentence of that paragraph, absolutely.

8 MR. WALTER SARANCHUK: And so
9 notwithstanding that weakening of the Corporation's rate
10 stability in the future, you continue to rely on rate
11 stability as one of the primary reasons for your multi-
12 rate application.

13 MS. MARILYN MCLAREN: Within the context
14 of that multi-rate application and parameters within
15 which the Corporation suggests the PUB would order full
16 Hearings to take place; yes, absolutely.

17 MR. WALTER SARANCHUK: So you're not
18 concerned that the rate stability of the Corporation over
19 the course of the next three (3) years will be weakened
20 by the PUB's actions?

21 MS. MARILYN MCLAREN: I wouldn't say
22 that. It -- it's entirely plausible that by the end of
23 the year or in '08 or in 2010, significant events could
24 occur that could compromise our ability to continue to
25 provide rate stability with the RSR as it currently sits.

1 That's our position. But within the
2 context of the multi-rate app, we've proposed mechanisms
3 to deal with that.

4 MR. WALTER SARANCHUK: So is it fair to
5 say then that notwithstanding this risk of weakening of
6 the rate stability by the Public Utilities Board over the
7 course of the next three (3) years, you're nonetheless
8 satisfied that you should be using rate stability as a
9 primary reason for proceeding with this application?

10 MS. MARILYN MCLAREN: Absolutely.
11 There's -- there's a big difference between ongoing
12 annual requirements for rates and any rating impact of
13 significant unanticipated events.

14 MR. WALTER SARANCHUK: Thank you. You
15 have indicated that there will likely be a seven hundred
16 thousand dollar (\$700,000) cost -- yes -- cost savings
17 annually relative to the multi-rate initiative.

18 Can I ask you, was that determined by your
19 estimate of the annual Public Utilities Board fees of
20 three hundred thousand dollars (\$300,000) being deducted
21 from the average regulatory cost of \$1 million in the
22 past?

23 MR. DON PALMER: Yes.

24 MR. WALTER SARANCHUK: And in response to
25 Interrogatory Number 69 served by the Public Utilities

1 Board in the first round -- it's not in the book of
2 documents -- it was confirmed, however, that the Public
3 Utilities Board will incur regulatory costs to analyse
4 MPI's application in the intervening years. Is that
5 correct?

6 MR. DON PALMER: That's correct.

7 MR. WALTER SARANCHUK: Would you agree,
8 Mr. Palmer, that that would reduce the seven hundred
9 thousand dollars (\$700,000) cost savings?

10

11 (BRIEF PAUSE)

12

13 MR. DON PALMER: It could.

14 MR. WALTER SARANCHUK: Do you have any
15 idea as to what the additional cost might be?

16 MR. DON PALMER: No.

17 MR. WALTER SARANCHUK: And at page 13 of
18 SM-9, where it appears in Appendix A that there is an
19 analysis in respect of the projected cost savings, it
20 seems to have omitted 2007.

21 Is there any particular reason for that,
22 sir?

23

24 (BRIEF PAUSE)

25

1 being "FTEs] per year to prepare the
2 filing and respond to Interrogatories".
3 How many full-time employees would it take
4 to prepare the interim filings that you contemplate?

5 MR. DON PALMER: This quotes the savings
6 to -- to prepare the filing, so that would be the
7 incremental costs.

8 Much of the work that's done within the
9 Pricing and Economics Department -- actually most of the
10 work would be done anyway.

11 We're still going to do the same forecast.
12 We're still gonna do the rate modelling. We're still
13 going to do a good number of the exhibits that are
14 presented.

15 So this -- this two point five (2.5)
16 saving is the incremental cost by not actually doing the
17 application.

18 MR. WALTER SARANCHUK: And can you
19 advise, sir, whether your plan for interim filings
20 contemplates a Interrogatory process from the Public
21 Utilities Board, or is that something that you're seeking
22 to eliminate?

23

24

(BRIEF PAUSE)

25

1 MR. DON PALMER: We didn't contemplate an
2 interrogatory process, no.

3 MR. WALTER SARANCHUK: And if they --
4 there were to be an Interrogatory process required by the
5 Public Utilities Board, that would require some of your
6 FTEs to become involved beyond the -- and impact the
7 savings that you contemplate. Is that not correct?

8 MR. DON PALMER: That's correct.

9 MR. WALTER SARANCHUK: Now, as I
10 understand it, sir, the annual expenses of the
11 Corporation approximate se -- \$700 million annually,
12 including claims. Is that correct?

13 MR. DON PALMER: Sounds right, yes.

14 MR. WALTER SARANCHUK: Does it sound
15 right that the seven hundred thousand (\$700,000) dollars
16 annual regulator cost saving represents less than one-
17 tenth (1/10) of 1 percent of your annual expenses that I
18 just quoted?

19 MR. DON PALMER: That would be correct.

20 MR. WALTER SARANCHUK: Now, at page 9 of
21 SM-9, you propose setting rates for '09/'10 and '10/'11 -
22 - 2010/'11.

23 With those rules that I have summarized as
24 follows - and please correct me if I'm wrong - firstly,
25 if the actuarial requirement is between minus 1 percent

1 and plus 1 percent, there's to be no change in overall
2 average rate, is that correct?

3 MR. DON PALMER: That's correct.

4 MR. WALTER SARANCHUK: And if the
5 actuarial requirement is between minus 1 percent, and
6 minus 3 percent, or between plus 1 percent and plus 3
7 percent, then the required change would be applied?

8 MR. DON PALMER: That's correct.

9 MR. WALTER SARANCHUK: And if the
10 actuarially-indicated rate is greater than plus 3 percent
11 or less than minus 3 percent, the full -- I'm sorry, a
12 full Rate Hearing would be requested by the Corporation?

13 MR. DON PALMER: That's also correct.

14 MR. WALTER SARANCHUK: Now, looking at
15 SM-6 in Volume I for a moment; SM-6, page 7. It is
16 indicated that the corporation will continue to apply the
17 criteria set forth on that page on an annual basis, is
18 that correct, sir?

19 MR. DON PALMER: That's correct.

20 MR. WALTER SARANCHUK: And at Tab 31 in
21 the book of documents; this is the Interrogatory number
22 34 served by the Public Utilities Board in the second
23 round.

24 The Corporation has provided a list of
25 documentation it intends to file in support of the

1 applications in each of the intervening years, is that
2 correct?

3 MR. DON PALMER: That's our plan, yes.

4 MR. WALTER SARANCHUK: Now, is the
5 Corporation prepared to work with the Public Utilities
6 Board and Intervenors to arrive at a process of handling
7 interim applications?

8 MR. DON PALMER: Absolutely.

9 MR. WALTER SARANCHUK: And does the
10 Corporation envisage that the Board may choose to impose
11 spending limits on the Corporation in the intervening
12 years -- that might be a possibility?

13 MS. MARILYN MCLAREN: Can you elaborate
14 on that a little bit? I'm not quite sure what you mean.

15 MR. WALTER SARANCHUK: Well, for example,
16 let me ask you generally, what process did you envisage
17 the Board would follow in reviewing your filing?

18 MS. MARILYN MCLAREN: Essentially, the
19 process that's been used until now, with the exception of
20 the IR process and the Hearings, where the material is
21 provided and, ultimately, a -- a Board Order would be
22 issued.

23 So I'm -- can you provide an example of
24 where the Board would have issued an Order that included
25 some sort of spending limits previously? This -- you

1 know, the -- the Board reviews and approves rates based
2 on forecast costs as submitted.

3

4

(BRIEF PAUSE)

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6 MR. WALTER SARANCHUK: The limits in the
7 spending that is contemplated as a possib - I shouldn't
8 say "contemplated" - that would be a possibility would be
9 in respect of capital expenditures, would be in respect
10 of operating and administration expenses; something that
11 the Board looks at and implacably approves each year in
12 considering their overall application.

13 MR. DON PALMER: In -- in this applic --
14 or in the interim applications, there are a number of
15 cost estimates that are included. And if the Board has
16 concerns about any of the spending or any of the
17 forecasts, it's certainly within the domain of the Public
18 Utilities Board to order a Hearing whenever they want.

19 So, I don't think we're looking for pre-
20 approved spending limits, pre-approved claims inflation
21 limits. If there's something in there that causes the
22 Board con -- concern and they wanted to have a Hearing,
23 then we would have a Hearing. Absolutely.

24 MS. MARILYN MCLAREN: With -- within the
25 context of the legislation that is in place here in

1 Manitoba, with the Legislature considered the efficacy of
2 multi-year rate applications; that's why we have that
3 legislation that we're even referencing right now.

4 Concept being that anytime the PUB
5 believes there's a significant change in circumstances of
6 the Corporation, they have full authority to order a
7 Hearing.

8 MR. WALTER SARANCHUK: Yes, that
9 legislation certainly exists and allows for multi-year
10 application to be made. But, obviously, there has to be
11 a decision made as to whether or not it is in the public
12 interest.

13 So it doesn't automatically entitle one to
14 have that -- that multi-year application approved. So,
15 there's no question you can ask for it; whether you're
16 going to get it is another question.

17 You've indicated that there will be no
18 request for a Hearing if the actuarial indicator rates
19 are within a range of minus 3 percent to plus 3 percent.
20 Is that correct?

21 MR. DON PALMER: That's correct.

22 MR. WALTER SARANCHUK: Could you
23 indicate, sir, the range or magnitude of the rate
24 increases that motorists within major classes may be
25 exposed to under the proposal so that, for example, while

1 all rates or the revenue might be the same; considering
2 that there's a cap on raise to some 20 percent, perhaps
3 you could just indicate what the magnitude might be.

4 MR. DON PALMER: Given the cap for most
5 motorists is 20 percent, which has been ordered by this
6 Board in the past, we would contin -- continue to comply
7 with that 20 percent.

8 The exception that would be mo-ped
9 operators and scooter operators which could be up to 25
10 percent. And that was the stepping-in of -- of our
11 required 100 percent rate increase from last year which
12 the Board deemed to be excessive and -- and -- and
13 granted us the 25 percent and indicated that that would
14 be ongoing.

15 MR. WALTER SARANCHUK: Save for private
16 passenger vehicles, considering the number of them, there
17 could be an increase up to 20 percent for any major class
18 other than private passenger vehicles, without any
19 question, correct?

20 MR. DON PALMER: No. The experience
21 rating par -- experience indicators have been limited to
22 15 percent. The combination of those experience
23 indicators with other factors, such as clear adjustments
24 or rate line adjustments, compounded together, would be
25 20 percent in -- in aggregate.

1 But there would be no major class which
2 would be -- have a 20 percent increase or decrease.

3 MR. WALTER SARANCHUK: Could you have a
4 major class -- let's assume, and I think it would be
5 other than private passenger -- with a rate increase or
6 decrease of anywhere between 10 to 15 percent?

7 MR. DON PALMER: Sure. And I -- you
8 haven't -- haven't said specifically, but I will, just
9 because Mr. Oakes is staring at me; motorcycles, for
10 instance, have a rate in -- indicator that's greater than
11 what we have assumed or have applied for.

12 That doesn't go away. Even though it
13 causes losses within a given year, we will continue to
14 strive and go towards the actuarial indicator for
15 motorcycles.

16 So from that standpoint, it's possible and
17 probable that motorcycles would be in excess of that 3
18 percent that's the overall cap.

19 MR. WALTER SARANCHUK: Would you agree,
20 Mr. Palmer, that the overall actuarial indicator is a
21 single value result of a complex process involving many
22 judgments?

23 MR. DON PALMER: Yes, within the context
24 of the judgments always have some -- some basis and some
25 solid rationale.

1 MR. WALTER SARANCHUK: Can MPI really
2 commit to consistency in applying these judgments under
3 changing circumstances through a multi-year process?

4 MR. DON PALMER: The judgments -- if
5 you're talking about judgments in claims forecasting, for
6 example; we're not contemplating any difference in the
7 process. We continue -- we will continue to use a multi-
8 disciplinary committee for our claims forecasting
9 process. The -- the faces on the committee may change
10 from time to time, but I -- there has been continuity
11 within that committee over some period of time.

12 The knowledge base continues with the
13 Corporation. So I don't -- I don't see that there would
14 be a change to the process or to the decision-making
15 processes whether we come to the Public Utilities Board
16 or not.

17 MR. WALTER SARANCHUK: Now, in answer to
18 Interrogatories Number 73, Number 74, Number 75, the --
19 served by the Public Utilities Board in the first round;
20 the Corporation has addressed a time frame, if you will,
21 for filing updated information and the like during this
22 multi-year interval period.

23 And I see, for example, that in -- in
24 response to number 73 in the first round, the
25 Interrogatory of the Public Utilities Board, it's

1 indicated that the Corporation will file updated
2 Information on or before June 30th, and will require
3 approval on or before December 1st of that year. Is that
4 correct?

5 MR. DON PALMER: That's very close to the
6 timing that we -- that we have in the current process,
7 but yes.

8 MR. WALTER SARANCHUK: And so I guess the
9 question that arises, Mr. Palmer, is where MPI files an
10 abbreviated application on June 30th, how would there be
11 sufficient time, given the -- given the five (5) month
12 window from July through to the end of November, in the
13 event the Board decided that there should be a full
14 Public Hearing with Intervenor participation?

15 MS. MARILYN MCLAREN: Well, in the last
16 nineteen (19) years -- the ones that I can remember
17 clearly in my mind at this point -- the time table for
18 the proceedings was never finalized until almost the end
19 of June.

20 And, within that context, there would be a
21 matter of days or weeks different than there is today in
22 terms of the -- the time available to the Board to make
23 its -- to have its deliberations, make it's conclusions
24 in that regard, and call forward a process that would
25 probably result. If they decided we needed full

1 Hearings, somewhere in October we would be sitting here
2 again.

3 MR. WALTER SARANCHUK: The problem being
4 that I don't think you're giving the Board too much time
5 to consider the application and all of it's intricacies
6 and the detail required, before it decides on whether or
7 not there should be a full Public Hearing.

8 In other words, if there's a filing June
9 30th, I would think that it would be reasonable to allow
10 the Public Utilities Board, three (3) weeks to four (4)
11 weeks to consume all of the Information, and then would
12 have to make a decision in early August.

13 So we are looking at a different time
14 frame, Ms. McLaren.

15 MS. MARILYN MCLAREN: And that's fair,
16 Mr. Saranchuk. And as we responded to your earlier
17 question whether the Corporation was prepared to work
18 with the Board and Intervenors to sort out the details of
19 interim year processes, we could certainly consider what
20 it would take, on the part of the Corporation, to be
21 ready to file earlier than the 30th of June.

22 MR. WALTER SARANCHUK: And as I
23 understand it, as indicated earlier, I think by Mr.
24 Palmer; there is no Interrogatory process involving
25 Intervenors contemplated in the interim years, is that

1 correct?

2 MR. DON PALMER: That's correct.

3 MR. WALTER SARANCHUK: Will the Public
4 Utilities Board and Intervenors and other interested
5 parties have an opportunity to review agreements entered
6 into or renewed by MPI in intervening years? We're
7 talking about MMA, ATA, the chiropractors -- will we have
8 an opportunity to review those with the Intervenors in
9 the intervening years?

10 MR. DON PALMER: Any Information that the
11 Board requests for us to file; if it's germane to the --
12 the application and the process, we would be happy to
13 file.

14 MR. WALTER SARANCHUK: And of course
15 you're restricting that to the Board, because the
16 Intervenors aren't involved?

17 MR. DON PALMER: I think within the
18 legislation, the intervening par -- parties can request -
19 - make requests to the Board which, in turn, if the Board
20 deemed for those to be appropriate, would ma -- make
21 those requests themselves.

22 So the -- the Board would be the
23 intermediary between the Intervenors and -- and ourselves
24 but that doesn't stop the Intervenors from making
25 requests.

1 MS. MARILYN MCLAREN: Just further to
2 that point, Mr. Saranchuk. Clearly, we're proposing
3 sharing all of the information that would be filed in the
4 intervening years with all parties of record to these
5 proceedings. We would expect that the PUB would provide
6 direction to the Board in this upcoming Order with
7 respect to the parameters that the Corporation has
8 proposed.

9 So, whether the Corporation is looking at
10 a rate increase of more than 3 percent, it will be very
11 obvious that the Corporation will be requesting a
12 Hearing. With whatever rules the -- the Board would
13 Order in its upcoming order, really the -- the last
14 decision for the Board to make, then, within the context
15 of some sort of parameters and rules, is have the
16 circumstances of the Corporation significantly changed to
17 require a Hearing even though the rate-change parameters
18 have fallen within the guidelines?

19 MR. WALTER SARANCHUK: In terms of the
20 business process review or dealing with the Corporate
21 strategic initiatives, there wouldn't be really an
22 opportunity in intervening years for Intervenors to -- or
23 even the Board to review those in terms of the status,
24 would there be?

25 MS. MARILYN MCLAREN: Well, we've put an

1 awful lot of information on the record about the service
2 centres which is a DVL-related initiative. The other big
3 BPR project that was on the books, and we talked about a
4 fair bit, was the driver licence system that's complete
5 now.

6 I'm not sure how much more information
7 we'll have to share about the service centre projects
8 between now and when it actually starts to be executed in
9 our claims centres. So I think that's one (1) thing.

10 The other big strategic initiative is the
11 DSR, which we expect to have a special hearing on, which
12 leaves, really, at this point, the one that we know about
13 today that will be proceeding is the PIPP project.

14 And it is very long term and we will --
15 you know, its' -- it's conceivable that we could provide
16 some sort of information in the intervening years as it
17 was available and as the Board would like us to do. But
18 it is a long-term initiative that will be going on beyond
19 the time that we would propose being in front of this
20 Board here at hearings once again.

21 MR. WALTER SARANCHUK: I guess it comes
22 down to whether or not the Corporation, in making this
23 multi-year -- year application -- considering the limited
24 participation, if any, contemplated by Intervenors. The
25 Board has to deal with the question -- and I guess I'll

1 ask you -- whether the Corporation, in filing this multi-
2 year application, understands or understood that the
3 Public Utilities Board appears to be requested to fulfill
4 its mandate and act in the public interest without
5 participation of the public interest groups.

6 Is that something that you took into
7 account?

8 MS. MARILYN MCLAREN: Yes, certainly, and
9 we took our guidance, in that regard, from the
10 legislation itself.

11 And the -- the opportunity -- the
12 possibility of multi-year applications in such a process
13 that did not involve, you know, the -- the IR process and
14 -- and full Hearings, we believe was considered by the
15 legislators, by the Legislature of Manitoba and would
16 seem appropriate on that basis. The Corporation fully
17 accepts its responsibility to act in the public interest
18 as well.

19 And I guess, you know, one (1) of the
20 questions that we asked ourselves when we were
21 considering this possibility is the legislation is there.
22 It contemplates such action. And the question we asked
23 ourselves is if not this year under this process with
24 this level of stability in the rate-making process, then
25 under what possible circumstances would anyone have ever

1 contemplated a multi-year application?

2 MR. WALTER SARANCHUK: And I guess it
3 comes down to the legislation allowing for an application
4 to be made, but not guaranteeing that it's going to be
5 successful; would you agree with that?

6 MS. MARILYN MCLAREN: Absolutely. I
7 think throughout SM-9 and our discussions here and our
8 evidence has consistently used the word "proposal";
9 "Corporation suggestion". Clearly, we know that this is
10 something we are proposing to the PUB which is in their
11 authority to decide.

12 MR. WALTER SARANCHUK: And you understand
13 that the PUB has to exercise that authority in the public
14 interest?

15 MS. MARILYN MCLAREN: Yes.

16 MR. WALTER SARANCHUK: Thank you. Those
17 are all my questions, Mr. Chairman.

18 THE CHAIRPERSON: Thank you, Mr.
19 Saranchuk. Thank you, panel. So we will adjourn for the
20 lunch hour. We'll be back at 1:15 and then Mr. Williams
21 will be ready and raring to go, right?

22 MR. BYRON WILLIAMS: Yes, Mr. Chairman.

23 THE CHAIRPERSON: Thank you.

24

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

1 --- Upon resuming at 1:19 p.m.

2

3 THE CHAIRPERSON: It appears that Mr.
4 Williams has given up his place, so we will be moving on.
5 Mr. Roberts is not here. I see, oh, Mr. Kruk is here, he
6 can handle it.

7 Okay, Mr. Williams, any time.

8 MR. BYRON WILLIAMS: Was that on the
9 record, Mr. Chairman?

10 THE CHAIRPERSON: You never know.

11 MR. BYRON WILLIAMS: In my defence, I
12 just have to say I was briefing my client, so. They
13 always like to know what's going on.

14 Mr. Chair, prior to proceeding, I propose
15 that we share some exhibits with the Public Utilities
16 Board, Board counsel, other Intervenors. We've already
17 shared those with Manitoba Public Insurance, some
18 yesterday, some today, and my understanding is that
19 they're prepared to agree to allow them in as exhibits,
20 although I think there's some vague threats that I'll get
21 whooped on some of them, in terms of my cross-examination
22 or something like that.

23 So that would be my proposal. I can
24 assist you with numbering them, Mr. Chairman, if that's
25 appropriate?

1 THE CHAIRPERSON: Yes, it is.

2 MR. BYRON WILLIAMS: A big green document
3 -- and I make apologies to Dr. Miller for using paper,
4 but we couldn't find out how else to do this -- is a
5 CAC/MSOS book of documents. I'd suggest that that be
6 marked as Exhibit Number 3.

7 THE CHAIRPERSON: That is good, Mr.
8 Williams. If the Saskatchewan Roughriders were coming
9 tonight, we would not take this one.

10

11 --- EXHIBIT NO. CAC/MSOS-3: CAC/MSOS book of documents

12

13 MR. BYRON WILLIAMS: We intended this to
14 be symbolic of the level of retained earnings.

15 What I'd suggest be CAC/MSOS Exhibit
16 Number 4 is unrealized gains as a percentage of carry
17 value.

18

19 --- EXHIBIT NO. CAC/MSOS-4: Unrealized gains as a
20 percentage of carry value

21

22 MR. BYRON WILLIAMS: I'd propose that
23 Exhibit Number 5 be percentage of unrealized gains
24 associated with equity investments.

25

1 --- EXHIBIT NO. CAC/MSOS-5: Percentage of unrealized
2 gains associated with equity
3 investments
4

5 MR. BYRON WILLIAMS: I propose that
6 Exhibit Number 6 for CAC/MSOS be an excerpt from the
7 Saskatchewan auto fund annual report 2005.
8

9 --- EXHIBIT NO. CAC/MSOS-6: An excerpt from the
10 Saskatchewan auto fund annual report
11 2005
12

13 MR. BYRON WILLIAMS: Hopefully, my
14 numbering's staying up. Number 7 would be the excerpt
15 from the Auto Fund from 2006.
16

17 --- EXHIBIT NO. CAC/MSOS-7: Excerpt from the 2006 Auto
18 Fund
19

20 MR. BYRON WILLIAMS: And if MPI, if
21 there's some that are missing there, please -- please let
22 me know. I believe they have them all, though.

23 As Number 8, I would recommend comparison
24 of administrative costs per vehicle insured, MPI versus
25 SGI.

1 --- EXHIBIT NO. CAC/MSOS-8: Comparison of administrative
2 costs per vehicle insured, MPI versus
3 SGI
4

5 MR. BYRON WILLIAMS: AS CAC/MSOS Number
6 9, I'd suggest comparison of PIPP incurred actual with
7 PIPP original projected.
8

9 --- EXHIBIT NO. CAC/MSOS-9: Comparison of PIP incurred
10 actual with PIPP original projected
11

12 MR. BYRON WILLIAMS: Hopefully you're up
13 to number 10; I'd suggest that be C -- PIPP Board orders,
14 an excerpt from past Board orders.
15

16 --- EXHIBIT NO. CAC/MSOS-10: Excerpt of past PIPP Board
17 orders
18

19 MR. BYRON WILLIAMS: As CAC/MSOS Number
20 11, it would be an Interrogatory response from the BCUC,
21 BCOAPO-1-11.1.
22

23 --- EXHIBIT NO. CAC/MSOS-11: Interrogatory response from
24 the BCUC, BCOAPO-1-11.1
25

1 MR. BYRON WILLIAMS: And as the last one,
2 I'd recommend BCOAPO-1-6.3.

3

4 --- EXHIBIT NO. CAC/MSOS-12: BCOAPO1-6.3

5

6 MR. BYRON WILLIAMS: Mr. Chairman,
7 mindful of the Charles Roberts rule, I don't expect to
8 get to all those exhibits today.

9 THE CHAIRPERSON: And that last one (1)
10 was Exhibit 12, right?

11 MR. BRYON WILLIAMS: And Mr. Chairman, it
12 may be that M -- MPI is -- had -- is short on -- on a few
13 of those exhibits. I don't expect that they'll be ones
14 we get to today.

15 If they are, in terms of that, Mr.
16 McCulloch, you'll let me know and I'll -- and -- and I'll
17 stop. I apologise, I -- apparently I didn't have enough
18 copies.

19 MR. KEVIN MCCULLOCH: We can have copies
20 made in -- in the backroom of the three (3) or four (4)
21 that I don't have personally.

22 MR. BRYON WILLIAMS: You've reviewed
23 those, though, Mr. McCulloch?

24 MR. KEVIN MCCULLOCH: Our financial
25 people have reviewed them, yes.

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(BRIEF PAUSE)

MR. BRYON WILLIAMS: Mr. Chairman, now that I've added to Mr. Palmer's explosion of paper, I'm prepared to proceed.

THE CHAIRPERSON: Please do so.

MR. BRYON WILLIAMS: I'd like to -- to just welcome again my clients, Ms. Desorcy from CAC and Ms. Hunter from the Manitoba Society of Senior. As always, we appreciate their participation.

And also at this point in time, thank Board Counsel and Board Advisors for their efforts. As usual, we'll try not to duplicate what Board Counsel has done. From time to time we will cross over the same area aiming at a different objective.

And, Mr. Chairman, before proceeding with the cross-examination -- don't worry, I won't take long -- but the -- we're -- we're -- Manitoba Public Insurance and certainly the Public Utilities Board process, my understanding is that we're seeing the last of Mr. Galenzoski and so certainly under the express instructions of my clients, I do want to say that over the many years that they have been involved in this proceeding they have come to impro -- appreciate his

1 humour, his enthusiasm, and at times his insight.

2 And so on be -- on -- on behalf of my
3 clients, I do want to -- to thank Mr. Galenzoski for his
4 many years of service to -- to MPI and to the process and
5 wish him well as he kayaks merrily through the Pacific.

6 Speaking for myself, Mr. Chairman, and
7 again, I assure you that the -- my comments will be
8 brief, I -- I make no comment upon the insight offered by
9 Mr. Galenzoski. I do want to say its been a tremendous
10 pleasure to do -- deal with him across the table;
11 sometimes he's beat up on me, but I've got over it and
12 forgiven him for that.

13 And I will just bring to mind a couple
14 encounters that I did have with Mr. Galenzoski. Perhaps
15 my favourite Public Utilities Board line of all time was
16 when Mr. Galenzoski was obliged to defend a company
17 position which was quite inconsistent with a position he
18 had fervently advanced about four (4) years before, he
19 blamed it on his evil twin and then inquired about a
20 statute of limitations. And I think that's probably the
21 most memorable line I've ever, in my many regulatory
22 proceedings, encountered.

23 And we did have a lot of fun going through
24 positive and negative correlation, doing card tricks and
25 coin tosses on that. So just speaking personally, it's

1 been a great pleasure. I hope he takes it easy on my
2 today and on -- on Tuesday. Thank you.

3

4 CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

5 MR. BRYON WILLIAMS: I want to turn to
6 the -- pretty much the area where Mr. Saranchuk left off
7 this morning. Again, I'll try not to -- to walk through
8 the -- the same exact area that he did, but there will be
9 a bit of duplication. And -- and this can go to either
10 Mr. Palmer or Ms. McLaren, who I believe answered the
11 questions on the application originally.

12 As I understand your application, you're -
13 - what you're proposing is a multi-year process but not a
14 multi-year rate application. Would that be fair?

15 MR. DON PALMER: That's a fair
16 characterization, yes.

17 MR. BRYON WILLIAMS: And by -- by multi-
18 year process, what I understand you to mean is that you
19 are making a rate application for year '08/'09, is that
20 right?

21 MR. DON PALMER: That's correct.

22 MR. BRYON WILLIAMS: And for subsequent
23 years, those being 2009/'10 and 2010/'11, you're not
24 making a specific rate application; you're proposing some
25 -- some rules in which to evaluate future rate

1 applications and -- and including the necessity, or not,
2 of having a public hearing. Would that be fair?

3 MR. DON PALMER: That's fair.

4 MR. BRYON WILLIAMS: And, just on that
5 point for the 2009/'10 year or the 2010/'11 year, my
6 understanding would be that under the process you've
7 recommended, if the actual actuarial indicator is 3
8 percent or less, under your proposal, there would be no
9 Public Hearing and no Interrogatories.

10 Would that be correct?

11 MR. DON PALMER: That's correct. Of
12 course, leaving it up to the Board to order us to the
13 Hearing process whenever they deem necessary.

14 MR. BRYON WILLIAMS: Now, and I don't
15 know if you need to turn to it, Mr. Palmer or Ms.
16 McLaren, but in the Public Utilities Board book of
17 documents, being PUB Exhibit number 5, at Tab 35, there's
18 an Interrogatory response from -- from MPI to CAC/MSOS
19 2-22. Do you have that, Mr. Palmer?

20 MR. DON PALMER: I have it.

21 MR. BRYON WILLIAMS: Now, Mr. Palmer, if
22 I recall your testimony with Mr. Saranchuk -- My Friend,
23 Mr. Saranchuk, this morning, in terms of possible roles
24 for Inter -- Intervenors in the public process under the
25 -- the multi-year application process that MPI has

1 presented, I believe this morning you suggested that if
2 the Inter -- Intervenors required additional information,
3 they might use the Public Utilities Board as
4 intermediary; is that correct?

5 MR. DON PALMER: That's essentially what
6 I said, yes.

7 MR. BRYON WILLIAMS: Now, if I look at
8 the -- the response to CAC/MSOS 2-22, the question posed
9 was how would any stakeholder who wished additional
10 information on MPI filings during the proposed multi-year
11 regime gain access to additional information.

12 And my understanding of your report is
13 that you suggested that such stakeholders could go to
14 annual reports, the corporate web site, public
15 information meetings, news releases and the Call Centre.

16 Is that right, sir?

17 MR. DON PALMER: That's what the
18 Information Request says, yes.

19 MR. BRYON WILLIAMS: So in your
20 discussion with Mr. Saranchuk this morning, were you
21 amending the process? Are you suggesting that we add
22 another step which is using the Public Utilities Board as
23 some sort of intermediary?

24

25

(BRIEF PAUSE)

1 MR. DON PALMER: I don't know that the
2 two are necessarily conflicting, but I would add to this
3 list the information filed by the -- by MPI, yes.

4 MR. BRYON WILLIAMS: Now, just moving
5 over one (1) tab to CAC/MSOS 225; reading your response,
6 I interpret this to mean that the primary vehicle that
7 MPI sees Intervenors providing input to the process
8 through, in 2009/'10 and 2010/'11, would be through
9 public information meetings during interim years.

10 Would that be correct, sir?

11 MR. DON PALMER: In the absence of a
12 Hearing, absolutely.

13 MR. BRYON WILLIAMS: It's not in the --
14 the book of documents either, of CAC/MSOS or MPI, and I
15 do not think you need to turn there. But in your
16 response to PUB-164, the question posed to MPI was why
17 did the Corporation choose to file this type of proposal
18 as opposed to filing a two (2) year GRA.

19 And my understanding is that the reason
20 they -- the Corporation chose not to file a two (2) year
21 GRA because -- is because it's necessary to adjust rates
22 on an annual basis to ensure the integrity of the
23 classification system.

24 Would that be fair, sir?

25 MR. DON PALMER: I recall that answer,

1 yes.

2 MR. BYRON WILLIAMS: And that's the
3 Corporation's position?

4 MR. DON PALMER: Yes, it is.

5 MR. BYRON WILLIAMS: And just to
6 elaborate on that, clear-rate groups are updated annually
7 as vehicles age and loss -- as loss experience is
8 recorded. And by not having an -- adjusting rates on an
9 annual basis, and requiring a two (2) year adjustment,
10 this could result in large rate dislocation or rate
11 shock.

12 Would that be fair, sir?

13 MR. DON PALMER: Those sound like my
14 words too, so yes.

15 MR. BYRON WILLIAMS: And those are words
16 you endorse?

17 MR. DON PALMER: Yes.

18 MR. BYRON WILLIAMS: Now, again, I'm not
19 sure who to pose this to on the -- the panel; I'm sure
20 Board Member Evans will be will be familiar with this
21 concept.

22 But are members of the MPI panel familiar
23 with the concept of a postage-stamp rate with regard to
24 the regulation of Public Utilities?

25 MR. DON PALMER: I am not.

1 MR. BYRON WILLIAMS: Okay, I'll elaborate
2 on it and just if it -- if I can twig. By -- by
3 "postage-stamp rate" I mean that certain Utilities and,
4 indeed, Canada Post, operate under the assumption that
5 all consumers within a class of services pay the same
6 rate regardless of variations in costs they might bring
7 to the system; for exam -- for example, as consequence of
8 geography.

9 Are you familiar with that concept, Mr.
10 Palmer?

11 MR. DON PALMER: I -- I know that I pay
12 the same postage-stamp rate as a resident of Churchill,
13 yes.

14 MR. BYRON WILLIAMS: Okay, and you'll --
15 you'll also be aware that under the Uniform Rates process
16 with -- with regard to Manitoba Hydro, a residential
17 customer in Winnipeg, as compared to a residential
18 customer in Churchill, would pay the same rate per
19 kilowatt hour.

20 Is that your understanding?

21 MR. DON PALMER: I didn't know that, but
22 I'll take your word for it.

23 MR. BYRON WILLIAMS: So that concept, if
24 you'll allow me to use -- use the shorthand of a postage
25 stamp-rate; would that be permissible with you, Mr.

1 Palmer?

2 MR. DON PALMER: Sure.

3 MR. BYRON WILLIAMS: And it's fair to say
4 that MPI does not employ a -- a postage-stamp philosophy
5 in setting it's rates.

6 Would that be fair, Mr. Palmer?

7 MR. DON PALMER: Not across the whole
8 motorist population. I would agree with that.

9 MR. BYRON WILLIAMS: And we'll elaborate
10 on that as we -- as we go along. And you can -- if -- if
11 it will assist you, Mr. Palmer, and -- and the Board, I'm
12 just going to -- again, I don't think we really need to
13 go there, but A.P.2 in the Volume I of the book of the
14 MPI filing.

15

16 (BRIEF PAUSE)

17

18 MR. BYRON WILLIAMS: And just in terms of
19 MPI and, again, I don't want to walk too far where Mr.
20 Saranchuk has, but we will walk a little bit in his
21 shoes. My understanding is that MPI has six (6) major
22 classes being private passenger, commercial, public,
23 motorcycle, trailers and ORV.

24 Is that correct, sir?

25 MR. DON PALMER: That's correct.

1 MR. BYRON WILLIAMS: And for the purposes
2 of AP-2, the vehicle count at the time that this
3 application was made -- at this point in time, was eight
4 hundred and eighty-one thousand five hundred and six
5 (881,506).

6 Is that right, sir?

7 MR. DON PALMER: That would be the
8 extract from our right model, which largely is taken from
9 November 1st of 2006. Although for seasonal vehicles, we
10 would use an extract from a different date.

11 MR. BYRON WILLIAMS: So between friends,
12 this -- this is not a -- a bad representation of the
13 number of MPI vehicles. It might be a bit higher, taking
14 in -- into account seasonal vehicles and that, sir?

15 MR. DON PALMER: It's a pretty good guess
16 of an -- any as-at population, sure.

17 MR. BYRON WILLIAMS: And you agreed with
18 me that -- that MPI -- I believe you agreed with me --
19 does not employ a -- a postage-stamp rate.

20 And -- and I guess just to refine this a
21 bit -- a bit further; leaving aside driving record, my
22 understanding is that the assignment of risk and
23 determination of rates within the major classes is
24 further refined -- refined by rating territory, i.e.,
25 geography, insurance use, for example, pleasure versus

1 all pleasure, and by rate groups.

2 Would that be fair, sir?

3 MR. DON PALMER: That's fair.

4 MR. BYRON WILLIAMS: So, again, using
5 your example or if we're looking at the Don Palmer in
6 Winnipeg versus the -- the car driver in Churchill -- I'm
7 assuming they drive -- they drive cars in Churchill.

8 Even if their driving record was the same
9 and they were both members of the private passenger
10 class, the rates they would expect to pay for insurance
11 could differ significantly due to the territory they're
12 in, the insurance used and the rate group.

13 Would that fair, sir?

14 MR. DON PALMER: Absolutely.

15 MR. BYRON WILLIAMS: Would it -- and it
16 would also be fair to say that the relative difference
17 between these two (2) vehicle owners, in terms of the
18 rate they pay, may differ from year to year based upon
19 the different experiencing class -- well, they'd be in
20 the same class, but in territory, insurance use, and rate
21 group.

22 Would that be fair?

23 MR. DON PALMER: That would be fair.

24 MR. BYRON WILLIAMS: Would I be right in
25 suggesting to you that within each class, each territory,

1 each insurance use, and each rate group there may be a
2 different actuarially indicated rate?

3 MR. DON PALMER: For each classi --
4 classification cell, a combination of all those factors,
5 there is a different actuarially indicated rate, yes.

6 MR. BYRON WILLIAMS: And, Mr. Palmer, and
7 I do appreciate you refining and properly answering my
8 inelog -- inelegant question.

9 So for each classification cell there
10 would be -- there could well be a different actuarially
11 indicated rate, is that right?

12 MR. DON PALMER: That's correct.

13 MR. BYRON WILLIAMS: And would I be right
14 in suggesting to you that there probably hundreds or
15 perhaps thousands of classification cells within MPI?

16 MR. DON PALMER: Thousands would be more
17 accurate.

18 MR. BYRON WILLIAMS: I -- I thought that
19 myself but, like you, I'm a conservative person, so I
20 didn't want to overstate my case. So in any given year,
21 each of these thousands of different classifications
22 cells -- I'm going to write that word down -- may have a
23 different experience adjustment.

24 Is that right, sir?

25 MR. DON PALMER: That would be true.

1 MR. BYRON WILLIAMS: So for some
2 classification cells there may be an indicated increase,
3 correct?

4 MR. DON PALMER: That's correct.

5 MR. BYRON WILLIAMS: For some
6 classification cells there may be an indicated decrease,
7 and some classification cells may stay the same?

8 MR. DON PALMER: I agree with all of
9 those.

10 MR. BYRON WILLIAMS: So in any given rate
11 application, there could be thousands of different rate
12 impacts, would that be fair, sir?

13 MR. DON PALMER: That would be fair.

14 MR. BYRON WILLIAMS: And those rate
15 impacts, allowing for experience adjustment rules, could
16 be as much as 15 percent or as little -- or as little as
17 minus 15 percent, leaving aside motor scooters.

18 Would that be right?

19 MR. DON PALMER: No, that wouldn't be
20 right. With all of those factors that you have included,
21 it would be based on the rules ordered by the PUB. It
22 would be plus or minus 20 percent.

23 MR. BYRON WILLIAMS: I was again being
24 conservative and I -- I'd rather err on that side, Mr.
25 Palmer. Now, I just want to go to your multi-year using

1 the -- the knowledge that I've now gained -- your multi-
2 year application process.

3 And I'm going to ask you to assume that in
4 the fiscal year 2009/'10 that the -- and assume that the
5 overall actuarial indicator is 2.99 percent -- and I
6 don't think you're going to need a calculator for this,
7 Mr. Palmer, but do you have that?

8 It's the 2009/'10 year and the overall
9 actuarial indicator is 2.99 percent?

10 MR. DON PALMER: Yes.

11 MR. BYRON WILLIAMS: And my understanding
12 is that under the process MPI is recommending, it's
13 anticipated that there would be no Public Hearing and no
14 Information Requests in such a -- because it's 3 percent
15 or less, is that right, sir?

16 MR. DON PALMER: That's correct.

17 MR. BYRON WILLIAMS: So, if I were a
18 consumer in a particular classification cell in the year
19 2009/'10 with an indicated rate increase of 9 percent,
20 under your three (3) -- three (3) year plan or your
21 multi-year proposal, there would be no Public Hearing, is
22 that right?

23 MR. DON PALMER: That would be -- under
24 our proposal, that would be true, yes.

25 MR. BYRON WILLIAMS: And so for this

1 classification cell, there would be no public process by
2 which the insur -- the -- by which the classification
3 cell to which I belong could challenge, under cross-
4 examination, the assumptions by which you calculated the
5 indicated rate.

6 Is that fair?

7 MR. DON PALMER: That's fair.

8 MR. BRYON WILLIAMS: And in the event
9 that you got something wrong, there would be no recourse
10 until a Public Hearing took place in the future.

11 Would that be right?

12

13 (BRIEF PAUSE)

14

15 MR. DON PALMER: I don't know what you
16 mean by "no recourse". If you mean "public recourse", I
17 would agree. Certainly, these calculations do not go
18 without internal scrutiny, so if there were -- there may
19 be some recourse that the Corporation would take if such
20 an event happened.

21 MR. BRYON WILLIAMS: And in the absence
22 of a public process, I might not have the opportunity to
23 test whether that calculation should be re -- revisited
24 by the Corporation.

25 Would that be fair?

1 MR. DON PALMER: If there was no cross-
2 examination, that would fair, yeah.

3 MR. BRYON WILLIAMS: I'd like you to turn
4 to CAC/MSOS Exhibit Number 3, which is the book of
5 documents Tab 1, which is a response to Interrogatory
6 Request PUB/MPI-1-16, please.

7 MR. DON PALMER: I have it.

8 MR. BRYON WILLIAMS: The -- the CAC/MSOS
9 book, the pretty green book. I'm not sure Mr. Palmer
10 shares my opinion of the colour of the book being pretty,
11 but...

12 MR. DON PALMER: I think it's lovely, Mr.
13 Williams.

14 MR. BRYON WILLIAMS: Mr. Palmer, and I --
15 I refer you to the attachment to PUB/MPI-1-16, and my
16 understanding that -- is -- this is a table that shows
17 for the years 2004/'05 through to 2008/'09, the financial
18 forecast indicators, the adjustment and the adjustment
19 requested for each of those years.

20 Is that right, sir?

21 MR. DON PALMER: That's correct.

22 MR. BRYON WILLIAMS: And just to
23 illustrate what this table's all about, I'd ask you to go
24 to the -- the middle year, being 2006/'07, and go to the
25 bottom line. You'll see that the overall adjustment

1 requested for that year was zero percent.

2 Is that right, sir?

3 MR. DON PALMER: That's correct.

4 MR. BRYON WILLIAMS: But while the
5 overall adjustment requested was zero, you'll agree with
6 me that in terms of the adjustment requested for the
7 major uses, there were some -- there were some
8 adjustments requested.

9 Is that right, sir?

10 MR. DON PALMER: That's correct.

11 MR. BRYON WILLIAMS: And on the -- on the
12 -- the po -- on the -- the downward adjustment side, the
13 range was minus 20 percent for ORVs, correct?

14 MR. DON PALMER: That's correct.

15 MR. BRYON WILLIAMS: And on the -- the
16 less happy side, the -- the upward side, the adjustment
17 requested for motorcycles was 12.7 percent.

18 Is that right, sir?

19 MR. DON PALMER: That's also correct,
20 yes.

21 MR. BRYON WILLIAMS: And I -- I wonder if
22 you could assume with me, Mr. Palmer, that instead of --
23 is the title for this -- these two (2) columns, instead
24 of having 2006/'07, we replaced that with 2009/2010.

25 Are you prepared to make that assumption?

1 MR. DON PALMER: I can stay with you,
2 sure.

3 MR. BRYON WILLIAMS: And assuming that
4 your multi-year process recommendation is accepted, my
5 understanding would be that for this year, being
6 2009/2010, there would be no Public Hearing expected
7 because the overall actuarial indicator was -- was zero.

8 Is that right, sir?

9 MR. DON PALMER: Under our proposal,
10 that's correct.

11 MR. BRYON WILLIAMS: And I don't presume
12 to speak for Mr. Oakes, but assuming your proposal was
13 accepted, a consumer group, like motorcyclists, facing a
14 12.7 percent rate increase would not be able to test your
15 proposal under cross-examination.

16 Is that right?

17 MR. DON PALMER: That's correct.

18 MR. BRYON WILLIAMS: If you'll turn to
19 Tab 2 of the CAC/MSOS book of documents; that's the
20 response to CAC-2-16.

21 MR. DON PALMER: I have it.

22 MR. BRYON WILLIAMS: And just -- the
23 response to 2-16(c), MPI was asked to confirm that a 3
24 percent change in the actuarial indicator in 2008/'09
25 would correspond to a change of about \$20 million in

1 overall revenue.

2 Is that right? And -- and MPI confirmed
3 that, is that right, sir?

4

5 (BRIEF PAUSE)

6

7 MR. BRYON WILLIAMS: I can rephrase it.
8 You confirmed that an actuarial indicator of 3 percent
9 for 2008/'09 would mean an increase in revenue of
10 approximately \$20 million.

11 Is that right, sir?

12 MR. DON PALMER: That's -- that's true, I
13 would in -- for completeness I would like to complete
14 that answer with --

15 MR. BRYON WILLIAMS: Please feel free to.

16 MR. DON PALMER: -- however, in such a
17 case, the expected costs would have increased by \$20
18 million in there for the expected net income on a policy-
19 year basis would still be zero.

20 MR. BRYON WILLIAMS: I understand, but in
21 -- in terms of revenue, if you have an actuarial
22 indicator of 3 percent for 2008/'09, you'd be looking at
23 seeking an additional \$20 million in revenue.

24 Is that right, sir?

25 MR. DON PALMER: That's correct.

1 MR. BRYON WILLIAMS: And would it be fair
2 to say -- moving ahead a year to 2009/'10 -- that if you
3 had an actuarial indicator of 3 percent; again, that
4 figure would be in the range of about \$20 million, or
5 perhaps a bit more than \$20 million?

6 MR. DON PALMER: With expected growth in
7 -- in volume and in upgrade, likely a little more than
8 \$20 million, yes.

9 MR. BRYON WILLIAMS: Well, let's just
10 assume again, because I'm a conservative guy; the
11 2009/2010 year, the actuarial indicator suggests a \$20-
12 million rate increase.

13 You'll confirm for me that under the
14 multi-year plan process of MPI -- under that process,
15 that the recommendation's accepted, it would be
16 contemplated that there would be no public hearing.

17 Would that be right, sir?

18 MR. DON PALMER: That's correct.

19 MR. BRYON WILLIAMS: And so -- and you
20 mention issues in terms of growth and incurred costs. In
21 that event, there would be no opportunity under cross-
22 examination to -- to test the reasonableness of your
23 projected costs and the reasonableness of your reserve in
24 practices, for example.

25 Would that be fair, sir?

1 (BRIEF PAUSE)

2

3 MR. DON PALMER: Not under cross-
4 examination by Inter -- Intervening groups, I would agree
5 with that.

6 MR. BRYON WILLIAMS: And, again, would it
7 be fair to say a 3 percent actuarial indicator in
8 2010/2011 would be at least -- suggest an increase in
9 revenues of at least \$20 million, if not more?

10 Would that be fair, sir?

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

12 MR. BRYON WILLIAMS: So if MPI, for
13 example, was facing actuarially-indicated rates of
14 3 percent -- an increase of 3 percent in 2009/2010 --
15 and, again, 3 percent in 2010/2011, that would amount,
16 over the two (2) years, to revenues somewhere between \$40
17 and \$50 million.

18 Would that be right sir?

19 MR. DON PALMER: That's correct.

20 MR. BRYON WILLIAMS: And it's
21 conceivable, if your proposal is accepted, that consumers
22 in Manitoba could be facing increases in 2009/'10 of \$20
23 million, an increase in 2010/'11, perhaps, of another
24 \$22 million, and -- and not have an opportunity to test
25 those increases through a public process involving cross-

1 examination Interrogatories.

2 Is that right?

3 MR. DON PALMER: Specifically for those
4 years, that's correct.

5

6 (BRIEF PAUSE)

7

8 MR. BRYON WILLIAMS: I'd ask you to take
9 the less-pretty Public Utilities Board book, and go to
10 Tab 9, which is the response to -- or it's not a
11 response, it's actually an excerpt from the application
12 TI-16. Tab 9, TI-16.

13 MR. DON PALMER: I have it.

14 MR. BRYON WILLIAMS: Now, if you -- just
15 to make sure I understand the concept, Mr. Palmer, the
16 heading for TI-16, between the actual results and the
17 forecast, at the top says, "Net Premiums Written".

18 Do you see that, sir?

19 MR. DON PALMER: I see that.

20 MR. BRYON WILLIAMS: And that involves
21 the calculation involving motor-vehicle premiums,
22 drivers' premiums, and reinsurance ceded.

23 Is that right, sir?

24 MR. DON PALMER: That's correct.

25 MR. BYRON WILLIAMS: Would -- would I be

1 correct -- and I -- I think you gave this information, so
2 I hope I'm correct. If one wanted to look at gross
3 premiums written or gross vehicle premiums written, one
4 would look to the first -- first line being "motor
5 vehicles".

6 Was that right, sir?

7 MR. DON PALMER: That's correct.

8 MR. BYRON WILLIAMS: So, for example, if
9 I wanted to calculate the gross motor vehicle premiums
10 written in 2010/2011, based upon this outlook I would be
11 looking at 734.335 million.

12 Is that right, sir?

13 MR. DON PALMER: That's correct.

14 MR. BYRON WILLIAMS: And in -- under the
15 multi-year proposal of Manitoba Public Insurance, my
16 understanding is that in terms of RSR rebates, they would
17 not -- they would not be applied unless the R -- the RSR
18 was in excess of the target by more than 5 percent of
19 gross premiums written.

20 Is that right, sir?

21 MR. DON PALMER: That was the amount in
22 our proposal, yes.

23 MR. BYRON WILLIAMS: And, again, when I
24 pose my questions inelegantly, I thank you for -- so it's
25 5 percent of gross written premiums over that RSR rebate

1 would be issued under your proposal.

2 Is that right, sir?

3 MR. DON PALMER: Gross written vehicle
4 premium, yes.

5 MR. BYRON WILLIAMS: So let's take the
6 year 2010/2011 as an example. The gross vehicle written
7 premium would be 734.335 million, as we've confirmed
8 previously, correct?

9 MR. DON PALMER: That's correct.

10 MR. BYRON WILLIAMS: And to calculate the
11 5 percent of that, I'd merely multiply that figure by
12 point zero five (.05) to get about 36.72 million.

13 Would that be right, sir?

14 MR. DON PALMER: That's exactly what
15 myself and Mr. Kramer got, so, yes.

16 MR. BYRON WILLIAMS: He's quick, that Mr.
17 Kramer, isn't he?

18 MR. DON PALMER: That's why he's in the
19 front row.

20 MR. BYRON WILLIAMS: I soon shall be sent
21 -- I soon shall be sent to the back row under that
22 criteria. Let's assume for two (2) -- there's a few
23 shots going back and forth off the record, so I'll --
24 I'll -- as long as they're not directed at me, I won't
25 respond.

1 Let's assume the 2010/'11 arrives, the
2 gross vehicles premiums written is seven hundred thirty-
3 four million, three hundred and thirty-five hundred
4 thousand (734,335,000), would I be correct in suggesting
5 to you that if the Corporation had, let's say, just \$36
6 million projected to be in excess reserves, that there
7 would be no rebate.

8 Would that be right, sir? The figure
9 being .72 million less than 5 percent?

10 MR. DON PALMER: Under our proposal,
11 that's -- that was the cutoff that we had -- had
12 proposed, yes.

13 MR. BYRON WILLIAMS: And I know that this
14 is not a precise figure, but let's assume that there were
15 in the system eight hundred and eighty-one, five hundred
16 and six thousand (881,506) vehicles, and that there was a
17 \$36 million in excess of the RSR target in the RSR.

18 Would I be correct in suggesting to you
19 that if that rebate would be provided, that would be an
20 average rebate of between forty (40) and forty-one
21 dollars (\$41).

22 Would that be right, sir?

23 MR. DON PALMER: That's correct.

24 MR. BYRON WILLIAMS: Would I also be
25 correct, under the assumptions that I've given you, that

1 that amount would not be rebated to consumers in that
2 year?

3 MR. DON PALMER: In that year, that would
4 be true.

5 MR. BYRON WILLIAMS: Now, I know that Mr.
6 Saranchuk went over the -- the costs savings that have
7 been calculated by the Corporation in terms of the -- the
8 multi-year plan. And I know there was some discussion
9 that there -- there might be less savings than
10 anticipated, but I want you to assume for a moment that
11 your figure is right.

12 Am I right in suggesting to you that the
13 Corporation as calculated on a average that they're --
14 that MPI would realize about savings of six hundred and
15 eighty-nine thousand dollars (\$689,000) a year under the
16 multi-year plan?

17 MR. DON PALMER: That sounds correct,
18 yes.

19 MR. BYRON WILLIAMS: And would I be
20 correct in suggesting to you -- and the source for this,
21 if you need to check, is CAC/MSOS-2-27, the -- that
22 amounts to about 0.657 percent of MPI's projected
23 2008/'09 total expenses of one hundred and four million
24 eight hundred and sixty thousand (104,860,000).

25 Would that be -- would you accept that

1 subject to check, sir?

2 MR. DON PALMER: I would accept that.

3 MR. BYRON WILLIAMS: I'd like you to take
4 those costs savings of six hundred and sixty-nine
5 thousand dollars (\$669,000) and assume again a total
6 vehicle population of eight hundred and eighty-one
7 thousand five hundred (881,500), would that be -- I
8 wonder if you'd agree with me, that the savings for per
9 vehicle would be seventy-eight point one six (78.16)
10 cents per vehicle.

11 Would that be about right, sir?

12 MR. DON PALMER: We'd likely round it to
13 seventy-eight (78) cents, but sure.

14 MR. BYRON WILLIAMS: And just so you know
15 the source of this if you'd -- if you'd like and I know --
16 -- I'm referring you now to Tab 37 of the PUB book of
17 documents. I -- I don't really think you need to go
18 there, Mr. Palmer, but you're welcome to.

19 And my understand that this was res --
20 it's a response to CMMG-1-28.1. Do you have that, sir?
21 It's Tab 37 of the PUB book of documents.

22 MR. DON PALMER: I have it, yeah.

23 MR. BYRON WILLIAMS: And again there was
24 some discussion on this and memory is fading now, but I
25 think it was on Wednesday, and I realized that this was a

1 -- an attempt to provide staffing levels with DV -- with
2 DVLO Autopac extension and SRE removed, but the
3 information I believe that Mr. Kramer gave was that --
4 that they're not totally removed and that this number
5 probably overstates the EFT's for Basic.

6 Is that right, sir?

7 MR. DON PALMER: That's my recollection,
8 yes.

9 MR. BYRON WILLIAMS: And there's, as I
10 understand it, an undertaking to trying get some Basic
11 numbers. If not -- okay, I see heads shaking.

12 In any event this is the -- the best
13 number that I have on the record to try and get a sense
14 of this.

15 I wonder if you'd confirm that under this
16 calculation, the FTEs for '07/'08 are estimated to be one
17 thousand five hundred and forty-five (1,545), for '08/'09
18 one thousand five hundred and forty-seven (1,547), and
19 '09/'10 one thousand five hundred and fifty-eight
20 (1,558).

21 Would that be correct, sir?

22 MR. DON PALMER: Those numbers are -- are
23 correct, yes.

24 MR. BYRON WILLIAMS: And would I also be
25 correct in suggesting to you that leaving aside staff

1 time spent for preparing and attending the PUB hearing,
2 the estimated savings from the multi-year application, in
3 terms of human resources to prepare the filing and
4 responses to IR -- IRs, interrogatories, is approximately
5 2.5 FTEs.

6 Is that right, sir?

7 MR. DON PALMER: That was the incremental
8 cost that we had included in one of the IRs, yes.

9 MR. BYRON WILLIAMS: Yeah, in fact you
10 include in -- as a response again we don't need to turn
11 there, but CAC/MSOS-1-50(h).

12 MR. DON PALMER: Sure.

13 MR. BYRON WILLIAMS: And assuming a
14 forecast of one thousand five hundred and fifty-eight
15 (1,558.1) FTEs for 2009/'10, would I be correct in
16 suggesting to you that the -- the impact of reducing this
17 incremental regulatory burden would be less than two-
18 tenths (2/10th) of 1 percent?

19 Would that be right, sir?

20 MR. DON PALMER: That's correct.

21

22 (BRIEF PAUSE)

23

24 MR. BYRON WILLIAMS: Mr. Chairman, I just
25 want to check with my -- I -- I'm gonna stay in the same

1 area but move slightly along, but I just want to check
2 with my clients for one (1) second if I might.

3 THE CHAIRPERSON: That's fine.

4

5 (BRIEF PAUSE)

6

7 THE CHAIRPERSON: Very good. We're just--

8

9 CONTINUED BY MR. BYRON WILLIAMS:

10 MR. BYRON WILLIAMS: I just didn't want
11 to interrupt. I actually wanted to listen, but I -- I
12 don't think I'm allowed.

13 Just to I'm -- I'm gonna stay for perhaps
14 another twenty (20) minutes to half an hour on this
15 subject of multi-year applications, because it's a
16 subject, as you can tell, that's quite important to my
17 clients.

18 I -- I want to move, for the reference of
19 the Panel and MPI the Panel and MPI, you'll want to have
20 it at hand, SM-9, particularly page 7, and also from the
21 media package that went out with the -- with this
22 application which Mr. Saranchuk referred to earlier, the
23 backgrounder to the multi-year rate application to the
24 PUB.

25

1 (BRIEF PAUSE)

2

3 MR. BRYON WILLIAMS: Thank you.
4 Referring you first to the -- the backgrounder, my
5 understanding from this backgrounder is that the position
6 MPI's taking is that by bringing forward this multi-year
7 process, it's bringing its rate setting process in line
8 with that of electricity, natural gas distribution, and
9 local telephone services.

10 Is that right, sir?

11 MS. MARILYN MCLAREN: Mr. Williams, I
12 would suggest that the Corporation's position in this
13 multi-year rate application is as stated in SM-9. This
14 information was put together as background information
15 for the media, used to position a rate application
16 process in the minds of people who do not generally deal
17 with this

18 So, no, I would not say at all that this
19 is the Corporation's position with respect to the multi-
20 year rate ap; that position is in SM-9, this is just
21 information that -- that supports the concept.

22 MR. BRYON WILLIAMS: Okay. And Ms.
23 McLaren, and I appreciate that clarification, I may come
24 back to this point. We'll -- we'll move to SM-9 page 7.
25 We may come back to this point because I'll -- I'll just

1 want to make sure -- see whether the Corporation stands
2 by the posi -- the -- the language used in its background
3 are -- in a couple seconds.

4 Moving to SM-9 page 7, under the heading,
5 "Other utilities' multi-year applications", my
6 understanding MPI's position then is that -- it takes the
7 position that Manitobans are accustomed to multi-year
8 rate applications, including those relating to Telecom,
9 local Telecom, electricity and natural gas and with
10 particular dist -- distribution and transportation, is
11 that right?

12 MS. MARILYN MCLAREN: Yes.

13 MR. BRYON WILLIAMS: And you note at the
14 bottom of -- of page 7 of SM-9 that the CRTC has
15 established a price cap regime that is a multi-year
16 approval for local telephone service rates.

17 Is that right? And that's -- and you say
18 that --

19 MS. MARILYN MCLAREN: Yes, that's there
20 at the bottom of page 7.

21 MR. BRYON WILLIAMS: And so at least at a
22 high level you have some familiarity with the concept of
23 price caps as they relate to the regulation of local
24 telephone service rates.

25 Is that right, Mr. McLaren?

1 MS. MARILYN MCLAREN: Yeah. The fact
2 that CRTC established a four (4) year price cap regime, I
3 think about ten (10) years ago, process called for the
4 review to be initiated in the last year of that regime.
5 Various services and telephones companies were grouped
6 into a basket of services. There is a Telecom decision
7 reference that I'm familiar with. But that's about the
8 extent of it.

9 MR. BRYON WILLIAMS: Okay. And we're not
10 going to delve too deeply into it, but you -- the
11 Corporation did draw this analogy, so I certainly wish to
12 explore it. And in fact, yesterday I shared with you,
13 through your counsel, an excerpt from Telecom Decision
14 CRTC-202-34, which appears at Tab 6 of the M -- the
15 CAC/MSOS book of documents,

16 You're familiar with that, Ms. McLaren?
17 that's the reference you were making before?

18 MS. MARILYN MCLAREN: Yes, and I've
19 pretty much shared my familiarity with you already.

20 MR. BRYON WILLIAMS: Well, and I
21 recognise that we will stay at a high level. I wonder if
22 -- and you can, based upon your knowledge as a consumer,
23 as well as what limited knowledge you have of the CRTC
24 process, agree with me that in -- in terms of
25 telecommunications, the market is significantly more

1 competitive than in terms of the basic monopoly enjoyed
2 by Manitoba Public Insurance?

3 Would you agree with that, Mr. McLaren?

4 MS. MARILYN MCLAREN: Yes, and more so
5 than it used to be, as well.

6 MR. BRYON WILLIAMS: And by that, you're
7 referring to the fact that we've had long distance
8 competition for a long time and there's also greatly-
9 increased local competition; is that right, Ms. McLaren?

10 MS. MARILYN MCLAREN: I think that's
11 true.

12 MR. BRYON WILLIAMS: And so you're, by
13 contrast, Manitoba Public Insurance in terms of basic
14 insurance, has a monopoly, is that right?

15 MS. MARILYN MCLAREN: Yes, it's a
16 universal compulsory program through MPI.

17 MR. BRYON WILLIAMS: And again, I don't
18 want to stretch too -- too far beyond the -- the
19 knowledge that you enjoy as a consumer in -- in the
20 telecom marketplace or by reviewing the excerpt from the
21 CRTC/202-34, but I wonder if you would agree with me as
22 well that technological advancements in the
23 telecommunication industry, for example, convergence
24 between telecom and cable, wireless, cellular, I wonder
25 if you'd agree with me that that industry is moving much

1 more quickly, technology-wise, than the -- than the
2 insurance industry?

3 MS. MARILYN MCLAREN: I wouldn't be in a
4 position to agree or disagree with you.

5 MR. BRYON WILLIAMS: And --

6 MS. MARILYN MCLAREN: I know my
7 Blackberry is different than the one I had two (2) years
8 ago, that's about it.

9 MR. BRYON WILLIAMS: There's no
10 equivalent to the Blackberry as competition for -- for
11 public insurance that you're aware of?

12 MS. MARILYN MCLAREN: Yeah, you're moving
13 beyond my bounds to respond competently and I don't
14 really think it's relevant to the application that we've
15 got in front of us here.

16 MR. BRYON WILLIAMS: I guess we'll see
17 about that, Ms. McLaren. Given your high level of
18 familiarity with the price-cap regime, you're aware that
19 as part of the price-cap regime of the concept of
20 productivity offsets, are you?

21 MS. MARILYN MCLAREN: No.

22 MR. BRYON WILLIAMS: And, perhaps I used
23 -- that word I used was not helpful. Are you aware, for
24 example, in the initial price cap, that for the overall
25 basket of goods a productivity offset of 4.5 percent was

1 imposed, meaning that inflation -- if inflation was
2 2.5 percent, overall rates had to go down by 2 percent?
3 You're not familiar with that?

4 MS. MARILYN MCLAREN: No.

5 MR. BRYON WILLIAMS: And you're not --
6 would you be familiar with -- through your review of the
7 excerpt that I provided you, that one of the -- the
8 CRTC's key objectives in bringing forth price caps was to
9 increase productivity in the industry?

10 Are you familiar with that?

11 MS. MARILYN MCLAREN: No, I have not had
12 a chance to review this document at that level of detail.

13 MR. BRYON WILLIAMS: So when you -- when
14 -- when Manitoba Public Insurance draws an analogy with
15 the price cap regime advanced by the CRTC, you'd agree
16 with me that you're doing so from a pretty limited base
17 of knowledge and a limited base of experience with price
18 caps; is that right, Ms. McLaren?

19 MS. MARILYN MCLAREN: More specifically
20 to the point, Mr. Williams, the Corporation's inclusion
21 of other utilities, multi or applications, as part of the
22 documentation put forward to the PUB to support this
23 Corporation's first multi-year application, is just
24 really and simply the fact that Manitobans are familiar
25 with the concept and we don't generally -- we don't

1 believe that Manitobans generally would have any real
2 concerns about such a process for Manitoba Public
3 Insurance, because of all the other contexts that we've
4 put forward.

5 Quite frankly, you know, Mr. Palmer
6 answered your very specific questions for the last half
7 hour or so forthrightly and directly and -- and left it
8 at that, but they're entirely out of context of the
9 information that this Corporation has put forward on the
10 record things like, after reviewing ten (10) years of
11 rate stability to suggest that, oh my goodness, what if
12 we came forward with two (2) 3 percent rate increases in
13 two (2) successive years.

14 Quite frankly, I'll tell you here and now,
15 if we were looking at a 3 percent rate increase and
16 another 3 percent rate increase, we'd probably ask for a
17 hearing ourselves of the second year, where there's a
18 second 3 percent rate increase.

19 The context of the Corporation's
20 submission with respect to this multi-year rate
21 application is absolutely fundamental to the
22 conversation.

23 MR. BRYON WILLIAMS: Thank you for that
24 speech, Ms. McLaren.

25 In response to my question, would you

1 agree with me that perhaps the conceit or air in the --
2 and the -- the reference to the familiarity of
3 Manitobans, is that Manitobans are -- would be that
4 Manitobans are familiar with very different models than
5 the -- than the model being put forward by Manitoba
6 Public Insurance?

7 MS. MARILYN MCLAREN: I'll repeat what I
8 said. Manitobans are familiar with the concept of multi-
9 year rate applications by other organizations. I don't
10 know that their understanding goes to a level of detail
11 that you suggested. I would suspect that it doesn't.

12 MR. BYRON WILLIAMS: I want to turn, Ms.
13 McLaren, to PU -- and just -- response of the Corporation
14 to PUB/MPI-1-72(b). And it's not, I do not believe, in
15 the book of documents of either the PUB or the CAC/MSOS.

16
17 (BRIEF PAUSE)

18
19 MR. BYRON WILLIAMS: Do you have that,
20 Ms. McLaren?

21 MS. MARILYN MCLAREN: Yes, I do.

22 MR. BYRON WILLIAMS: I apologize, I -- I
23 saw some whispering; I wasn't sure whether you had it.
24 In -- in regards to PUB/MPI-1-72 -- well, let's back up a
25 second. Under SM-9, page 7 again, Manitoba Public

1 Insurance made reference to Centra Gas and indicated for
2 its distribution transportation rates, Centra Gas has
3 frequently been granted, by the Public Utilities Board, a
4 rate structure that does not have expired rates, is that
5 right?

6 MS. MARILYN MCLAREN: Yes.

7 MR. BYRON WILLIAMS: And, within that
8 context, you were speaking of transportation, natural gas
9 distribution transportation, is that right?

10 MS. MARILYN MCLAREN: Yes.

11 MR. BYRON WILLIAMS: And the Corporation
12 was asked by the Public Utilities Board whether it
13 understood the quarterly rate-setting methodology for
14 Centra Ga -- Centra -- Centra Natio -- Natural Gas and it
15 indicated -- if you'll confirm -- that it was familiar
16 with the rate-setting methodology and process for Centra
17 Gas primary gas rates and that it was also familiar with
18 the methodology and process for setting transportation
19 and distribution rates for Centra Gas, which -- which is
20 referred to in SM-9.

21 Is that right?

22 MS. MARILYN MCLAREN: Yes, that was the
23 response.

24 MR. BYRON WILLIAMS: So the Corporation
25 is more familiar with the process involved with Centra

1 Gas, for example, than it would be with the process
2 involved with price caps.

3 Would that be fair, Ms. -- Ms. McLaren?

4 MS. MARILYN MCLAREN: No, that wouldn't
5 be fair. The information that we included in that
6 response is high-level understanding. We do not have in-
7 depth, detailed understanding that goes much beyond
8 what's there.

9 MR. BYRON WILLIAMS: You're familiar with
10 the rate-setting methodology and process, though, both
11 for Cen -- for primary gas rates for setting
12 transportation distribution rates.

13 Is that not right?

14 MS. MARILYN MCLAREN: To the extent that
15 I understand those to be separate and, again, understood
16 at a very high level.

17 MR. BYRON WILLIAMS: In terms of the --
18 and I appreciate that, Ms. McLaren, so we'll keep it very
19 high level. In terms of the methodology for setting
20 Centra Gas primary gas rates, you're familiar with the
21 fact that these rates are adjusted quarterly pursuant to
22 a Utility's application and filed evidence.

23 Is that right?

24 MS. MARILYN MCLAREN: You know, I'm
25 really not in a position to give you too much detail on

1 that. I -- I guess I may know more if I was a -- a
2 Centra Gas consumer, but I'm not.

3 MR. BYRON WILLIAMS: Well, maybe I
4 misunderstood the Corporation's response to the
5 Interrogatory. You said you're familiar with the
6 methodology by which they set -- by which -- the rate-
7 setting methodology and process for primary gas rates.
8 It's a very simple question.

9 Are you aware that they're -- that they're
10 adjusted quarterly pursuant to the -- a Utility's
11 application and filed evidence?

12 MS. MARILYN MCLAREN: Yes, I understand
13 that there is that quarterly process. I have -- I have
14 seen and heard references to it. This was not a matter
15 that I researched nor did anyone within the Corporation
16 research for purposes of establishing the Corporation's
17 proposal for a multi-year rate app.

18 MR. BYRON WILLIAMS: Just so I'm clear in
19 -- in my understanding of the multi-year application
20 provided by the Corporation, it doesn't provide for any
21 quarterly review or the provision of evidence on a
22 quarterly basis, does it?

23 MS. MARILYN MCLAREN: No, it does not.

24

25

(BRIEF PAUSE)

1 MR. BYRON WILLIAMS: I was going to ask
2 you about the number of classes of customer that Centra
3 Gas has but, Ms. McLaren, we'll spare both of ourselves
4 that inquiry.

5 But I do want to direct your attention to
6 an excerpt from PUB Order 103/05 which is found in the
7 CAC/MSOS book of documents at Tab 4, and I intend this to
8 be as a follow-up to some inquiries that Mr. Saranchuk
9 made this morning.

10 Specifically, I direct your attention to
11 page 67, that's the green book, Tab 4, and the last page
12 67 and 68. So, if you'll let me know when you have it,
13 Ms. McLaren.

14 MS. MARILYN MCLAREN: I have it.

15

16 (BRIEF PAUSE)

17

18 MR. BYRON WILLIAMS: Now this morning Mr.
19 Saranchuk asked you some questions about your thoughts on
20 whether the -- the Utilities Board setting either
21 limitations on capital expenditures or in terms of
22 operating expenses as part of a multi-year process.

23 I wonder if you can indicate to me whether
24 or not you're familiar with the fact that Centra Gas
25 under its multi-year process -- or actually under its

1 multi-year applications is obliged to continued to
2 justify all plant expenditures to the Public Utilities
3 Board.

4 Were you aware of that, Ms. McLaren?

5 MS. MARILYN MCLAREN: I know the
6 regulatory framework and authority is -- is different.
7 It wouldn't surprise me to hear that, but I was not aware
8 of it before you mentioned it.

9 MR. BYRON WILLIAMS: And just so if
10 you're not trusting me for example, Ms. McLaren, you --
11 you'll see at -- under the Order of the Board at page 67
12 it indicates that Centra is to continue to justify all
13 plant expenditures to the Board.

14 MS. MARILYN MCLAREN: Yes, right there in
15 number 8.

16 MR. BYRON WILLIAMS: So that would be
17 something different from what you consid -- consider in
18 terms of the -- the multi-year application for Manitoba
19 Public Insurance, would it not?

20 MS. MARILYN MCLAREN: Well, based on
21 different regulatory framework and authority, yeah, we
22 have a different environment here that we've used without
23 any framework such as that for, I think, was on the
24 record nineteen (19) years.

25 MR. BYRON WILLIAMS: And I'll -- I'll

1 follow up on the point in just one second, but I just ask
2 you turn over to page 68 of Board Order 103/05, and I'll
3 give you a second to read item number 12, and then I'll
4 come to that.

5

6 (BRIEF PAUSE)

7

8 MR. BYRON WILLIAMS: Ms. McLaren, were
9 you aware of the fact that the Public Utilities Board
10 with regard to Centra Gas has the allow -- has the
11 ability to disallow capital projects from -- from the
12 rate base until they submit -- until -- until it's
13 satisfied that the expenditures is prudent -- are
14 prudent?

15 MS. MARILYN MCLAREN: I did understand.
16 My understanding has been that the level of scrutiny and
17 authority over any number of expenditures with respect to
18 Centra Gas is different based on the different
19 legislative framework than the PUB has in its oversight
20 of Manitoba Public Insurance through the Crown Corporate
21 Council Act.

22 MR. BYRON WILLIAMS: So would your
23 understanding go to the extent of -- of understanding
24 that capital expenditures for corporations like Centra
25 may often be approved by the regulator in advance and --

1 and if the regulator finds that a capital expenditure was
2 made imprudently, they can disallow its inclusion in the
3 rate base?

4 Would your understanding go that far?

5 MS. MARILYN MCLAREN: No, I -- I don't
6 know that.

7

8 (BRIEF PAUSE)

9

10 MR. BRYON WILLIAMS: Just going back to
11 your comment about different regulatory environments, I
12 wonder if you'd agree with me that in a regulatory
13 environment where the regulator retains control over
14 certain expenditures by the Corporation, that a multi-
15 year process might be more appropriate?

16 MS. MARILYN MCLAREN: Clearly, Mr.
17 Williams, I think a multi-year process for Manitoba
18 Public Insurance, in its current context, is very
19 appropriate.

20 MR. BRYON WILLIAMS: Can you understand
21 why a regulator or consumers might be reluctant to embark
22 upon a multi-year process with a utility for which they
23 did -- don't -- did not have the levers of control, such
24 as the Board has with Centra Gas?

25 MS. MARILYN MCLAREN: I understand that

1 moving away from nineteen (19) year long consistent
2 process may be -- may cause some uncertainty and perhaps
3 some concern. I -- it's very difficult for me to put
4 myself in the minds of the regulators or some of the
5 consumers that you represent, so I -- I wouldn't be
6 prepared to agree or disagree with that specific
7 statement.

8 But it think the point that's relevant for
9 Manitoba Public Insurance in this process is that the
10 legislators saw fit to include opportunity for multi-year
11 application for Manitoba Public Insurance for automobile
12 insurance rates within the context where there is not
13 extreme control over expenditures as you've suggested may
14 exist in other -- other regulated utilities or
15 industries.

16 So, clearly, the Legislature saw fit to
17 include that possibility. And this corporation, you --
18 your clients, the PUB, all have a vested interest in
19 ensuring that the public interest is served and that
20 Manitobans believe that their interests are served
21 through this process. We think that that is very doable
22 within the multi-year process that we've submitted here.

23 So, whether regulators in some consumer
24 groups may have a comfort level one way or the other
25 really isn't -- isn't the issue to me as much as what

1 does the legislation for these proceedings allow for,
2 what kind of case can Manitoba Public Insurance put
3 forward to this Board to consider doing something
4 different than what we've done in the past, and we will
5 rely on the Board's judgment to deal with our proposal.

6 MR. BRYON WILLIAMS: Thank you for those
7 comments, Ms. McLaren.

8 Just -- this is probably not addressed to
9 you, it's probably down to the financial side of the
10 Panel. And at a very high level, is the -- is -- whether
11 to Mr. Kramer or Mr. Galenzoski -- are you familiar with
12 the fact that in industries such as Centra Gas, a
13 standard measure of performance over time and a standard
14 benchmark is the criteria of operating an --
15 administrative costs per customer?

16 Does the Corporation have any familiarity
17 with that?

18 I'm not going to get into the specifics, I
19 just want to know.

20 MR. DON PALMER: We have no familiarity
21 with that within the context of those utilities, no.

22

23

(BRIEF PAUSE)

24

25

MR. BRYON WILLIAMS: So, Ms. McLaren,

1 just, have you memorized the -- the rate-setting
2 methodology and process for Manitoba Hydro by any chance?

3 MS. MARILYN MCLAREN: Not even close.

4 MR. BRYON WILLIAMS: The -- would it be
5 fair to say that, in terms of the regulatory process that
6 applies to Manitoba Hydro, you do not have extensive
7 knowledge.

8 Would that be fair?

9 MS. MARILYN MCLAREN: That would be fair.

10 MR. BRYON WILLIAMS: Well, that will
11 spare us a little bit, Ms. McLaren. I -- I don't want to
12 leave Manitoba Hydro just yet, though. You will,
13 certainly, as a citizen of Manitoba, as a resident of
14 Winnipeg, and as a fellow Crown Corporation Senior
15 Executive, be aware that Manitoba Hydro, in recent years,
16 has made some major acquisitions, including Winnipeg
17 Hydro and Centra Gas.

18 Would you be familiar with that?

19 MS. MARILYN MCLAREN: Yes.

20 MR. BRYON WILLIAMS: And as a citizen of
21 Manitoba, resident of Winnipeg, and Senior Crown
22 Corporation Executive you'll also be aware that on an
23 annual basis, Manitoba Hydro administers significant
24 capital projects with annual expenditures in the hundreds
25 of millions of dollars.

1 Would you be familiar, at a high level,
2 with that?

3 MS. MARILYN MCLAREN: Yes.

4 MR. BRYON WILLIAMS: And you'd be
5 familiar with the fact that Manitoba Hydro, in recent
6 years, has been juggling major capital expenditures like
7 the \$1 billion Wuskwatim proposal, as well as major
8 expansions in wind power.

9 Would you be familiar with that?

10 MS. MARILYN MCLAREN: Yes.

11 MR. BRYON WILLIAMS: And I'm not sure if
12 you're aware or not, but would you be aware that Manitoba
13 Hydro is also currently juggling even bigger hydro
14 generating station projects such as Conawapa and Kiosk,
15 which may total into billions of dollars?

16 MS. MARILYN MCLAREN: I'm certainly aware
17 of discussions around another project called Conawapa.
18 I'm not exactly sure what you mean or -- or how Manitoba
19 Hydro wou -- would feel about the characterization of --
20 of "juggling", but I have heard about Conawapa.

21 MR. BRYON WILLIAMS: Well, rather than
22 use "juggling", you're aware of the fact that Manitoba
23 Hydro has major projects on the go, and that there's more
24 that one (1) or two (2) of them, would that be fair?

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

1 MR. BRYON WILLIAMS: Just to finish up on
2 this area, Mr. Chairman, and Members of the Board, and I
3 -- and it make us towards an appropriate time for a break
4 at your -- depending upon your judgment.

5 And again, based upon the Corporation's
6 response to CAC/MSOS-1-50B, which I believe appears in
7 the Board's book of documents at Tab 33. I'll let you
8 get that.

9

10 (BRIEF PAUSE)

11

12 MR. BRYON WILLIAMS: In this
13 Interrogatory, CAC/MSOS I was trying to understand the --
14 for -- the elements of the MPI current application for
15 which there would be no detailed reporting.

16 Would it be fair to say that during the
17 multi year plan, information regarding key indicators and
18 trend analysis, salary and wage increases, staffing level
19 by department, and capital expenditures are not currently
20 contemplated as being filed?

21 MR. DON PALMER: We had compiled a list
22 of a number of documents which we thought would be
23 sufficient for the Board to make a decision, again, at
24 their discretion. That was our proposal. If the Board
25 wants to include those documents as part of our interim

1 filing, then we would be happy to do so.

2 MR. BRYON WILLIAMS: Just so I
3 understand; under your proposal, is it correct that key
4 indicators and trend analysis would not be filed?

5 MR. DON PALMER: As --

6 MS. MARILYN MCLAREN: Mr. Williams, I
7 think we'd have to say that our proposal as submitted on
8 -- in mid- June with the filing of the application didn't
9 include that.

10 I would suggest to you that our proposal
11 has formally been expanded somewhat simply in response to
12 Mr. Saranchuk's question this morning: Are you prepared
13 to work with the PUB and Intervenors to achieve a
14 mutually satisfactory process for the interim period, to
15 which we enthusiastically responded, yes.

16 MR. BRYON WILLIAMS: Just so I under --
17 understand, in the initial proposal, you weren't
18 proposing to include salary and wage increases, is that
19 right?

20 MS. MARILYN MCLAREN: It wasn't on the
21 initial list.

22 MR. BYRON WILLIAMS: And you weren't in -
23 - intending to include staffing level by department on
24 the original list?

25 MR. DON PALMER: It wasn't in the

1 original list but, again, as Ms. -- Ms. McLaren said, it
2 was our original list. There was nothing nefarious about
3 what we did include or did not include, and we would be
4 happy to include if -- if the PUB deems it to be
5 necessary information.

6 MR. BYRON WILLIAMS: And capital
7 expenditures were not included?

8 MR. DON PALMER: The same answer; if the
9 capital expenditures are required as part of the interim
10 filing, then we would be happy to do so.

11 MR. BYRON WILLIAMS: Would it be fair to
12 say in terms of the -- the multi-year proposal being
13 advanced by the cop -- Corporation, that there is no
14 express productivity target being offered to consumers in
15 exchange for a multi-year process?

16

17 (BRIEF PAUSE)

18

19 MR. DON PALMER: As part of the
20 regulatory framework within the last nineteen (19) years,
21 I'm only slightly familiar with the term "productivity"
22 within the context of other utilities. But that has not
23 been a consideration under this Board.

24 MR. BYRON WILLIAMS: And -- and I -- I
25 thank you for that answer. So, for example, in contrast

1 to a price cap regime, you're not offering express
2 productivity offset savings to consumers. That's fair?

3 MR. DON PALMER: We have offered the
4 multi-year application within the same context that we
5 have given the annual applications, using the same
6 processes that have been discussed at length over the
7 last number of years. And we are not looking to change
8 those processes.

9 MR. BYRON WILLIAMS: Mr. Chairman, I --
10 if, with your permission, it might be a -- a good time to
11 take a break. I'm not going to finish -- just so the
12 panel knows -- my cross-examination today. I may have a
13 few follow-up questions on this matter on Tues -- on the
14 matter of the multi-year applications on Tuesday, but I -
15 - I can indicate that I'm mostly done that.

16 I have some short snappers next, and I'm
17 promising they are short snappers. And then I'll have
18 some investment questions and then, depending upon the
19 time, I may move either into road safety or some measures
20 of productivity. And, for the Board's information,
21 that's kind of the plan for the rest of the day.

22 THE CHAIRPERSON: Very good, Mr.
23 Williams. Okay, we will have our break now. We will be
24 back in fifteen (15) minutes.

25

1 --- Upon recessing at 2:35 p.m.

2 --- Upon resuming at 2:55 p.m.

3

4 THE CHAIRPERSON: Okay, Mr. Williams.

5 MR. BYRON WILLIAMS: Mr. -- Mr. Chairman,
6 I'm totally at -- at the beck and call of the Board and
7 other members in the room, but I do have a commitment at
8 -- later this afternoon. So, with the Board's
9 indulgence, if it were -- would be possible to break at
10 3:35? Otherwise, I'm prepared to go all through.

11 THE CHAIRPERSON: That would be fine.
12 Frankly, at least this member of the Board, I think, has
13 about had enough for the week, anyway. Thank you.

14 MR. BYRON WILLIAMS: I hope that's not
15 a reflection of my cross-examination?

16 THE CHAIRPERSON: No reflection on any
17 party in the room, but I hear that banjo music in the
18 back of my head now.

19

20 CONTINUED BY MR. BYRON WILLIAMS:

21 MR. BYRON WILLIAMS: Mr. Chairman, and
22 Member of the Board, I am going to -- to spend some time
23 on road safety on Tuesday, but just as I was driving to -
24 - to work this morning, a -- a news item caught my
25 attention. So just amongst my snort -- short snappers,

1 I'm going to follow up on a couple of road-safety issues
2 with the source being CBC News.

3 So MPI can certainly correct me if I'm
4 under misapprehensions. But one (1) -- and if I'm
5 venturing too much evidence, Mr. McCulloch of course will
6 cut me off -- but one news item this morning spoke of
7 this being the Thanksgiving weekend and its expanded
8 efforts by police services in Manitoba in the areas of
9 impaired driving and in the areas of occupant restraint.

10 And I -- I'm wondering, first of all, if
11 MPI has any knowledge of what's going on this weekend in
12 -- in terms of enforcement activities that they could
13 share with us?

14 MS. MARILYN MCLAREN: Actually, Mr.
15 Williams, all I know is what I heard and read in the
16 media as well. Any extent to which MPI may be
17 participating, I honestly don't know, but we can check
18 that before we come back on Tuesday.

19 MR. BRYON WILLIAMS: So, if you would, if
20 you would Undertake to examine whether MPI is making a
21 financial contribution to the enhanced enforcement
22 activities this weekend in Manitoba, with regard to
23 occupant restraint or impaired driving, that would be
24 appreciated.

25 MS. MARILYN MCLAREN: We will check that

1 out.

2

3 --- UNDERTAKING NO. 13: MPI to examine for CAC/MSOS
4 if it is making a financial
5 contribution to the enhanced
6 enforcement activities in
7 Manitoba, this October
8 Thanksgiving weekend, with
9 regard to occupant restraint
10 or impaired driving

11

12 CONTINUED BY MR. BRYON WILLIAMS:

13 MR. BRYON WILLIAMS: And it may be that,
14 Ms. McLaren, you and I were listening to the same radio
15 station this morning.

16 The other comment that caught my ear, and
17 following up on something the Chairman said, there was an
18 assertion by a, I believe, an RCMP spokesperson that
19 almost all deaths in Manitoba in 2000 and -- in -- in the
20 current year were -- were related to the absence of
21 seatbelts.

22 And I wonder, Ms. McLaren, if -- first of
23 all, if you're familiar with that assertion or...

24 MS. MARILYN MCLAREN: No. And so I guess
25 we weren't listening to the same media this morning. It

1 wouldn't surprise me, but I'm not familiar with that stat
2 specifically, no.

3 MR. BRYON WILLIAMS: Well, let me just --
4 and this will be helpful for my cross-examination on
5 Tuesday, which may make you less or more inclined to help
6 me, I'm not sure -- but would the Corporation have the
7 ability to gather data relating to the number of fatal --
8 motor vehicle fatalities in Manitoba in 2007 or 2006, and
9 how many of them involved individuals not wearing
10 seatbelts?

11 MS. MARILYN MCLAREN: Not if any of our
12 staff are planning to go to the football game, no.

13 MR. BRYON WILLIAMS: Not necessarily for
14 Tuesday, Ms. McLaren, but is that something that you
15 could pursue?

16 MS. MARILYN MCLAREN: We will endeavour
17 to bring that forward, but it will not be quick, and not
18 sure that we'll do it before the close of Hearing;
19 certainly will not do it by Tuesday, but we will give it
20 a shot.

21 MR. BRYON WILLIAMS: Okay. And just so
22 I'm clear, I've -- I've asked for an undertaking; if the
23 -- the Corporation could provide information between the
24 relationship between fatalities in 2006 and 2007, and a
25 lack of occupant restraint?

1 asked -- and I think he might have set a -- set a record
2 for the most complex question in Public Utilities Board
3 history -- but it -- it related to the -- the calculation
4 of the RSR rebate, I believe.

5 So I'd ask the MPI Panel to turn to Tab 8
6 of the PUB book if you -- if you would.

7

8 (BRIEF PAUSE)

9

10 MR. BRYON WILLIAMS: And I see Mr.
11 Palmer's got his -- his finger poised.

12 And I've struggled just to -- to make sure
13 that I've understood how the RSR rebate is being
14 calculated as proposed in this application. And, as a
15 starting point, I wonder would it be fair to say that
16 when you're looking at an RSR rebate, there are three (3)
17 issues that you -- you have to keep in mind.

18 One (1) is the PUB approved target range
19 for the RSR, two (2) is retained -- the level of retained
20 earnings and, three (3) is who is the RSR rebate being
21 paid to.

22 Would those be the three (3) issues, Mr.
23 Palmer?

24

25 (BRIEF PAUSE)

1 MR. DON PALMER: Yes, I would agree with
2 all of those in terms of the exact timing of -- and the -
3 - the Order that was given by the Public Utilities Board,
4 yes.

5 MR. BYRON WILLIAMS: So starting with the
6 first one -- and just so I understand it, Mr. Palmer, and
7 perhaps I didn't review the last Orders carefully as MPI
8 has -- but in terms of the target range for the purposes
9 of calculating the 49.1 million RSR rebate, is the target
10 range the year that we're looking at the 2008/'09 year?

11 Is that right?

12 MR. DON PALMER: For this year the \$49.1
13 million; no, that would be for the '07/'08 year.

14 MR. BYRON WILLIAMS: Well, Mr. Palmer,
15 let -- let's go about this a little more inelegantly.
16 Perhaps you could tell me, walking me through TI-15, how
17 the -- the 49.1 million was calculated.

18 MR. DON PALMER: In PUB round one,
19 question 36, which is contained in Tab 25 of the document
20 -- book of documents, there is a calculation there which
21 I did go through with Mr. Saranchuk. But the bottom line
22 of that is that we had an excess at the end of '07 which
23 we didn't know we were going to have.

24 We've also got excess expected investment
25 games -- gains which now have been realized to come to

1 the \$49.1 million. Again, this is -- this will be an
2 estimate until we get to year end '07/'08 to determine
3 what exactly that rebate will be. But it will be booked
4 in the '07/'08 year, and that's why in TI-15 that 49.1
5 million is shown in the '07/'08 year.

6 MR. BYRON WILLIAMS: And I apologize for
7 trenching upon ground where Mr. Saranchuk has gone. I
8 understand this issue now, so I'll move -- I'll move
9 forward. What I'd like to turn to now is the subject of
10 -- very briefly -- is the subject of investments. And
11 I'll be referring to CAC/MSOS exhibits number 4 and
12 number 5.

13

14 (BRIEF PAUSE)

15

16 MR. BYRON WILLIAMS: And the other
17 reference I would be referring to, and I apologize for
18 this, is PUB, the Book of Authorities, Tab 16, which is a
19 response to PUB/MPI-1-7.

20

21 (BRIEF PAUSE)

22

23 MR. BYRON WILLIAMS: Do you have that Ms.
24 -- MPI panel?

25 I'd just like to start with -- I wonder if

1 we can agree on some definitions?

2 If we were looking at the definition of
3 the fair value of a -- of an asset, of an investment
4 would -- would that be -- I wonder if you'd accept the
5 definition of the best estimate of a price that could be
6 realized in the market place.

7 Would that be a fair value of an asset?

8

9 (BRIEF PAUSE)

10

11 MR. DON PALMER: Yes, the -- for purposes
12 of this Hearing, it's essentially the market value would
13 be the fair vol -- value, as well.

14 MR. BRYON WILLIAMS: Okay. And the
15 carrying value is the -- the book value or the original
16 cost of the asset, is that fair?

17 MR. DON PALMER: Plus or minus any
18 premiums or discounts that were at the time of purchase,
19 yes.

20 MR. BRYON WILLIAMS: And an unrealized
21 gain would be the difference between the fair value and
22 the carrying value, is that right, sir?

23 MR. DON PALMER: Yes.

24 MR. BRYON WILLIAMS: Turning to PUB-1-7
25 found as attachment 16 in the PUB book of documents. I

1 just want to refer you to the schedule attachment, and I
2 just want to trace the -- the growth or development of --
3 of equities as a percentage of the carrying value over
4 time. So I'd addre -- address you to the top right-hand
5 corner of the schedule.

6 You'll see that we're looking at the
7 carrying value, the fair value, and the unrealized gains
8 or losses for the year 2003.

9 Is that right, Mr. Palmer?

10 MR. DON PALMER: I have it.

11 MR. BRYON WILLIAMS: And in the bottom
12 left hand corner of that little cube or rectangle, excuse
13 me, you'll see that the care -- the total carrying value
14 in 2003 of the -- the investment portfolio of MPI was a
15 bit less than 1.3 billion being 1.278359 billion.

16 Would that be right, sir?

17 MR. DON PALMER: Yes.

18 MR. BRYON WILLIAMS: And if I wanted to
19 calculate equity as a percentage of the carrying value,
20 I'd go -- I'd suggest to you that I'd go up to the equity
21 line, being a hundred and twenty-four, four ninety
22 (124.490) and divide that by one point two seven eight
23 three five nine (1.278359).

24 And equity in 2003 was a bit less than 10
25 percent of the portfolio in terms of the carrying value.

1 Would that be right, sir?

2 MR. DON PALMER: Yes.

3 MR. BRYON WILLIAMS: If we move over to
4 2006, again, we see in the bottom left-hand corner of the
5 rectangle, the carrying value of the portfolio was about
6 1.9 billion, roughly, and that the -- the value for
7 equities was just a little bit less than 400 million.

8 Would that be right, sir -- being 397.285
9 million?

10 MR. DON PALMER: That's correct.

11 MR. BRYON WILLIAMS: And so the
12 percentage of equities in terms -- is about 20 percent of
13 the total portfolio as of 2006.

14 Would that be fair, sir?

15 MR. DON PALMER: We have 21.04 percent.

16 MR. BRYON WILLIAMS: Again, I'm being --
17 trying to be conservative, so... And you'll agree with
18 me that a -- if we perform the calculation for 2007,
19 again, we'd see equities at about 20 percent or so.

20 MR. DON PALMER: Twenty (20) is -- is
21 close, but twenty-one point five (21.5).

22 MR. BRYON WILLIAMS: It's the kind of
23 precision you bring to the actuarial indicator as well,
24 isn't it, Mr Palmer?

25 MR. DON PALMER: We try our best.

1 THE CHAIRPERSON: He can't help himself,
2 Mr. Williams, you just have to accept it.

3

4 CONTINUED BY MR. BYRON WILLIAMS:

5 MR. BRYON WILLIAMS: I had the numbers,
6 Mr. Chairman, I just wanted to -- to as -- to move things
7 along, but I -- I've resigned myself.

8 I'd like you turn, if you could, Mr.
9 Palmer, to CAC -- or the MPI Panel -- to CAC/MSOS Exhibit
10 Number 4, which is titled, "Unrealized gains as a
11 Percentage of Carrying Value."

12 Do you have that, sir?

13 MR. DON PALMER: I have it.

14 MR. BRYON WILLIAMS: And you'll see that
15 the first three (3) columns are drawn directly from --
16 from the interrogatory response PUB/MPI-1-7, being the
17 year, the carrying value, and the unrealized gains.

18 Do you see that, Mr. Palmer?

19 MR. DON PALMER: Yes.

20 MR. BRYON WILLIAMS: So, for example, in
21 the year 1998 the carrying value of the equity portfolio
22 was about -- well, I'm going to say exactly; eight
23 hundred and seventy-two -- eight million eight hundred
24 and forty three thousand (8,843,000).

25 Is that right, sir?

1 MR. DON PALMER: Yes.

2 MR. BRYON WILLIAMS: And the unrealized
3 gain in that year was a bit over 31 million, is that
4 right?

5 MR. DON PALMER: That's correct.

6 MR. BRYON WILLIAMS: And basically,
7 you'll agree with me, then, in the fourth column we've
8 merely taken the unrealized gain, divided it by the
9 carrying value to suggest that the unrealized gain as a
10 percentage of carrying value is 3.56 percent, correct?

11 MR. DON PALMER: Subject to check, I'll
12 accept this, yes.

13 MR. BYRON WILLIAMS: And we have the
14 resident of -- soon to be resident of British Columbia
15 num -- nodding his head, so I -- I think that's a "yes"?

16 MR. DON PALMER: I'm -- I'm not going to
17 make any more comments about other occupants of the front
18 row.

19 MR. BYRON WILLIAMS: Fair enough. If we
20 -- if we look at this and examine this -- this column a
21 little more carefully -- being the second column, the
22 carrying value in thousands -- would be -- be fair to say
23 that the -- this is -- and this is no surprise that this
24 -- the value of the portfolio has increased year over
25 year and more than double in between 1998 and 2007?

1 Would that be right?

2 MR. DON PALMER: We have a growing
3 portfolio, yes.

4 MR. BYRON WILLIAMS: And if we move to
5 the next column, I -- I'd like to break this down a -- a
6 little precisely.

7 I wonder if you'd agree that -- with me
8 that for the years between 1998 and 2003 the unrealized
9 gains, in an absolute level, tended to be between 20 and
10 30 million. Would that be fair? Or, more precisely,
11 they tended to be between 20.9 million and 32.8 million.

12 Would that be fair?

13 MR. DON PALMER: That's fair, yeah.

14 MR. BYRON WILLIAMS: So we see for a
15 period of time they're staying in this fairly stable in
16 absolute dollars somewhere between 20.9 million and 32
17 million.

18 Is that right, sir -- 32.8 million?

19

20 (BRIEF PAUSE)

21

22 MR. DON PALMER: Sorry, could you repeat
23 the question, please?

24 MR. BYRON WILLIAMS: The numbers for
25 this, in terms of unrealized gains, has, for the period

1 between 1998 and 2003, stayed between a range; the lower
2 end being 20.9 million, the upper end being 32.8 million.

3 Would that be right, sir?

4 MR. DON PALMER: Yes.

5 MR. BYRON WILLIAMS: If we move to the
6 years 2004 through 2007, you'll agree with me that the --
7 that the unrealized gain for any of those years would be
8 at least double the -- the high achieved of 32.8 million
9 achieved in 2001?

10 MR. DON PALMER: That's true. It's
11 reflective of the market condi -- market conditions. If
12 you extended this 2008 -- and we don't have the exact
13 numbers, but in relative terms in our quarterly report
14 that we just filed with this Board, that number would be
15 darn close to zero.

16 MR. BYRON WILLIAMS: And you won't have
17 the 2007/'08 final numbers until the -- the end of the
18 year, though.

19 Is that fair, Mr. Palmer?

20 MR. DON PALMER: That's fair.

21 MR. BYRON WILLIAMS: So it would be fair
22 to say that for the period between 2004 through 2007, the
23 range in terms of unrealized gains was between 67.9
24 million as the low and the high of 93 million.

25 Would that be right, sir?

1 MR. DON PALMER: Again, reflecting the
2 market conditions, at that time, yes.

3 MR. BYRON WILLIAMS: Moving one (1)
4 column over to the unrealized gains as a percentage of
5 carrying value, I wonder if you would agree with me that
6 between 1998 and 2003, the low was 1.98 percent in the
7 2000 with the high being 2.98 percent in the year 1999?

8 Is that right, sir?

9 MR. DON PALMER: Reflecting the market
10 conditions for those years, yes.

11

12 (BRIEF PAUSE)

13

14 MR. DON PALMER: The high -- 3.56 for
15 1998.

16 MR. BYRON WILLIAMS: Thank you.
17 Although, my question was 1999 through 2003, correct?

18 If we look at the years between 2004
19 through 2007, you'll agree with me that the low range was
20 3.98 percent and the high range was five point six seven
21 (5.67).

22 Is that right, sir?

23 MR. DON PALMER: Reflecting the market in
24 those years, yes.

25 MR. BYRON WILLIAMS: Would it be fair to

1 say, at a general level, that some components of the MPI
2 investment portfolio such as using the acronym MUSH, M-U-
3 S-H, tend to be less liquid than equity investments?

4 Would that be correct, sir?

5 MR. DON PALMER: Yes, the Municipal
6 School and Hospital Bonds are essentially not marketable.

7 MR. BYRON WILLIAMS: So that's what
8 "MUSH" stands for, eh.

9 MR. DON PALMER: That's what "MUSH" stand
10 for.

11 MR. BYRON WILLIAMS: I knew that. So I'd
12 like you turn now to CAC/MSOS Exhibit Number 5, when we
13 look at the percentage of unrealized gains associated
14 with equity investments.

15 Do you have that, Mr. Palmer?

16 MR. DON PALMER: Yes, we have it.

17 MR. BYRON WILLIAMS: And, again, this is
18 material drawn from PUB/MPI-1-7A.

19 Is that right, sir?

20 MR. DON PALMER: Yes.

21 MR. BYRON WILLIAMS: And just to -- just
22 to explain what we have here; if we take the 1999 year,
23 we have the -- a total unrealized gain of about 28.532
24 million.

25 Is that right, sir?

1 MR. DON PALMER: Yes.

2 MR. BYRON WILLIAMS: And if we go and
3 look at what was the equity component of that unrealized
4 gain in absolute value, we'll see that it was a
5 relatively small 1.872 million.

6 Is that right, sir?

7 MR. DON PALMER: Again, reflecting the
8 more down market at that time, yes.

9 MR. BYRON WILLIAMS: And -- and perhaps
10 reflecting the relative size of the equity portfolio as
11 well, correct?

12 MR. DON PALMER: Both of those, sure.

13 MR. BYRON WILLIAMS: And if we're trying
14 to calculate -- to explain what's going on in the fourth
15 column, we've simply taken the unrealized gain of one
16 point eight seven two (1.872) associated with equity
17 investments, and divided it by the 28.532 million of the
18 total unrealized gain to achieve 6.56 percent.

19 Is that right, sir?

20 MR. DON PALMER: I see what you've done
21 and, subject to check, I'll accept these numbers. And
22 they have been checked, so I'll accept those numbers.

23 MR. BYRON WILLIAMS: Quickest calculator
24 in the west over there.

25 Now I -- I just like to draw without

1 spending too much time on...

2 MR. DON PALMER: We'd like to credit the
3 back row with those.

4

5 (BRIEF PAUSE)

6

7 MR. BYRON WILLIAMS: Well, after the shot
8 that you took at them earlier today, I think you should,
9 Mr. Palmer.

10 Just -- in -- in terms of this table, I'd
11 like to go right to the 2007 year and take you to the
12 unrealized gains associated with equity investments.

13 And in absolute figures, would it be fair
14 to say that the -- the high-water mark has been reached
15 in terms of unrealized gains associated with equity
16 investments and 2007 being 48.013 million?

17 Would that be right, sir?

18 MR. DON PALMER: Within this timetable,
19 that would be true. Again, each of these, as at a point
20 in time, yes.

21 MR. BYRON WILLIAMS: And just in terms of
22 percentage terms at that point in time of the ten (10)
23 years on the table, the 2007 year in percentage terms
24 being 59.80 percent is a proportion of total unrealized
25 gains is the second highest year in that ten (10) year

1 period.

2 Is that right, sir?

3 MR. DON PALMER: Again, just to put this
4 into context, this is the percentage of equity investment
5 unrealized gains to the unrealized gains of the portfolio
6 as at the date of February 28, 2007. And for the as-at
7 dates of each of those year-ends, then, at that year,
8 that year end was the second highest of all the year ends
9 that you've got on this chart, yes.

10 MR. BYRON WILLIAMS: But the year ends
11 are, of course, quite important for the calculation of
12 the RSR, for example, Mr. Palmer, that you just took me
13 through.

14

15 (BRIEF PAUSE)

16

17 MR. DON PALMER: This wouldn't
18 necessarily enter into the calculation of the RSR at all.

19 MR. BYRON WILLIAMS: Okay, okay.

20 MR. DON PALMER: But -- but the I'll
21 grant you that the RSR, for reporting purposes, the year
22 end date is important.

23

24 (BRIEF PAUSE)

25

1 MR. BYRON WILLIAMS: Mr. Chairman, I have
2 an -- an area that will take me, I'm guessing, probably
3 about somewhere between forty-five (45) minutes and an
4 hour. I can take you partway through it. I am at your
5 beck and call.

6 THE CHAIRPERSON: Thank you, Mr.
7 Williams. I will pose one (1) question then.

8 With reference to MPI Exhibit Number 16,
9 just a point of clarification to assist our
10 understanding. In 1994 MPI reported four hundred and
11 forty-eight (448) support staff and six hundred and
12 thirty-seven (637) Claims personnel, among the overall
13 compliment.

14 And for 2007, the numbers reported are
15 seven hundred and forty (740) something for support,
16 which is up about, say, 65 percent; and eight hundred and
17 eight (808) for the claims, which is up about thirty
18 (30).

19 DVL is excluded from the table, so I would
20 imagine the lines of business would be the same. My
21 question is this: Do these increases reflect, in large
22 part, the switch to no-fault from tort that occurred in
23 1994; no-fault presumably involves more claim in MPI
24 ongoing contact?

25 MS. MARILYN MCLAREN: A certain amount of

1 the growth in the Claims staff would. But overall -- I'm
2 working from memory here -- I believe we have more staff
3 engaged in the physical damage side of the business than
4 we do on the injury side of the business.

5 So I don't think that would be the
6 majority of the increase in Claims staff. It would part
7 of it.

8 The administrative staff would not be
9 related to PIPP, except in a very tangential way in terms
10 of enhanced responsibilities to make sure people
11 understand their coverage, you know, focussing more on
12 our published material about PIPP and things like that.
13 But it will be in a very tangential kind of way.

14 Over that period of time, the vehicle
15 population has grown significantly. Claims of all sorts
16 have grown significantly. Expectations of the business
17 in terms of our IT sides of things, the call centre
18 staff, any number of other responsibilities, would really
19 attribute that far more than -- than PIPP would.

20 THE CHAIRPERSON: That is interesting. I
21 recall from my own personal experience the significant
22 numbers of support staff related because the files, in a
23 sense, could carry on for years. And people would have
24 reoccurrences and come back. There would be the record
25 keeping.

1 I imagine, too, you just were talking --
2 which was very helpful but I would imagine it is possible
3 it might have something to do with the eventual creation
4 of the Autopac, the Appeal Commission, and all those
5 other bodies, too.

6 So would it be fair to say then that --
7 and also there would be growth in the insured population
8 as you said there too -- you have not done any detailed
9 analysis, have you, to account for the changes?

10 Because I know, for example, just to be
11 helpful, that in the actuarial calculations, you account
12 for operating costs to some degree, so presumably they
13 would adjust as the numbers grow, would they not?

14 MS. MARILYN MCLAREN: Definitely. And,
15 no, we have not done any sort of a detailed analysis
16 about the growth in staff from, say, the last thirteen
17 (13) years. Every year, through our budgeting process,
18 we have rigorous processes where individual department
19 managers have to justify any increases in staff.

20 So we do it incrementally, one (1) year at
21 a time. But we have not done any overall wholesale
22 review of where were we in '94 and what drove us to where
23 we are in 2007.

24 THE CHAIRPERSON: Yes, one would assume
25 with computerization, et cetera, that certain

1 efficiencies would be created. But I must admit I have
2 not even seen any in any particular industry, so it is
3 not just yours.

4 But would the Business Process Review
5 examine compliment levels as you work for the, as you
6 called it, non-integration, but the review of the
7 assumption of DVL, et cetera?

8 MS. MARILYN MCLAREN: Well absolutely.
9 The driver licence system has begun to save us about \$2
10 million a year. Some of that is in reductions of staff
11 doing very labour-intensive processes related to driver
12 licence administration, before it was part of Autopac
13 Online.

14 The Service Centre Project as well, a -- a
15 good piece of the \$2 1/2 million a year in savings will
16 be related to reductions in staff required to do what
17 were very manual labour intensive process on the DVL
18 side.

19 But it -- it -- as you say, you know, we
20 clearly, in terms of specific staff functions, we have
21 had absolute savings over the years through automation
22 and through technology, but as we do that some new
23 requirement tends to bubble up over in another place.

24 It's not like the systems themselves don't
25 produce staff savings, but expectations of what an

1 organisation should be doing and how it should respond to
2 its clients and stakeholder needs tends to grow through
3 time.

4 THE CHAIRPERSON: Road Safety, permits,
5 everything.

6 MS. MARILYN MCLAREN: Road safety, FIPA
7 requirements. Things like running the high school driver
8 ed program, which we didn't do fifteen (15) years ago,
9 the extent to which people expect access through, not
10 only the call centre, but emails.

11 You know, the website draws more questions
12 and -- and contact with people than before we had a
13 website. The expectations of the rigorous forecasting
14 and rate making process, we have a significant nu --
15 significant -- you know a group of people focussed on
16 receiving those millions and millions of dollars of
17 savings every year through aftermarket parts and recycled
18 parts. That takes administration and that takes
19 overhead, but we think it's all worth it.

20 But it -- it -- the requirements and the
21 complexity certainly continues to grow.

22 THE CHAIRPERSON: Thank you very much.
23 Okay, then. Well, we will adjourn for the weekend. I
24 wish you all a good weekend and we will see you back on
25 Tuesday.

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(PANEL RETIRES)

--- Upon adjourning at 3:45 p.m.

Certified Correct,

Rolanda Lokey, Ms.