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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 10th, 2007
Pages 917 to 1076

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APPEARANCES

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1 --- Upon commencing at 9:25 a.m.

2

3 THE CHAIRPERSON: Good morning everyone.
4 Apparently Professor Miller will not be making an
5 appearance, so Mr. Oakes will have lots of time I would
6 think.

7 MR. KEVIN MCCULLOCH: Mr. Chairman, if I
8 could eat into a little bit of that time. At the end of
9 the morning break, I will have some written responses to
10 undertakings that will be filed.

11 But at this point, Mr. Keith does have
12 response to the question that Mr. Williams asked with
13 respect to the urban/rural split on the forty-one (41)
14 fatalities. Mr. Williams was -- oh here, he's back in
15 the room, so we're just going to give a verbal response
16 to that enquiry.

17 THE CHAIRPERSON: Thank you.

18

19 MPI PANEL, Resumed:

20 BARRY GALENZOSKI, Resumed

21 OTTMAR KRAMER, Resumed

22 DON PALMER, Resumed

23 MARILYN MCLAREN, Resumed

24 WARD KEITH, Resumed

25

1 MR. WARD KEITH: Yes. Yesterday we
2 reported that based on police reported data there were
3 forty-one (41) fatalities in 2006. And the breakdown
4 from urban and rural is, as Mr. Williams assumed, and
5 that is that there were four (4) fatalities in urban
6 centres and the remaining thirty-seven (37) were in rural
7 Manitoba.

8 THE CHAIRPERSON: Thank you, Mr. Keith.

9

10 (BRIEF PAUSE)

11

12 THE CHAIRPERSON: I'm sorry for the
13 delay. I've got a few questions since we're coming to
14 the end of the pre-closing argument phase. I've just be
15 clearing up a few notes here.

16

17 (BRIEF PAUSE)

18

19 DR. LEN EVANS: Excuse me, I appreciate
20 the information about the urban/rural split on
21 fatalities. Do you have any information as to how many
22 of those fatalities in rural Manitoba involved the use of
23 seatbelts? I mean, how many did not have seat belts?

24

25 MR. WARD KEITH: Yes, actually the total
fatalities from police reported data in 2006, was ninety-

1 six (96) and of those forty-one (41) fatalities involved
2 non-use of seat belts.

3 So -- so it's -- it's the forty-one (41)
4 fatalities that I -- that I spoke of that -- none of
5 those occupants were wearing seatbelts at the time.

6 THE CHAIRPERSON: Okay, if you don't
7 mind, I am just clearing up some notes on our way
8 through. In last year's Order, the Board accepted MPI
9 may want to calculate MCT for trend purposes to guess
10 test against the Board's approved RSR range, which had an
11 indexation feature attached to it. MPI is reported that
12 it has updated its calculated MCT.

13 What were the results of that updating,
14 compared to the MCT range that was advanced last year?

15 MR. DON PALMER: We don't have that
16 information with us, but we will provide it to the Board.

17 THE CHAIRPERSON: Okay, if you could take
18 that as an undertaking. Thank you.

19

20 --- UNDERTAKING NO. 21: MPI to provide Board updated
21 MCT calculation

22

23 THE CHAIRPERSON: The second question
24 was, given the demonstrated importance -- in fact you
25 were just relating to it -- with accidents, fatality, and

1 injury counts remaining high, and incidences reported to
2 be higher than the national average, and given the
3 indications of MPI that the Bonus/Malus Program was to be
4 replaced by a driver safety rating scheme with a special
5 hearing to be convened initially for two (2) years ago,
6 can you place on the record a more detailed explanation
7 as why the DSR is not ready for review?

8 MS. MARILYN MCLAREN: It really comes
9 down to learning how important and also how sensitive
10 this issue is in the minds of Manitobans, and just
11 believing it's absolutely essential to ensure we do not
12 misstep in something like this. It -- people have
13 perceptions, as we talked a little bit about.

14 They believe -- they support the program,
15 they believe they understand it; they really don't
16 understand it particularly well. And when they support
17 it and believe they understand it, you make changes with
18 a great deal of caution.

19 You know, this is something that when it's
20 first -- once it's solidified, no matter how much
21 consultation you do and how much you involve stakeholders
22 in the development of it, most Manitobans are still not
23 going to know much about it until it effects them. And
24 once you're going down that road, you don't want to be
25 catching them by surprise. You don't want to be doing

1 something that simply doesn't make sense to them, they
2 don't understand, and they don't believe it's
3 appropriate.

4 So understanding more the language that
5 they use, understanding how they think about issues, and
6 figuring out what that means to us in terms of the design
7 of the program, is really something that we've just
8 decided we need to slow down, take more time, and avoid
9 the land mines as much as possible, because I really
10 believe there are some in this program, because it is so
11 near and dear to the hearts and minds of motorists.

12 THE CHAIRPERSON: And yet developed so
13 quickly in 1988, without any consumer surveys or anything
14 of that ilk?

15 MS. MARILYN MCLAREN: And that is really
16 what still resonates with people, right? And it's the
17 way that that program was designed so quickly, and is --
18 and is evolved a fair bit since then, but never really
19 had a cohesiveness to it that -- that made it malleable
20 to really, truly help to drive better, safer driving.

21 THE CHAIRPERSON: Please -- please don't
22 misunderstand me. I wasn't arguing for the merits of the
23 process that led to the Bonus/Malus Program being put in
24 in 1998, or suggesting it was the peak of the market, so
25 to speak.

1 MS. MARILYN MCLAREN: No, I -- I wasn't
2 reading that into your comments.

3 But, you know, as simple as the fact that
4 most people think that if you've got five (5) merits, you
5 get the best discount. Not at all true. All it takes is
6 one (1) merit point to get the best discount.

7 The fundamentals of the program that we
8 put before this Board a little over a year ago are still
9 exactly what we're working to achieve; a scale that
10 integrates accidents and demerits; something that gives
11 you an ongoing reflective look at the behaviour of
12 drivers.

13 None of the document that we filed over a
14 year ago has changed at all. It's just getting our heads
15 around how to get from today to tomorrow, how to execute
16 it, and then to start making sure, with consultation and
17 through other surveys and things, that we really have
18 people with us.

19 THE CHAIRPERSON: Thank you.

20 Does MPI have a preliminary for discussion
21 draft of a DSR that's been presented to its Board of
22 Directors yet?

23 MS. MARILYN MCLAREN: We have something
24 that talks in more detail, but is really based on the
25 framework that we put in front of this Board, yeah. So

1 we're proceeding on that path, working on some of the
2 detail of it, and it is -- it -- it's not been shelved.
3 It's not put aside. We continue to work on it actively
4 and it has been to the Board, yes.

5 THE CHAIRPERSON: Thank you.

6 Changing to a completely different area.
7 Does MPI keep records with respect to -- can they
8 indicate the percentage of PIPP weekly indemnity claims
9 that are initially rejected?

10 What I'm relating to -- for example, and
11 people always relate to their own experience, okay? In
12 WCB land, the Board used to maintain statistics on
13 initial rejections as sort of a test against the overall
14 system. I'm wondering if MPI does the same thing.

15 MR. DON PALMER: We have a record of --
16 of claims that are opened and then closed with no
17 incurred on them, but that doesn't in any way imply
18 rejection of the claim. For example, one of the first
19 questions that our call centre will ask when a acc --
20 accident is reported is: Was there injuries? And the
21 response will -- often is, Yes, my neck hurts a bit. So
22 there's an injury claim that may be opened, and then
23 nothing ever happens beyond that.

24 So we -- we have many -- I would say,
25 thousands of those claims that -- that are incurred that

1 never have any costs associated with them. So
2 specifically on a rejection, I don't think that that
3 information would be readily available.

4 THE CHAIRPERSON: On a similar note, does
5 MPI keep track of their original offers on total loss
6 collision payouts compared to the eventual settlements?

7 MS. MARILYN MCLAREN: Yes, I believe we
8 keep track of that.

9

10 (BRIEF PAUSE)

11

12 THE CHAIRPERSON: Could you kindly
13 indicate whether metrics are employed in evaluating the
14 performance of adjusters, for example, such as time to
15 payment, duration of claims paid? Or alternatively, are
16 reviews conducted more on a qualitative basis?

17 MS. MARILYN MCLAREN: Adjuster reviews
18 are conducted on -- on both bases, but it's not so much
19 as -- we just describe it a little differently than you
20 did, I guess.

21 We -- we really use our service standards.
22 The Corporate service standards that speak to, you know,
23 how quickly should someone be able to get an appointment
24 after first reporting their claim; how long should it
25 take before they're offered their fir -- the first offer

1 on the total loss.

2 There's a number of service standards, and
3 individual employee performance is measured against
4 those, as well as qualitative service standards.

5 THE CHAIRPERSON: Very good. Thank you.

6 Please indicate if the current legislation
7 allows MPI to recover from the WCB claims that have
8 clearly risen out of employment.

9 MS. MARILYN MCLAREN: No, we don't.
10 Manitoba is the only jurisdiction that I'm aware of where
11 people injured by automobiles in the course of their
12 employment have a choice. And almost everywhere else
13 that I'm aware of, the WCB programs are primary and you
14 would not have the choice. If it was employment related
15 you would go to the WCB.

16 Manitobans have the choice and wherever
17 they choose to go, that program incurs the costs.

18 THE CHAIRPERSON: So in other words
19 you're both first payers in a sense?

20 MS. MARILYN MCLAREN: Customer choice,
21 yeah.

22 THE CHAIRPERSON: Thank you. For
23 clarification, it came up during the proceedings but just
24 a bit more time on it, what is the argument for not
25 allocating a share of the cost of the immobilizer and

1 overall anti-theft initiatives to the extension division?

2 MS. MARILYN MCLAREN: We'll take that as
3 an undertaking as well.

4 THE CHAIRPERSON: Thank you.

5
6 --- UNDERTAKING NO. 22: MPI to indicate to Board what
7 is the argument for not
8 allocating a share of the
9 cost of the immobilizer and
10 overall anti-theft
11 initiatives to the extension
12 division

13
14 THE CHAIRPERSON: For clarification
15 purposes as well, earlier in the proceeding MPI reported
16 aggregate sales and purchases of equities, I believe it
17 was in 2006/'07, that approximated both for sales and
18 purchases the opening portfolio of equities.

19 The additional questions are:

20 a) I think this may have been asked last
21 year as well.

22 Is this prohibition in the investment
23 guidelines prohibiting the purchase of identical stock
24 sold in the prior thirty (30) days, or any other set
25 number of days?

1 MR. BARRY GALENZOSKI: No.

2 THE CHAIRPERSON: With respect to the
3 security gains reported this year -- I believe they were
4 55 million -- were any of the stocks sold to generate
5 these gains subsequently repurchased?

6 MR. BARRY GALENZOSKI: They could have
7 been, yes.

8 THE CHAIRPERSON: As an undertaking,
9 could you please give us an indication of what percentage
10 of the stocks were repurchased?

11 MR. BARRY GALENZOSKI: We can look into
12 doing that, yes.

13 THE CHAIRPERSON: Thank you.

14

15 --- UNDERTAKING NO. 23: MPI to indicate for Board
16 what percentage of stocks,
17 with respect to security
18 gains, were repurchased

19

20 THE CHAIRPERSON: Just about through
21 this. Please indicate the aggregate claims incurred in
22 2006/'07 for Manitobans injured in a motor vehicle
23 accident outside of Manitoba and the recoveries through
24 subrogations related thereto. Is that possible?

25 MR. DON PALMER: Yes, that's possible.

1 THE CHAIRPERSON: Thank you.

2

3 --- UNDERTAKING NO. 24: MPI to indicate to Board the
4 aggregate claims incurred in
5 2006/'07 for Manitobans
6 injured in motor vehicle
7 accidents outside of Manitoba
8 and the recoveries through
9 subrogations related thereto

10

11 THE CHAIRPERSON: Please confirm that MPI
12 actively pursues recoveries of claims incurred with
13 respect to collisions involving Manitoba outside of
14 Manitoba where Manitobans are not at fault.

15 MS. MARILYN MCLAREN: Confirmed but
16 within the context of a cost benefit there is --

17 THE CHAIRPERSON: Understood. In other
18 words if it's not worth your while?

19 MS. MARILYN MCLAREN: -- absolutely --
20 but where it is we certainly pursue it.

21 THE CHAIRPERSON: Thank you. Thank you
22 very much.

23 Mr. Oakes, for CMMG...?

24 MR. RAYMOND OAKES: Thank you, Mr.
25 Chairman. I believe that the materials for the CMMG have

1 been distributed to all necessary parties and having done
2 that I would ask that we mark that as the next exhibit,
3 which I assume would be Exhibit 3.

4 THE CHAIRPERSON: Subject to check, thank
5 you.

6

7 --- EXHIBIT NO. CMMG-3: CMMG materials

8

9 CROSS-EXAMINATION BY MR. RAYMOND OAKES:

10 MR. RAYMOND OAKES: And if I could direct
11 the Corporation to the first enclosure in that book of
12 materials which is CMMG-1-26.11 and I'll be asking
13 questions initially with respect to the broad topic of
14 road safety.

15 With respect to that enclosure and that
16 IR, you will see for the current year we've made the
17 calculation of the various expenditures that are
18 specifically motorcycle related, and subject to the two
19 (2) small footnotes at the bottom would you agree with
20 the calculation that the expected total expenditures for
21 this current year are two hundred and one thousand
22 dollars (\$201,000)?

23 MR. DON PALMER: Confirmed.

24 MR. RAYMOND OAKES: And that remaining
25 thirty-four thousand dollar (\$34,000) expenditure, had

1 that been spent in this year?

2 MR. WARD KEITH: Yes, that will be spent
3 in this year.

4 MR. RAYMOND OAKES: And if you flip over
5 to the next page we have the attachment from TI.3 Part 1
6 and that would show the -- this year's motorcycle
7 premiums as nine million six hundred sixty-five thousand
8 four hundred and eighty-eight (9,665,488).

9 Would you agree with that?

10 MR. DON PALMER: That's the expected
11 premium from the rate model which isn't an actual amount;
12 it's a projection but that's probably pretty close.

13 MR. RAYMOND OAKES: And so subject to
14 check, would you agree with me that you're spending
15 approximately 2 percent of the premium on road safety?
16 And I'm relating of course the two hundred and one
17 thousand (201,000) we just talked about, to the \$9.6
18 million we've just talked about.

19 MR. DON PALMER: I would not agree with
20 that statement, no.

21 MR. RAYMOND OAKES: Could you explain
22 that, please?

23 MR. DON PALMER: The -- that's specific
24 to motorcycles. With -- all our road safety expenditures
25 would apply to all motorists, so to specifically say that

1 only those motorcycles specific is the road safety
2 program that applies to motorcycles is not true.

3 MR. RAYMOND OAKES: But it would
4 certainly be true with respect to specific motorcycle
5 safety expenditures.

6 Is that correct?

7 MR. DON PALMER: To specific motorcycle
8 expenditures, yes.

9 MR. RAYMOND OAKES: Okay. I'm going to
10 refer you to the next page then in the enclosures and
11 this is CMMG-1-26.10. And when you look over at the
12 answer which is a schedule table with respect to the
13 expenditure for overall road safety, the matter you just
14 spoke about, the total expenditure is expected to be
15 nineteen million four hundred and nine thousand
16 (19,409,000).

17 Is that correct?

18 MR. OTTMAR KRAMER: No, those are just
19 the -- the expenses over fifty thousand dollars
20 (\$50,000). That is not -- you can't just add those up.
21 There are other expenses that would be under fifty
22 thousand dollars (\$50,000) that would be included in --
23 in road safety.

24 MR. RAYMOND OAKES: Do you have a total,
25 Mr. Kramer, or even an approximate one?

1 (BRIEF PAUSE)

2

3 MR. OTTMAR KRAMER: The total road safety
4 for '07/'08 for Basic is \$22 million.

5 MR. RAYMOND OAKES: I thank you for that
6 answer.

7 And with respect to the total premiums the
8 Corporation takes in, I understand that's \$611 million;
9 to be specific six eleven five five six six nine one
10 (611,556,691).

11 Is -- can the Corporation confirm its
12 total premiums?

13 MR. DON PALMER: Again -- again that is
14 not the total premium, that's the premium that comes from
15 our rate model. The total motor vehicle premium would be
16 contained in -- in the pro forma operating statement.

17 MR. RAYMOND OAKES: And would that be,
18 like the other example, pretty much the same number, \$611
19 million?

20

21 (BRIEF PAUSE)

22

23 MR. DON PALMER: Our projection is 643
24 million.

25 MR. RAYMOND OAKES: Thank you for that.

1 MR. DON PALMER: Again, that's motor
2 vehicle premium, as would be indicated from this in our
3 rate model.

4 MR. RAYMOND OAKES: Ask the Corporation
5 by way of undertaking then with those revised figures, to
6 provide the percentage of the motorcycle premium that's
7 spent on specific motorcycle investment initiatives and
8 the proportion of the road safety investment based on the
9 total premiums of the Corporation; those two (2)
10 percentages, if you could provide those.

11 MR. DON PALMER: We can do that.

12

13 --- UNDERTAKING NO. 25: MPI to provide CMMG the
14 percentage of the motorcycle
15 premium that's spent on
16 specific motorcycle
17 investment initiatives, and
18 the proportion of the road
19 safety investment based on
20 the total premiums of the
21 Corporation

22

23 CONTINUED BY MR. RAYMOND OAKES:

24 MR. RAYMOND OAKES: Now, the next
25 enclosure in those materials we have what's called the

1 "NAMS Report" and at page 8, as we've numbered them in
2 our book, of this National Agenda for Motorcycle Safety,
3 it tells us about that report and it -- at the
4 introduction under the heading, "Purpose," says:

5 "The National Agenda for Motorcycle
6 Safety, NAMS, is a comprehensive plan
7 to improve United States motorcycle
8 safety in the 21st century. The NAMS
9 was developed by a technical working
10 group of experts rent -- representing
11 all constituencies involved in
12 motorcycle safety, led by the
13 Motorcycle Safety Foundation, MSF, and
14 the National Highway Traffic Safety
15 Administration NHTSA and published in
16 November 2000."

17 Can I ask the Corporation, with respect to
18 its own safety analysis is the Corporation aware of and
19 use reports from the National Highway Traffic Safety
20 Administration?

21 MR. WARD KEITH: We were not aware of
22 this report And therefore, do not use the contents in our
23 road safety programming.

24 MR. RAYMOND OAKES: And how about the
25 National Highway Traffic Safety Administration, are you

1 aware of them, and do you refer to them?

2 MR. WARD KEITH: Yes.

3 MR. RAYMOND OAKES: And would you
4 consider their work credible?

5 MR. WARD KEITH: Yes.

6 MR. RAYMOND OAKES: And if we go to page
7 10 of that report, numbered at the bottom, there's a
8 series of action steps and promising practices.

9 Do you see that, sir?

10 MR. WARD KEITH: Yes.

11 MR. RAYMOND OAKES: And I'd ask the
12 Corporation whether MPI similarly has provided any
13 training for law enforcement such as the National Highway
14 Traffic Safety Institute's program called "Detection of W
15 -- DWI," the Driving While Impaired Program?

16 MS. MARILYN MCLAREN: Sorry, whether MPI
17 has done that?

18 MR. RAYMOND OAKES: Yes. Does MPI
19 provide any similar training in Manitoba for law
20 enforcement under programs like detection of driving
21 while impaired?

22 MR. WARD KEITH: No, MPI does not offer
23 that sort of training to law enforcement.

24 MR. RAYMOND OAKES: And how about --
25 there's a reference to Minnesota's Dial-A-Ride Program

1 for motorcyclists.

2 Is MPI involved in anything like that?

3 MR. WARD KEITH: Where is that reference,
4 Mr. Oakes?

5 MR. RAYMOND OAKES: It would be on the
6 following page, it'd be the third bullet down; "Minnesota
7 Motorcycle Dial-A-Ride."

8

9 (BRIEF PAUSE)

10

11 MR. WARD KEITH: And the question, Mr.
12 Oakes, I'm sorry?

13 MR. RAYMOND OAKES: Is MPI involved with
14 any program similar to Dial-A-Ride program for
15 motorcyclists?

16 MR. WARD KEITH: No.

17 MR. RAYMOND OAKES: Does MPI do any
18 specific work with the organization known as MADD,
19 related to motorcycles?

20 MR. WARD KEITH: We -- not specifically
21 related to motorcycles, no.

22 MR. RAYMOND OAKES: And at page 17 of the
23 NAMS's Report, it talks about helmet laws and
24 observational studies.

25 Has MPI done any observational studies

1 such as observing motorcyclists on the street related to
2 helmet use?

3 MR. WARD KEITH: No, not that I know of.

4 MR. RAYMOND OAKES: Has MPI discussed the
5 need to enforce helmet use laws with traffic enforcement
6 officials?

7 MR. WARD KEITH: Helmet loose -- helmet
8 use laws in Manitoba are -- are covered by regulation,
9 and -- unlike in many of the United States, and so it --
10 it is really the responsibility of law enforcement in
11 order to -- in order to enforce those -- those -- those
12 laws.

13 MR. RAYMOND OAKES: Have there been any
14 strategic enforcement activities planned to supplement
15 that, such as used for seatbelts, for example?

16 MR. WARD KEITH: Not that I'm aware of,
17 no.

18 MR. RAYMOND OAKES: Relating to other
19 protective gear for motorcyclists, what pro-active
20 measures has the Corporation taken with the motorcycle
21 community to atreat -- achieve greater awareness of the
22 need to wear protective equipment?

23

24 (BRIEF PAUSE)

25

1 MR. WARD KEITH: There are a number of
2 different ways that -- that MPI plays a role in terms of
3 educating motorcyclists about -- about the effective use
4 of safety gear. This includes information in our
5 motorcycle driving handbook, information in our
6 motorcycle safety brochures, information that we know is
7 built into the motorcycle training programs that are
8 offered through Safety Services Manitoba in partnership
9 with MPI, and those courses of which MPI subsidizes to
10 some extent.

11 And -- and as -- so a number of different
12 ways that we try to get the message out to motorcyclists
13 about the safety benefits of wearing safety gear, rather
14 than helmets as required by legislation in this province.

15 MR. RAYMOND OAKES: And you spoke about
16 the safety training. In Manitoba, is there both training
17 programs for novices and for experienced operators?

18 MR. WARD KEITH: There are two (2)
19 separate motorcycle training programs in this province.

20 One (1) is an eight (8) hour training
21 program that is part of the graduated driver licensing
22 program for -- for novice motorcyclists.

23 And the second is a much more
24 comprehensive twenty-one (21) hour training program
25 called "Gearing Up," which is -- which -- both courses of

1 which are offered by, again, Safety Services Manitoba,
2 and both course of which rely on content and curricula
3 provided through the Canada Safety Counsel.

4 MR. RAYMOND OAKES: And what sort of
5 quality control process would the Corporation have in
6 place to monitor existing programs?

7 MR. WARD KEITH: Are you referring to the
8 training programs?

9 MR. RAYMOND OAKES: Yes, that's correct.
10

11 (BRIEF PAUSE)

12

13 MR. WARD KEITH: We work very closely
14 with Safety Services Manitoba on an ongoing basis in
15 order to evaluate the program, evaluate the instructor's
16 delivery of the program, and evaluate the -- the
17 participants' response to the program, both in terms of
18 the knowledge that they're able to attain from the course
19 and -- and their overall level of satisfaction with the -
20 - with the course material that was provided.

21 So our -- our discussions with Safety
22 Services are -- are on an ongoing basis with respect to
23 that, but direct course and program evaluation is -- is
24 done by -- is done by and through Safety Services
25 Manitoba.

1 MR. RAYMOND OAKES: And if I refer you to
2 page 32 of the NAMS Report, at the bottom of the page
3 under "Strategy 4.3", they talk about training licence
4 examiners in motorcycle licence testing technics.

5 Is that something that the Corporation has
6 been involved with in Manitoba at all?

7 MR. WARD KEITH: Yes. All driver
8 examiners are employees of MPI, and -- and there are
9 training programs for the examiners, both with respect to
10 testing of regular passenger vehicle type Class 5, as
11 well as motorcycle Class 6 and the commercial classes, 1
12 to 4.

13 MR. RAYMOND OAKES: And then I'm going to
14 refer you later in the report, Section 5, "Motors to
15 Education" at page 35 of that report.

16 And if I might, I'd like to read the first
17 paragraph of the overview. It reads as follows:

18 "When motorcycles crash with other
19 vehicles, the other vehicle driver
20 often violates the motorcyclist's right
21 of way. For example, 2005 FARS
22 (phonetic) data showed that in 38
23 percent of the two (2) vehicle fatal
24 crashes involving a motorcycle, the
25 other vehicle was turning left while

1 the motorcycle was going straight,
2 passing, or overtaking the vehicle.
3 Motorcycles and motorcyclists obviously
4 are smaller visual objects than cars or
5 trucks."

6 And it goes on talking about the
7 difficulties.

8 Are -- has the experience, to your
9 knowledge, sir, been similar in Manitoba?

10 MR. DON PALMER: We have done the
11 statistics for -- not specifically, are on fatal
12 accidents as -- as this statistic goes, but in collisions
13 between motorcyclists and other vehicles, I think the 60
14 percent number is -- is ringing some bells, so I would
15 confirm that it was close to that; 60 percent of the at-
16 fault motorist is the non-motorcyclist in a multi-vehicle
17 accident.

18 MR. RAYMOND OAKES: I understand your
19 comment, Mr. Palmer. This actually talked about 38
20 percent with the car making a left turn on the
21 motorcycle, but I appreciate your comment relative to
22 overall fault.

23 The next question would be: In cases
24 where the operator of another vehicle infringes on a
25 motorcycle's right of way and an accident occurs, does

1 the Corporation require that the at-fault driver take
2 remedial training, which is suggested at point forty
3 (.40) at page 38 of the NAMS Report?

4

5

(BRIEF PAUSE)

6

7 MR. WARD KEITH: There are driver
8 improvement and control programs at MPI where
9 specifically the performance of drivers and their
10 behaviours on the road is tracked and measured. And this
11 is with respect to involvement in accidents, not just
12 involving motorcyclists but involving any type of -- any
13 type of accident. As well as conviction data whether it
14 be for traffic offences, drinking and driving or any
15 other types of -- of offences of that nature.

16 And depending on the circumstances, it is
17 very possible that incidents of this nature would trigger
18 intervention by Driver Improvement and Control where they
19 would indeed call the driver of the vehicle in for an
20 interview. And depending on the outcome of that
21 interview, there are in -- any number of -- any number of
22 actions that can be taken with respect to that driver, in
23 terms of remedial training, in terms of short term
24 suspension, in terms of -- of other strategies.

25

MR. RAYMOND OAKES: I appreciate your

1 answer, Mr. Keith, but those are general programs. I'd
2 asked whether there would be the inclusion of a
3 motorcyclist awareness class and sanctions against
4 motorists found guilty of violating a motorcyclist's
5 right-of-way?

6

7 (BRIEF PAUSE)

8

9 MR. WARD KEITH: There -- there's a level
10 of detail in -- in this report that -- that I'm not sure
11 is completely applicable to Manitoba. For example, it --
12 you know, it...

13

14 (BRIEF PAUSE)

15

16 MR. WARD KEITH: Sorry, with respect to -
17 - with respect to your question specifically, there --
18 there is not a motorcycle remedial training course that a
19 driver of a vehicle would be ordered to take if they were
20 involved in an accident involving a motorcyclist.

21 Nor necessarily would there be a -- a
22 conviction for specifically involvement with a
23 motorcyclists -- with a motorcyclist because of the --
24 because of the circumstances leading up to that incident.

25 MR. RAYMOND OAKES: Thank you for that.

1 If you'd turn over to the next page, page 39, it talks
2 about signage:

3 "Post specific warnings for motorcycle
4 operators where hazardous conditions
5 exist."

6 Can you tell us what actions if any, the
7 Corporation's taken with respect to providing signage
8 related warnings to motorcyclists of road related
9 hazards?

10 MR. WARD KEITH: MPI does not -- does not
11 have involvement in erecting signage.

12 MR. RAYMOND OAKES: And has the
13 Corporation take -- taken any actions related to
14 maintenance of roads such as the ongoing issue of castoff
15 from pothole filling?

16 MR. WARD KEITH: Again, the Corporation's
17 mandate with respect to its road safety programming is
18 one of education and awareness, with respect to
19 motorcycles specifically; heavily-focussed on education
20 in terms of our involvement with Safety Services Manitoba
21 on the two (2) motorcycle training courses, and subsidy
22 of the -- of the Gearing Up twenty-one (21) hour course,
23 and with respect to awareness -- awareness of the
24 inherent risks involved in -- in operating motorcycles,
25 not just for motorcyclists, but the inherent risks for --

1 has any role?

2 MR. WARD KEITH: MPI's mandate is
3 education and awareness.

4 MR. RAYMOND OAKES: And it doesn't see
5 that it's to educate in road design or maintenance?

6 MR. WARD KEITH: No, it's education of
7 motorcyclists and the general driving population.

8 MR. RAYMOND OAKES: Thank you for that.
9 And moving to the second tab then in the CMMG materials,
10 and this is under the general heading of, "Motorcyclists
11 as Owners of Other Vehicles."

12 MR. DON PALMER: Mr. Oakes, if I --
13 this seems like a decent stopping place. We do have the
14 answer to one (1) of your previous questions regarding
15 road safety expenses as a percentage of total vehicle
16 premium.

17 And I'm going to give you two (2) answers
18 to this question. On the -- within the operating
19 statement the road safety expenses are shown as 3.4
20 percent but that doesn't include the expenses of the
21 Immobilizer Incentive Program, which in effect has been
22 pre-funded so it -- it goes back in at the -- at the end
23 of the operating statement, so to speak. If we take out
24 those immobilizer incentive expenses, the road safety
25 becomes 1.5 percent of vehicle premium.

1 MR. RAYMOND OAKES: Thank you for those
2 answers.

3 The questions relative to the Basic
4 coverage, I'd ask first the question posed in CMMG-1-
5 23.4, which is: On average how many other vehicles does
6 the average motorcyclist have?

7 MR. DON PALMER: And it's one point three
8 (1.3) other vehicles, on average.

9 MR. RAYMOND OAKES: Thank you for that.
10 Would you agree, Mr. Palmer, that then motorcyclists can
11 be said to have an interest in what happens to the rates,
12 classifications and coverage provided on those other
13 vehicles?

14 MR. DON PALMER: I can't necessarily
15 comment on what their interests are.

16 MR. RAYMOND OAKES: Suppose a
17 motorcyclist has a car and a motorcycle. Are there
18 differences in the Basic coverage provided to them?

19 MR. DON PALMER: Yes.

20 MR. RAYMOND OAKES: And is the
21 difference, sir, that the car would automatically have
22 comprehensive coverage and the motorcyclist would not?

23 MR. DON PALMER: That's correct.

24 MR. RAYMOND OAKES: And, sir, can you
25 confirm to me that there are not other firms other than

1 MPI selling Comprehensive coverage to motorcyclists in
2 Manitoba?

3 MR. DON PALMER: I can't confirm the
4 practices of other insurance companies, no.

5 MR. RAYMOND OAKES: You're not aware of
6 any?

7 MR. DON PALMER: I'm not aware of any,
8 no.

9 MR. RAYMOND OAKES: For a motorcyclist
10 who has a motorcycle and a car, versus someone who just
11 has a car, is there a greater potential that the
12 motorcyclist may be unaware that they do not have
13 comprehensive coverage for something like theft on their
14 motorcycle under the Basic Autopac Program?

15 MR. WARD KEITH: I can't confirm that.
16 Certainly the coverage under the Basic Autopac Program is
17 -- is communicated through both policy guide and through
18 broker communication. So as to an individual motorist's
19 understanding of the coverage, any coverage, we certainly
20 do everything in our power to ensure that our motorists
21 are aware of the coverage, but that doesn't mean that
22 they always are.

23 MR. RAYMOND OAKES: Just moving quickly
24 to trailers. I understand that there's somewhat more
25 than one hundred thousand (100,000) trailers in the

1 province.

2 Would you agree with that?

3 MR. DON PALMER: I would agree with that,
4 yes.

5 MR. RAYMOND OAKES: And I similarly
6 understand that about a third have a declared value
7 greater than twenty-five hundred (\$2,500) dollars.

8

9 (BRIEF PAUSE)

10

11 MR. RAYMOND OAKES: Does that sound
12 reasonable?

13 MR. DON PALMER: Subject to check, I
14 would agree with that, sure.

15 MR. RAYMOND OAKES: And I understand from
16 the question posed at 1-17.2, that the bulk of the cost
17 of the trailers related -- is related to comprehensive
18 coverage?

19 MR. DON PALMER: Yes, I would agree with
20 that?

21 MR. RAYMOND OAKES: And we looked at --
22 that table has included as the answer to IR-1-17.2 found
23 in our book of documents, we've labelled the page "page
24 72" up at the top. And I understand that half of the
25 cost of the comprehensive is due to hail claims.

1 Is that something that you would agree
2 with, sir?

3

4 (BRIEF PAUSE)

5

6 MR. RAYMOND OAKES: Specifically, I
7 looked in 2006. The hail amount was one million one
8 hundred and ninety five thousand six hundred and ten
9 (1,195,610). The non-hail portion was one million four
10 hundred and two thousand six hundred and eighty-six
11 (1,402,686).

12 MR. DON PALMER: It -- that's a little
13 less than half, and it does vary a fair bit by year.

14 MR. RAYMOND OAKES: Certainly. And if a
15 person had a trailer and had aluminum skin, it would be
16 fairly easy to dent from a hail storm.

17 Would that sound right to you, sir?

18 MR. DON PALMER: Sounds reasonable. Not
19 being a trailer owner, I don't know that for sure, but
20 sounds reasonable.

21 MR. RAYMOND OAKES: And if it was a
22 fibreglass sided trailer, it's likely -- less likely to
23 dent than the aluminum one that we just talked about?

24 MR. DON PALMER: I don't think fibreglass
25 dents, I think it rips.

1 scenario, that motorcyclist, if they only had Basic
2 Autopac Coverage, wouldn't have any insurance to address
3 that loss.

4 Is that correct?

5 MR. DON PALMER: If there was not an
6 active policy here would be no coverage to -- to address
7 that loss.

8 MR. RAYMOND OAKES: Even if there was an
9 active policy and it was lay-up insurance, then there
10 wouldn't be any coverage for that loss.

11 Isn't that correct?

12 MR. DON PALMER: I guess I should amend
13 my other answer and say if there was an active basic
14 policy, or if there was not an active basic policy, basic
15 wouldn't respond.

16 I can't respond if there was not an active
17 basic policy.

18 MR. RAYMOND OAKES: So what you're
19 telling us is that for a motorcyclist for the winter
20 months when he's not using his motorcycle, he has to
21 leave on basic insurance if he wants to cover off any of
22 these liabilities?

23 MR. DON PALMER: Which under the seasonal
24 program that we have doesn't cost him anything.

25 MS. MARILYN MCLAREN: Private passenger

1 vehicles, on the other hand, if they were stored over the
2 winter with their basic coverage in force, would continue
3 to pay monthly premiums during that period.

4 MR. RAYMOND OAKES: Let's talk about some
5 other issues very briefly. SRE coverage is involved, so
6 the Corporation can respond as they wish.

7 But my understanding is that if a
8 motorcyclist is a high income earner, perhaps he's an
9 executive in an insurance company, but if they believe
10 that their income is not sufficiently protected under the
11 basic PIPP plan, can they buy extended income replacement
12 coverage through SRE?

13 MS. MARILYN MCLAREN: Any Manitoban can
14 do that.

15 MR. RAYMOND OAKES: And PUB Ruling 156/06
16 recommendation number 8, the Board indicated a desire to
17 include extension in SRE under the regulatory framework.

18 Given the importance of these divisions in
19 providing coverage on the issues we've just spoken about,
20 is there any status of that initiative from MPI's
21 perspective?

22 MR. DON PALMER: No.

23 MR. RAYMOND OAKES: Speak for a second,
24 if we might, about rate groups and the rate line
25 adjustment.

1 Mr. Palmer, can you briefly describe the
2 purpose of the rate line adjustment process?

3 MR. DON PALMER: The rate line adjustment
4 process is -- myself and -- and Ms. Everard had a lengthy
5 discussion last week, is to ensure that the -- the risk
6 associated with a specific rate group is commensurate
7 with the rate that we charge.

8 MR. RAYMOND OAKES: Right, and I don't
9 mean to go into the length -- lengthy examination that
10 the issue might have received last week, but with respect
11 to vintaging of older cars and trucks, say older than
12 1994, can you describe the process that you use in -- in
13 performing the rate line adjustment process?

14 MR. DON PALMER: The fact that they're
15 older vehicles in vintage doesn't really have any --
16 anything to do with the rate line per -- calculation at
17 all, so I -- I'm not quite sure I understand the
18 question.

19 MR. RAYMOND OAKES: How about just with
20 respect to vintaging then?

21 Can you describe the process of vehicles
22 older than 1994 that's applied by the Corporation?

23 MR. DON PALMER: Within the establishment
24 of rate groups for private passenger vehicles, we use a
25 service called "CLEAR", Canadian Loss Experience

1 Automobile Rating, that's available from the Insurance
2 Bureau of Canada.

3 The CLEAR tables that we get, which is a -
4 - an assignment of relative risk of those vehicles and
5 takes every make and model, and assigns it to a rate
6 group, those are only available to us for vehicles of
7 fifteen (15) years old or -- or newer.

8 So from a model year perspective, if we're
9 now in 2008 model year, probably we don't get CLEAR rate
10 groups for '93 and older. So I'll take your '94 and
11 older to mean '93 and older.

12 So we don't -- we do not have a -- the
13 rate groups that come from an external source for -- for
14 those vehicles. What we have done is take a look at the
15 relationship of older model years, how a particular model
16 -- same make and model but newer -- has changed rate
17 groups from CLEAR, and then make adjustments to our rate
18 groups essentially based on the history and -- and what
19 has happened to like models.

20 So to say specifically that they get
21 vintaged one (1) rate group every year, it depends on
22 what has happened to similar makes and models.

23 MR. RAYMOND OAKES: So is there a written
24 document that provides the rules for these older vehicles
25 or is it an ad hoc process?

1 (BRIEF PAUSE)

2

3 MR. DON PALMER: It's not an ad hoc
4 process. As a -- there -- there isn't a cookbook, if
5 that's what you're looking for.

6 We do have a rate group unit within
7 Pricing and Economics that is responsible for the
8 assignment of -- of those rate groups, so they do an
9 analysis of -- of similar make and model vehicles and
10 from that determine what the rate group will be in any
11 given year.

12 MR. RAYMOND OAKES: And are there
13 internal checks to make sure that that vintaging is
14 performed correctly?

15 MR. DON PALMER: We do internal checks.
16 As I said the rate group unit is three (3) individuals, a
17 supervisor and -- and two (2) rate group analysts, so
18 certainly the work of the rate group analysts would be
19 checked by the supervisor, yes.

20 MR. RAYMOND OAKES: And if you look at
21 page 83 in the materials it talks about the IR, CMMG-1-
22 61.6, and that's 83 at the top of the page.

23 In general, Mr. Palmer, if the price of a
24 new vehicle is 5 percent higher, is the change in the
25 rate group about one (1) rate group?

1 Would that be the calculation?

2

3 (BRIEF PAUSE)

4

5 MR. DON PALMER: For a new vehicle, a
6 specific -- the specific example that we provided would
7 be one (1) rate group. So to say that that's a general
8 rule it would depend on what the original rate group
9 would be. But a new vehicle, this particular one, which
10 a Dodge Calibre, which is fairly indicative of a new
11 vehicle, I guess an average new vehicle, the 5 percent
12 probably is -- with the one (1) rate group -- is probably
13 in the ballpark, sure.

14 MR. RAYMOND OAKES: And could you explain
15 why the accident benefits portion as shown at the next
16 page, page 84, is impacted?

17

18 (BRIEF PAUSE)

19

20 MR. DON PALMER: In terms of the CLEAR
21 system which has the accident benefits as a -- a
22 frequency generation, which is why there's only rate
23 groups from one (1) to five (5) because it's a frequency
24 model. The statistical model has indicated that the
25 increase in -- in costs has an effect on the increase in

1 frequency. I can't necessarily tell you why.

2 MR. RAYMOND OAKES: I want to ask some
3 questions relative to the immobilizer initiative, and if
4 I refer you to page 92 of the materials; this is CMMG IR-
5 1-4.11, and talks about the number of companies
6 installing immobilizers.

7 Can affirm that there's currently twenty
8 (20) authorized installation facilities?

9 MR. WARD KEITH: As of the current time,
10 in Winnipeg there are eighteen (18) authorized
11 facilities, and a further twenty-one (21) in rural
12 Manitoba that have agreed to participate in our
13 scheduling and booking program.

14 MR. RAYMOND OAKES: And these ones in the
15 rural communities, would they be fully trained at this
16 time?

17 MR. WARD KEITH: Yes.

18 MR. RAYMOND OAKES: And, Mr. Keith,
19 perhaps you know how many body shops there are in
20 Winnipeg just so we can have a comparison of your payers
21 in this respect?

22 MR. WARD KEITH: There are more than
23 that, but I don't have the specific number. I'm sorry.

24 MR. RAYMOND OAKES: Would you hazard a
25 guess? Would there be six hundred (600)?

1 MR. WARD KEITH: That's about right.

2 MR. RAYMOND OAKES: And this Immobilizer
3 Program is designed in, I believe, around the year 2010.

4 Is that accurate?

5 MR. DON PALMER: No, that's not accurate.

6 MR. RAYMOND OAKES: Is there a date then
7 the Corporation anticipates this Immobilizer Program will
8 end?

9 MR. DON PALMER: No. We have some
10 projections as to the number of vehicles that will be
11 immobilized with the new Transport Canada Regulations
12 that new vehicles have to have an immobilizer if they
13 were manufactured in Canada after September 1st of 2007.

14 As those work through the system,
15 eventually there won't be any other vehicles left, so I
16 guess at that time we can -- since all vehicles will have
17 a factory immobilizer, that there's no need for the
18 aftermarket program. As to what exact date that is, we
19 don't have that.

20 MR. RAYMOND OAKES: Mr. Palmer, if you
21 can anticipate the Program winding down at some point,
22 would you agree that at that time the revenue under the
23 program paid to these immobilizer centres would start to
24 dissipate and those firms may in fact disappear?

25 MR. DON PALMER: I can't comment with --

1 whether those firms would disappear. I can say that
2 those firms would no longer have aftermarket immobilizers
3 funded by MPI as a revenue source.

4 MR. RAYMOND OAKES: And it's possible to
5 contemplate that as these firms disappear that people who
6 have difficulties with interference from the immobilizer
7 with, say, their fuel system or their electrical system;
8 that they may no longer have recourse against the firms
9 that installed those.

10 Would you agree?

11 MR. WARD KEITH: No, I would not agree
12 with that because of the quality assurance program that's
13 put in place which is driven, primarily, by the National
14 Installation Bureau as well as the two (2) distributors
15 in this Province.

16 MR. RAYMOND OAKES: Well, Mr. Keith, I
17 appreciate your speaking about the training that these
18 centres get. You will agree with me that the Corporation
19 provided evidence last week about the percentage of
20 defective units.

21 Can you give us that number again, please?

22 MR. WARD KEITH: Yes, what we spoke about
23 last week was that there were concerns raised by
24 consumers in approximately 1.4 percent of the installs
25 that had been done, so ninety-eight point six (98.6) were

1 done without problems.

2 MR. RAYMOND OAKES: And MPI doesn't
3 provide a warranty on the product or the installation at
4 all, do they?

5 MR. WARD KEITH: MPI specifically doesn't
6 provide the warranty, but there is a two (2) year
7 warranty on the product itself, and there is a one (1)
8 year warranty on the installation.

9 And -- and those are -- those are driven
10 by industry.

11 MR. RAYMOND OAKES: And those warranties
12 are -- with respect to the installation -- are provided
13 by the firm that installs them. If the firm is no longer
14 in business, then you have no warranty.

15 Would you agree?

16 MR. WARD KEITH: No, I would not agree.
17 As -- as we spoke about last week, the -- the quality
18 assurance process that's been put in place does allow for
19 escalation of customer concerns.

20 Obviously, the first step is to have the
21 installer try and rectify an installation problem if the
22 installer is able to or if the installer is available to.
23 But if that doesn't work, then there is an escalation
24 process to the distributor of that product.

25 Again, the distributors in Manitoba are

1 CAA Manitoba, and Absolute AutoGuard. And, so, there's
2 an escalation process to those distributors. And both of
3 those agencies have quality assurance technicians on the
4 ground here in Manitoba, as does the Vehicle Security
5 Installation Bureau.

6 And those quality assurance technicians
7 will then take over and -- and look after that particular
8 customer concern through to resolution.

9 MR. RAYMOND OAKES: Mr. Keith, annually I
10 usually travel to Snow Lake, Manitoba in April to partake
11 in the ice -- last ice fishing of the season up there.
12 If I was one (1) of those 1.5 percent of people who have
13 a immobilizer installed that encounter a defective unit
14 or a poor installation, would you agree with me that
15 likely I'm looking at a 600 kilometre tow to get the
16 vehicle back to somebody who can then start that vehicle?

17

18 (BRIEF PAUSE)

19

20 MR. WARD KEITH: No, I would not agree
21 with that. There are installers, although not -- there
22 are twenty-one (21) installers throughout rural Manitoba,
23 one (1) of which is in Thompson.

24 And, so, in that particular situation, we
25 would through -- in conjunction with the -- with the

1 industry representatives, arrange to have that vehicle
2 towed to Thompson.

3 MR. RAYMOND OAKES: So, meanwhile, while
4 I'm out on the lake ice, my prospect is to somehow
5 communicate and get a 150 kilometre tow.

6 Would -- is that your evidence?

7 MR. WARD KEITH: Well, with respect to
8 the specific scenario that you raise, yes, that -- that
9 is what -- that's -- that's what I assume would occur. I
10 think it's important though, to -- to realize that when I
11 spoke about the 1.4 percent of problem installations,
12 those are problems that have been reported by the
13 customer; not all of which are related to the
14 installation of the device itself.

15 And where we are aware of faulty
16 installations, they primarily result from the placement
17 of the antenna, which is, again, the -- the mechanism
18 that key FOB uses in order to communicate to the device
19 and allow the vehicle to start.

20 And I would suggest to you that if there
21 was a problem with the placement of the antenna or the
22 operation of the antenna with respect to this device,
23 that -- that you -- you likely wouldn't be able to drive
24 your vehicle up to Snow Lake. So it would be repaired
25 here.

1 MR. RAYMOND OAKES: Mr. Keith, the
2 Corporation talked about its long-term vision with
3 respect to the Immobilizer Program, and its conclusion
4 appears to be that once we have the great number of these
5 most-at-risk, MAR vehicles protected, that somehow these
6 car thieves will just quit and -- and recognize that it's
7 too difficult to steal vehicles.

8 Has the Corporation considered that the
9 unintended consequence of having all these vehicles
10 protected would be an increase in both car-jacking and
11 house break-ins and home invasions to obtain keys?

12 MS. MARILYN MCLAREN: Manitoba Public
13 Insurance Immobilizer Program is strongly supported by
14 the Provincial Auto Theft Task Force which has
15 representation from -- actually, the -- the Chair of that
16 group is a university professor -- there's law
17 enforcement, there are Justice officials.

18 Every key stakeholder in the fight against
19 auto theft in Manitoba is part of that Provincial Auto
20 Theft Task Force. They believe the Immobilizer Program
21 is the appropriate solution to auto theft in Manitoba.

22 There are people on that group with far
23 more insight into potential downstream diversion of
24 energy or -- or potential other activities that may crop
25 up when auto theft is, for the most part, effectively

1 dealt with.

2 They fully support the Immobilizer
3 Program. They do not see that as a legitimate high-risk
4 outcome as you've suggested. And the reason we're in the
5 Immobilizer Program, for the most part, is because the
6 Provincial Auto Theft Task Force believes it's the way to
7 deal with auto theft in Manitoba.

8 MR. RAYMOND OAKES: I accept that answer,
9 Ms. McLaren. There's one (1) small factual matter that
10 puzzles me unrelated to that.

11 When I look through the MAR vehicles, I
12 note that it lists a Yukon in the MAR vehicle list as
13 number 64. For the same years, the identical vehicle --
14 a Suburban -- though, doesn't make it onto any of the
15 lists.

16 And it may not be the Corporation has the
17 answer here, but why would, for instance, one (1)
18 vehicle, a Yukon, be listed and its counterpart that only
19 -- the only difference is the change of nameplate, not be
20 on your list at all?

21

22 (BRIEF PAUSE)

23

24 MR. DON PALMER: Within our experience,
25 the vehicles that are listed by make and model are the

1 ones that have a higher theft experience.

2 So, if there's two (2) vehicles that are
3 very similar and one makes it and one doesn't, that's
4 indicative of what has actually happened and the
5 experience. So, you know, it may be car thieves don't
6 like the word "Suburban". I -- I can't comment on that,
7 but certainly this is based on actual experience that
8 we've seen over the years 2005 -- or 2004 to 2006.

9 MS. MARILYN MCLAREN: More specifically,
10 in your example, I believe the Yukon XL is exactly the
11 same as a Suburban. The Yukon itself is shorter
12 wheelbase, shorter box, much more sportier-looking
13 vehicle, and I think likely very much is more attractive
14 to the young car thieves in Manitoba.

15 MR. RAYMOND OAKES: Mr. Chairman, those
16 are my questions relative to the immobilizer. If the
17 Board feels this is an appropriate time for a break, I
18 can indicate that I wanted to ask a half a dozen
19 questions on various reserve levels.

20 The Corporation indicated that their back
21 row is not replete with someone relative to all of the
22 aspects of the financial operations of the Corporation.
23 So I could just use the break to address with My Friends
24 from the Corporation whether they have someone to speak
25 about their reserve levels.

1 THE CHAIRPERSON: Very good, Mr. Oakes.
2 Then we'll take our break now.

3
4 --- Upon recessing at 10:35 a.m.
5 --- Upon resuming at 10:54 a.m.

6
7 THE CHAIRPERSON: Mr. McCulloch...?

8 MR. KEVIN MCCULLOCH: Yes, Mr. Chairman.
9 There are three (3) Undertakings that I would like to
10 file written responses to at this point.

11 The first one is identified as Undertaking
12 number 4, deals with the actual year-to-date experience
13 for '07/'08 and the gaps between projected and revised
14 frequencies. And I believe that would go in as MPI
15 Exhibit number 19.

16
17 --- EXHIBIT NO. MPI-19: Response to Undertaking 4,
18 dealing with the actual year-
19 to-date experience for
20 '07/'08 and the gaps between
21 projected and revised
22 frequencies

23
24 MR. KEVIN MCCULLOCH: The next one is
25 identified as Exhibit number -- or Undertaking Number 10;

1 MPI to indicate to the Board why, after the Federal new
2 car requirements, provincial and MPI actions, thefts and
3 cost related thereto would still be expected to be so
4 high. That would be MPI Exhibit Number 20.

5

6 --- EXHIBIT NO. MPI-20: Response to Undertaking 10,
7 where MPI was to indicate to
8 the Board why, after the
9 Federal new car requirements,
10 provincial and MPI actions,
11 thefts and cost related
12 thereto would still be
13 expected to be so high

14

15 MR. KEVIN MCCULLOCH: And Undertaking
16 Number 12, MPI to update the Board the table in Appendix
17 'A' to show an analysis in respect of the projected cost
18 savings for 2007 for regulatory costs. And that would be
19 MPI Exhibit No. 21.

20

21 --- EXHIBIT NO. MPI-21: Response to Undertaking 12,
22 where MPI was to update for
23 Board the table in Appendix
24 'A' to show an analysis in
25 respect of the projected cost

1 savings for 2007 for
2 regulatory costs
3

4 THE CHAIRPERSON: Thank you, sir. Very
5 helpful.

6 Okay, Mr. Oakes.
7

8 CONTINUED BY MR. RAYMOND OAKES:

9 MR. RAYMOND OAKES: Thank you, Mr.
10 Chairman. I should indicate that likely we'll have -- be
11 having to continue into the afternoon as well. But at
12 this point, we're at Tab 3, if I might directly everyone
13 to those materials of the CMMG, and the question heading
14 is relative to the various reserve levels as I indicated.

15 And if the Corporation could refer to
16 their answer in CMMG IR-1-48.1, that's contained at page
17 97 of our materials

18 And just ask the Corporation how much the
19 financial reserves, excluding IBNR, retained earnings,
20 PFAD and unearned premiums have increased in the last
21 five (5) years, if they can answer that?

22

23 (BRIEF PAUSE)

24

25 MR. OTTMAR KRAMER: I -- I believe the

1 increase is the seventy-one six thirty-one (71631) that -
2 - that is penciled in there.

3 MR. RAYMOND OAKES: Thank you for that.
4 And just going over to the next page of the materials, it
5 has CMMG-1-36.1 and 1-38.1 follows.

6 Can you confirm that the selected claims
7 PFAD margins have risen since 1999/2000 to-date?

8 MR. DON PALMER: The PFAD margins as
9 shown are correct, as selected by the appointed --
10 appointed external actuary. There are pretty specific
11 guidelines within the Canadian Institute of Actuaries
12 Standard of Practice as to what PFAD should be selected.

13 The year that it increased from 12 1/2
14 percent to 15 was as a result of some pretty major
15 changes in our reserving practices. So that -- that
16 change was precip -- precipitated by the change in
17 reserving practice. So that's in accordance with the
18 Standard of Practice as selected by the appointed
19 actuary, yes.

20 MR. RAYMOND OAKES: And where -- with
21 respect to the Standard of Practices, what is the maximum
22 margin that an actuary may select for those coverages?

23 MR. DON PALMER: It's fifty (50).

24 MR. RAYMOND OAKES: And has the interest
25 rate PFAD margin that's been selected increase since

1 1999/2000?

2 MR. DON PALMER: The interest rate
3 margin, I believe, has been 1 percent since -- since
4 1999/2000.

5 MR. RAYMOND OAKES: So it hasn't
6 increased?

7 MR. DON PALMER: That's correct.

8 MR. RAYMOND OAKES: And if I refer you to
9 the following page, page 100, and that's CMMG IR-1-47.3,
10 how much has the PFAD grown since 2002/'03?

11 Would it be about the \$96 million that
12 we've penciled in the si -- inside there?

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

14 MR. RAYMOND OAKES: Thank you for that.
15 Moving from the issue of those reserves to rates and
16 actuarial reports.

17 At page 101 in our materials, CMMG
18 Interrogatory 1-42.1, and the reference there indicates
19 that the Corporation confirmed that the loss development
20 used in the rate making methodology is an agreement with
21 that used in the claim forecast book and the rate making
22 methodology.

23 Can you elaborate on how those are
24 interrelated?

25 MR. DON PALMER: First of all, I have to

1 cor -- correct you a little bit, Mr. Oakes.

2 You said lost development are the same.
3 They are not. The loss development factors are the same,
4 so there is a real distinction within that.

5 In our evaluation of -- of liabilities, we
6 are providing an estimate as to the ultimate costs of
7 claims for a given accident year. We use a number of
8 different reserving methodologies to determine that. One
9 (1) is a straight incurred loss development methodology,
10 as well as paid methodology.

11 I'll -- I'll go ahead and say that we use
12 Bornhood or Ferguson (phonetic) as one of our calculation
13 methodologies, among others.

14 Those are determined then the ultimate
15 cost of each accident year. From those ultimate costs of
16 past accident year, we then project into the ultimate
17 cost of future accident years, which is the basic --
18 basis of our ex -- expected value of claims, and hence
19 the value of rates.

20 MR. RAYMOND OAKES: And if we just talk
21 about those loss development factors that you referenced;
22 if the loss development factors in the IBNR report
23 increases, then would that result in upward pressure on
24 rates since claim costs using the rate making methodology
25 are then higher?

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(BRIEF PAUSE)

MR. DON PALMER: Likely that would be the effect, and the converse of that is true as well. If loss development is less and -- and estimates of ultimate costs are brought down, that would likely cause lower expected claims costs in the future.

MR. RAYMOND OAKES: With respect to motorcycles specifically, in terms of costs, PIPP benefits are a greater proportion of the rate requirement than with respect to private passenger vehicles; would you confirm that?

MR. DON PALMER: I'll confirm that.

MR. RAYMOND OAKES: At page 102 of our materials, there's a reference to the DCAT report that the Corporation filed as AI.17.

Was that used at all in determining 2008 rates?

MR. DON PALMER: No.

MR. RAYMOND OAKES: And what would that DCAT report cost to prepare?

MR. DON PALMER: I don't have that specific reference, but I can get it for you.

MR. RAYMOND OAKES: If you would please,

1 file that in due course.

2

3 --- UNDERTAKING NO. 26: MPI to advise CMMG whether
4 the DCAT report that the
5 Corporation filed as AI.17
6 was used at all in
7 determining 2008 rates

8

9 CONTINUED BY MR. RAYMOND OAKES:

10 MR. RAYMOND OAKES: Going to the next
11 page, page 103, and this is CMMG IR-1-52.1, what is the
12 required level of retained earnings for the end of 2006
13 as specified by the Board?

14 MR. DON PALMER: Not sure ho -- the exact
15 years, but it's the sixty-five (65) to a hundred and five
16 (105) million is the retained earnings determined by the
17 Board.

18 I'm not sure exactly what year that
19 corresponds to, as it is indexed with the growth of
20 written premium over time, but the \$105 million dollars
21 is probably pretty close to the max.

22 MR. RAYMOND OAKES: Okay. And what would
23 the level of retained earnings for basic be as of the end
24 of the first quarter of 2007?

25

1 (BRIEF PAUSE)

2

3 MR. RAYMOND OAKES: It is in our
4 Interrogatory 2-1, and I believe the figure is seventy-
5 eight million, two hundred and seventy-eight thousand
6 (78,278,000).

7

8 (BRIEF PAUSE)

9

10 MR. RAYMOND OAKES: Actually that
11 wouldn't be the correct...

12 MR. DON PALMER: I can refer you to CMMG
13 2-1, which is Tab 3, also page 104 in your book of
14 documents, that as at -- I'll just read in the response:

15 "As at May 31st, 2007, the amount that
16 the retained earnings were in excess of
17 the PUB approved level was seventy-
18 eight million, two hundred and seventy-
19 eight thousand (78,278,000) or 75
20 percent."

21 MR. RAYMOND OAKES: Right, thank you for
22 that. On a percent of premium basis, what would that
23 excess represent? And I suggest to you it would be about
24 11 percent.

25 MR. DON PALMER: Subject to check, I can

1 accept that. It's pretty close.

2 MR. RAYMOND OAKES: Thank you. With
3 respect to the IBNR at page 105 into Tab 4:

4 "With respect to the February 2007 IBN
5 report, Exhibit 3, Sheet 5, the PIPP
6 accident benefits weekly indemnity for
7 the 2004 year were estimated at
8 seventy-two thousand one hundred and
9 eighty thousand (72,180) in the
10 February 2004 evaluation."

11 Do you agree with that, sir?

12 MR. DON PALMER: Sorry, give me that
13 reference and number again.

14 MR. RAYMOND OAKES: It's the -- it's --
15 we've underlined the with respect to the February -- with
16 respect to this exhibit:

17 "The PIPP accident benefits weekly
18 indemnity for the 2004 years were
19 losses estimated at seventy-two million
20 one hundred and eighty thousand
21 (72,180,000) in that February 2004
22 evaluation."

23 MR. DON PALMER: That's for the 2003/'04
24 accident year. That was the initial estimate as at
25 February of 2004, yes.

1 MR. RAYMOND OAKES: Thank you. And that
2 rose I understand to ninety-eight million two hundred and
3 ten thousand (98,210,000) by February of 2006?

4 MR. DON PALMER: Again, Ms. Everard and I
5 had a discussion about the causes of that increase last
6 week and it had to do with an inconsistency or -- I won't
7 say inconsistency, we'll say sort of conflicting
8 information with our weekly indemnity reserves and our
9 non-weekly indemnity reserves, that the serious losses on
10 one were higher and seemed to indicate that they should
11 be higher on the WI ones as well, and that was the reason
12 for the increase in reserves. We then after one (1) more
13 year that didn't see any of that corresponding
14 development we took that special provision out.

15 MR. RAYMOND OAKES: And is that the basis
16 for the changes in development factors the we reference
17 at one-o-eight (108) of our tab materials in CMMG-1-59.1?

18

19

(BRIEF PAUSE)

20

21 MR. DON PALMER: Probably not. The
22 reason that it was a -- a special adjustment is it was
23 reserves that weren't necessarily indicated by the case
24 reserves that were posted. Since the incurred
25 development factors are a function of the actual reported

1 that particular provision wouldn't have any effect on the
2 selection of these development factors.

3 MR. RAYMOND OAKES: Okay. Maybe we can
4 back up then back to page 106. For the 2004 year then
5 the estimate then decreased from one hundred and one
6 million five thirty-four (101,534,000) in 2004 to only
7 sixty-six million four hundred and sixty-seven thousand
8 (66,467,000) in 2007.

9 Do you see that, sir?

10 MR. DON PALMER: I see it, yes.

11 MR. RAYMOND OAKES: And in percentage
12 terms how much of a decrease would that be roughly?

13

14 (BRIEF PAUSE)

15

16 MR. DON PALMER: Round numbers, about 34
17 percent.

18 MR. RAYMOND OAKES: And then if we turn
19 the page over to Exhibit 3 Sheet 10, if we look at the
20 first evaluation shown to the most recent evaluation, it
21 appears that the estimate of total PIPP cost has
22 decreased in every year since 2001.

23 Would you agree with that, sir?

24

25 (BRIEF PAUSE)

1 MR. DON PALMER: For a specific accident
2 year, Mr. Oakes?

3 MR. RAYMOND OAKES: Yes. For example,
4 the 2001 year decreased from three hundred and ninety-
5 seven million, six eighty-eight (397,688,000) to three
6 eighty-two, two sixty-four (382,264).

7 2004 decreased from four thirty-eight,
8 zero zero one (438,001) to four fifteen, four sixty-one
9 (415,461).

10 2003, similarly, decreased from four
11 sixty-seven three seventy-four (467,374) to four twenty-
12 one, nine sixteen (421,916).

13 Same similar reduction in 2004.

14 MR. DON PALMER: That's within the first
15 evaluation to the most recent evaluation for a number of
16 different accident years.

17 I will also remind this Board that we did
18 significant redevelopment of our reserving practices over
19 that time which decreased the case reserves by -- the
20 number \$250 million comes to mind.

21 With that significant change in case-
22 reserving practices that's reflected in these and in --
23 and, really, that's the reason that we increased the
24 provision for adverse deviation, because of that change
25 in reserving practices.

1 MR. RAYMOND OAKES: Mr. Palmer, you've
2 spoken about several changes to the approach used in that
3 IBNR evaluation.

4 For each of those changes by coverage
5 where the Corporation, by way of Undertaking, be able to
6 demonstrate the impact on the level of the IBNR for each
7 of those changes by coverage?

8 MR. DON PALMER: Not before about mid-May
9 of next year.

10 MR. RAYMOND OAKES: I guess we'll wait
11 for next year's GRA then.

12 MR. DON PALMER: What you're asking is a
13 significant Undertaking.

14 MR. RAYMOND OAKES: Appreciate that. Now
15 look at the issue of claims costs for motorcycles. And,
16 so, we're moving then into Tab 5.

17 With reference to TI-20, page 34.7 -- page
18 11 -- 111 of our materials. In simple terms, does this
19 mean that after the various adjustments, that costs are
20 essentially grossed up for each class to bring the total
21 incurreds back into agreement?

22

23 (BRIEF PAUSE)

24

25 MR. DON PALMER: Yes.

1 MR. RAYMOND OAKES: And with respect to
2 .I on -- this reference is page 32. I can ask this a
3 different way. The pedestrian-type losses; are they
4 allocated across all classes except for trailers and off-
5 road vehicles?

6 MR. DON PALMER: Under the allocation
7 methodologies, it was ordered by the Board, yes.

8 MR. RAYMOND OAKES: Okay. And so then
9 when we turn to page 36, as noted at the bottom of the
10 TI-20 materials, where it says "Pools Claims Cost"; that
11 would be the remaining pool claims that the Board's loss
12 transfer decision then defined?

13 MR. DON PALMER: That's correct.

14

15 (BRIEF PAUSE)

16

17 MR. RAYMOND OAKES: Over to the next
18 page, page 114. The five (5) year total cost for
19 motorcycles identified in this table TI-20, section 13,
20 is twenty-nine million, eight hundred and ninety-two
21 thousand, four eighty-nine (29,892,489)?

22 Do you see that, sir, at the bottom of the
23 page?

24

25 (BRIEF PAUSE)

1 MR. DON PALMER: I -- I see that number.
2 I would like to double-check with TI-20 just because the
3 exact exhibit isn't on this. There are a number of
4 exhibits that look very similar, and I just want to
5 confirm that -- that this is what I think it is.

6 MR. RAYMOND OAKES: I appreciate that.
7 Once you've confirmed that, what we would be looking to
8 see is whether that's the sum that's used to calculate
9 the rates for motorcycles.

10

11 (BRIEF PAUSE)

12

13 MR. DON PALMER: No, it's not.

14 MR. RAYMOND OAKES: And is that because
15 of the fact that it doesn't include the average serious
16 losses from the last ten (10) years, and so it would be
17 the following page; the twenty-eight million, six
18 thirteen, two sixty (28,613,260)?

19

20 (BRIEF PAUSE)

21

22 MR. DON PALMER: Yes. The -- after
23 taking out the serious losses that have been incurred in
24 the last five (5) years, and replacing them with an
25 average amount -- averaged over the last ten (10) years,

1 the number becomes the twenty-eight million, six hundred
2 and thirteen thousand, two hundred and sixty
3 (28,613,260).

4 MR. RAYMOND OAKES: And if we refer to
5 the following page; it's page 116 of our materials, it's
6 CMMG-2-16.7, and it's showing that the total serious
7 losses for motorcyclists -- we've indicated the aggregate
8 there, twenty-one million fifty-seven six thirty-three
9 (21,057,633) since 1997.

10 Does that appear to be right to you, sir?

11

12 (BRIEF PAUSE)

13

14 MR. DON PALMER: Subject to check, yes.

15 MR. RAYMOND OAKES: And that would
16 represent about 8 percent of the total costs for
17 motorcycles.

18 Is that something that you'd like to
19 confirm by way of Undertaking?

20 MR. DON PALMER: I'll take that as an
21 Undertaking, sure.

22

23 --- UNDERTAKING NO. 27: MPI to confirm for CMMG that
24 twenty-one million fifty-
25 seven six thirty-three

1 (21,057,633) since 1997, is
2 about 8 percent of the total
3 costs for motorcycles
4

5 CONTINUED BY MR. RAYMOND OAKES:

6 MR. RAYMOND OAKES: And also, similarly,
7 based on that same Interrogatory, it appears there's
8 about \$46 million dollars per year for the other classes.
9 If you could confirm that similarly?

10 MR. DON PALMER: Yeah, just so -- just so
11 I'm clear as to the Undertaking that I took. You want
12 serious losses, the \$2 million dollars as a percent of
13 total motorcycle losses?

14 MR. RAYMOND OAKES: Yes, total claims
15 costs for motorcycles.
16

17 (BRIEF PAUSE)
18

19 MR. DON PALMER: I'm just doing a very
20 quick calculation in my head, and it seems to be somewhat
21 higher than that. And I -- and I would maybe like you to
22 let me know where the 10 percent came from, just so I can
23 verify that?

24 MR. RAYMOND OAKES: Yeah, we've spoken
25 about 8 percent, and I can certainly provide those

1 numbers to you in connection with that Undertaking.

2 MR. DON PALMER: Thank you.

3

4 (BRIEF PAUSE)

5

6 MR. RAYMOND OAKES: And just talking
7 about serious losses and their averaging, I understand
8 that's done to reduce volatility.

9 Is that correct?

10 MR. DON PALMER: That's correct.

11 MR. RAYMOND OAKES: And just relating
12 then to the application of loss transfer imposed by this
13 Board, if the number of single vehicle accidents increase
14 for motorcycles, that means that there will be more costs
15 attributable to the motorcycle class, with consequently
16 higher rates.

17 Does that follow, sir?

18 MR. DON PALMER: Yes.

19 MR. RAYMOND OAKES: And last year, and
20 before that, the CMMG had raised the -- what it deems the
21 inordinant number of single vehicle accidents for
22 motorcycles in Manitoba, relative to other jurisdictions.

23 Do you recall that, sir?

24 MR. DON PALMER: I remember those
25 discussions, and -- and discussing the reasons for that,

1 yes.

2 MR. RAYMOND OAKES: And has the
3 Corporation undertaken any analysis of the differences
4 during -- during the last year, since last GRA?

5 MR. DON PALMER: Not specifically a study
6 to -- to look at the differences of -- between Manitoba
7 and other jurisdictions. We had, as part of our analysis
8 with the PIPP loss allocation methodology, did
9 significant file-by-file review to -- in many cases, a
10 manual review, to check in fact that coding was correct;
11 that they were in fact single vehicle accidents. And in
12 some cases, where there were inconsistencies, then those
13 were fixed.

14 So from that standpoint, we're certainly
15 more confident in -- in the -- the data, and the amount
16 of single vehicle accidents shown as a percentage now,
17 after that file-by-file analysis.

18 MR. RAYMOND OAKES: And that file-by-file
19 analysis, was that done subsequent to Board Order 150/05
20 that you find at page 117 of our materials, which asks --
21 required the Corporation to research the allocation of
22 costs from single vehicle accidents?

23

24

(BRIEF PAUSE)

25

1 MR. DON PALMER: Can I read the Order, as
2 it was contained in 150/05?

3 MR. RAYMOND OAKES: Certainly.

4 MR. DON PALMER: Ordered that:

5 "MPI research the allocation of costs
6 arising out of single vehicle accidents
7 to determine if deemed legitimate
8 claims of causal involvement of
9 unidentified vehicle(s) are divided
10 equally between all vehicles."

11 The calculation that I talked about in
12 terms of -- of really delving into the single vehicle
13 that was first done for the 2007 GRA would have been
14 subsequent to both this Order 150/05 and the originating
15 Order, which I believe was Board Order 97/05.

16 MR. RAYMOND OAKES: So then you would
17 point to that progress being made in a relation to this
18 requirement?

19 Is that the Corporation's position?

20

21 (BRIEF PAUSE)

22

23 MR. DON PALMER: The work that we did, we
24 feel certainly satisfied the spirit of -- of this Order.

25 In terms of how this extends to all

1 vehicles, certainly that's part of the due diligence that
2 we do on an ongoing basis.

3 MR. RAYMOND OAKES: With respect to what
4 the CMMG sees as anomalous data, is it possible that the
5 Corporation's adjusting approach and related systems
6 force the assignment of single vehicle to an accident
7 where the other party is not identified?

8 MR. DON PALMER: We flushed a number of
9 those out with our file-by-file review that I -- that I
10 talked about.

11 So where there is an unidentified vehicle
12 and it's -- would be multi-vehicle if there was truly an
13 unidentified vehicle, if that story could be verified.

14 So I don't think it's a coding issue.

15 MR. RAYMOND OAKES: Has the Corporation
16 examined whether there's any potential claims handling
17 differences compared with other jurisdictions?

18 MR. DON PALMER: Not with regard to this
19 issue.

20 MS. MARILYN MCLAREN: With respect to
21 this issue, Mr. Oakes, what we've talked about in these
22 proceedings other times is a significant difference in
23 claims coverage; that many jurisdictions have no first
24 party accident benefits for motorcyclists.

25 In fact, some of the US jurisdictions are

1 prescribed by law that there should be no -- no first
2 party and no-fault accident benefits for motorcyclists as
3 part of the plans offered.

4 And so, certainly, coverage issues -- if
5 there's no coverage, people don't file claims, people
6 don't necessarily report accidents. There is a very,
7 very broad program of coverage here in Manitoba that,
8 just by its nature, will result in more claims than in
9 other jurisdictions partic -- in single vehicle.

10 If there's another involved -- often in
11 the case of motorcycles, the other party is at fault,
12 those are claims that will come forward anywhere. But
13 with respect to single vehicle accidents, they only come
14 forward where there's coverage and -- and a reason to --
15 to report losses.

16 MR. RAYMOND OAKES: I appreciate your
17 comments, Ms. McLaren, especially relative to US
18 insurers. With respect to the other public insurers in
19 Canada -- SGI, ICBC -- those claims would come forward
20 because there would be coverage for -- in each of those,
21 is that correct?

22 MS. MARILYN MCLAREN: Yes. First party
23 no-fault coverage in both of those jurisdictions.

24 MR. RAYMOND OAKES: With respect to
25 collision with wildlife claims, is it always assumed that

1 the motorist is 100 percent at fault?

2 MR. DON PALMER: That's how they're
3 adjudicated.

4 MR. RAYMOND OAKES: So they would then be
5 coded as single vehicle accidents?

6 MR. DON PALMER: That's correct.

7 MR. RAYMOND OAKES: And if a farmer --

8 MS. MARILYN MCLAREN: Sorry, Mr. Oakes.
9 That's consistent with the Highway Traffic Act. That's
10 not a decision that MPI makes on its own.

11 MR. RAYMOND OAKES: And, similarly, if a
12 farmer allows his livestock to enter the roadway and a
13 motorcyclist hits the livestock, is the motorcyclist
14 considered at fault for your purposes?

15 MR. DON PALMER: That would be considered
16 a single vehicle accident with no other parties, yes.

17 MR. RAYMOND OAKES: So they'd be solely
18 at fault?

19 MR. DON PALMER: Yes. Well, not quite.

20 MS. MARILYN MCLAREN: That's not the same
21 thing, no.

22 MR. DON PALMER: It's -- no. The fault
23 determination is -- is not the same thing. So it's a
24 single vehicle accident with no other parties involved.
25 I'll leave it at that.

1 livestock entering the
2 roadway
3

4 CONTINUED BY MR. RAYMOND OAKES:

5 MR. RAYMOND OAKES: If you could then
6 provide the written guideline to the adjuster in the
7 circumstances of a farmer's livestock entering the
8 roadway.

9 And also confirm whether -- in your
10 example, whether it would have to be adjudicated by the
11 court before there's some reassignment away from that
12 motorist.

13 MS. MARILYN MCLAREN: Well I can answer
14 that part of it right now. It would not require
15 adjudication by the courts. Recovery of costs generally
16 really requires adjudication by the courts. Not always;
17 sometimes we can reach a settlement with the livestock
18 owners insurer where negligence is clear.

19 But in -- if in the Corporation's view,
20 regardless of recovery of costs, the motorist was not
21 responsible -- was not at fault -- we would make that
22 decision and -- and carry forward.

23 MR. RAYMOND OAKES: So you're confirming
24 that in a situation like that, the Corporation would
25 attempt to recover the cost of the accident from the

1 owner of the livestock?

2 MS. MARILYN MCLAREN: That's right.

3 MR. RAYMOND OAKES: In every case?

4 MS. MARILYN MCLAREN: Where there's a
5 cost benefit to do so. Not PIPP costs.

6 MR. RAYMOND OAKES: If a motorcyclist
7 swerves to avoid an accident where another driver crosses
8 their path and that driver is not identified, is that
9 coded as a single vehicle accident?

10 MR. DON PALMER: In the case where that
11 can be verified. Let -- let me take that as an
12 undertaking.

13

14 --- UNDERTAKING NO. 29: MPI to indicate to CMMG that
15 if a motorcyclist swerves to
16 avoid an accident where
17 another driver crosses their
18 path and that driver is not
19 identified if that coded as a
20 single vehicle accident

21

22 CONTINUED BY MR. RAYMOND OAKES:

23 MR. RAYMOND OAKES: And you can also
24 advise then whether in that circumstance, the fault is
25 assigned 100 percent to the motorcyclist if there is no

1 plate of this other unidentified vehicle.

2 MR. DON PALMER: That one I can answer.
3 If there is no plate, then there are rules in place under
4 Board Order 97/05, which we take 50 percent of the costs
5 and allocate to the pool.

6 MR. RAYMOND OAKES: The city of Winnipeg
7 is using their pothole patching machine, and a
8 motorcyclist slides on the residual stones from the
9 patch.

10 Is that considered a single vehicle
11 accident?

12 MR. DON PALMER: Yes.

13 MR. RAYMOND OAKES: And the motorcyclist
14 is assigned 100 percent at fault?

15 MR. DON PALMER: As far as the assignment
16 of fault, I can't comment on that. I would confirm that
17 100 percent of the costs would be allocated to the
18 motorcycle class.

19 MR. RAYMOND OAKES: If I can refer you to
20 page 118 of our materials, which is CMMG1-64.4. From
21 looking at the data provided in a response to that
22 Interrogatory at page 2, the data appears to have changed
23 from the previous two (2) filings.

24 And I'd ask the Corporation, if they agree
25 with that, to indicate the explanation of the changes,

1 particularly for the older years where new claims can't
2 be filed.

3

4

(BRIEF PAUSE)

5

6

7

8

9

MR. DON PALMER: These are ASAT numbers,
so even though new claims likely won't be filed, there
are some changes in circumstances that are discovered; so
that doesn't mean that the data can't change.

10

11

12

MR. RAYMOND OAKES: Well if we look at
page 2, we're talking about changes in 1988, 1999, 2000,
2001.

13

14

Are you saying that that's the explanation
for the changes?

15

16

17

18

19

20

MR. DON PALMER: No.

MR. RAYMOND OAKES: For those years?

MR. DON PALMER: No, for those -- those
particular years, in -- the difference in those two (2)
tables is the PIPP cost allocation review that we did,
and corrections of -- of data in some cases.

21

22

23

24

25

So, for example, the 1996 through 1998
years, which are pre-CARs, that's our claim sys-- our
claim system was introduced in 1999, there was a -- mid
1999, may I add. So certainly the percentage of single
vehicle claims pre the 1999 was different than that in

1 post 1999, as indicated by this table that was part of
2 the 2004 Risk Study.

3 In our -- so that -- that indicates that
4 probably one (1) of those groups -- one (1) in the 20 to
5 30 percent range, one (1) in the -- around 50 percent
6 range, that there's a difference in -- in those.

7 After the extensive analysis that we did
8 to look at the single vehicle claims, that's the results
9 in the table on the top of the page, where certainly
10 there's more consistency in the data from accident year
11 to accident year.

12 So the -- the data in the table at the top
13 would be correct after that extensive analysis that we
14 did.

15 MR. RAYMOND OAKES: Is that the same
16 explanation for page 118 in the examinations of the claim
17 for one thousand (1,000) units indicated there between
18 '07 and the '04 risk study?

19

20 (BRIEF PAUSE)

21

22 MR. DON PALMER: Likely not. That
23 doesn't include pre CARS data, so, although there may be
24 some change, this is in the total claims per thousand
25 (1,000) units, and -- and that does change over time,

1 depending on whether claims were brought forward, whether
2 we talked about claims without costs.

3 We talked about changes in -- in whether
4 claims were brought forward. So that would evolve
5 naturally over time. But I wouldn't say that that reason
6 is exactly the same as that shown on page 119, no.

7 MR. RAYMOND OAKES: Even though we're
8 talking about 2000/2001, you're saying that based on the
9 -- on this examination, even, you know, years later,
10 you're saying that new claims might have been made?

11 MR. DON PALMER: I don't think I said
12 that. I think I said that there was changes in
13 circumstance. But we can -- we'll go back and just
14 verify the differences between these two (2) tables.

15 MR. RAYMOND OAKES: Thank you for that.

16 Moving to the motorcycle rate line
17 adjustments, and Mr. Chairman, I think I can finish that
18 issue, and then after lunch jump into the multi-year rate
19 application issue.

20 Mr. Palmer, with respect to the rate-line
21 adjustment for motorcycles, is the rate line a
22 combination of injury and collision relativities?

23 MR. DON PALMER: No.

24 MR. RAYMOND OAKES: Can you explain that
25 please, sir?

1 MR. DON PALMER: The relativities for the
2 physical damage portion of those claims is calculated and
3 then the assumption is that there is a flat component
4 across rate groups for injuries. So if you're talking
5 about the combination of differentials, the construction
6 of the data is such that the -- an average amount is put
7 in for each rate group.

8 So -- so it includes both injury and
9 collision components, but the differential isn't
10 calculated based on that.

11 MR. RAYMOND OAKES: So it was my error in
12 using the word "relativities"?

13 MR. DON PALMER: Yes. The -- the
14 relativity are developed using actual collision costs and
15 averaged injury costs.

16 MR. RAYMOND OAKES: And I understand in
17 the Corporation's calculations, the PIPP component is
18 flat across all rate groups in respect to the rate line
19 adjustment?

20 MR. DON PALMER: I think that's what I
21 said, yes.

22 MR. RAYMOND OAKES: And does the
23 Corporation have statistical evidence to back that up?

24 MR. DON PALMER: We have actual cost-by-
25 rate group that don't seem to indicate any pattern

1 amongst rate groups.

2 MR. RAYMOND OAKES: So how is that
3 evidence that the PIPP component is flat?

4 MR. DON PALMER: Because there is no
5 relationship, that we can determine, on rate groups. So
6 it's either there is a relationship or there is not.

7 We haven't determined that there's a
8 relationship and, therefore, on that basis, it's added on
9 a -- on flat across-rate groups.

10 MR. RAYMOND OAKES: If I can refer you to
11 Tab 6, CMMG Interrogatory 1-15.5.

12 Is -- is the model that was used filed as
13 part of that Information Request? Is that a descriptive
14 of the model that you have spoke of?

15 MR. DON PALMER: Yes.

16 MR. RAYMOND OAKES: And if the collision
17 relativity changes by root -- rate group, does that
18 result in the rate paid by motorcyclists in different
19 rate groups changing?

20 MR. DON PALMER: Yes.

21 MR. RAYMOND OAKES: And does the
22 collision rate group relativity that results from the
23 combination of two (2) models labelled Part 1 and the
24 other one Part 2?

25

1 (BRIEF PAUSE)

2

3 MR. RAYMOND OAKES: I think the
4 Corporation's model is that Part 1 is used for rate
5 groups zero to 4?

6 MR. DON PALMER: There are two (2)
7 different lines, yes.

8 MR. RAYMOND OAKES: And would that be
9 correct that the part 1 is used for rate groups zero to
10 four (4)?

11 MR. DON PALMER: That's correct.

12 MR. RAYMOND OAKES: And in the analysis
13 of that model, was the relativity considered in loga --
14 logarithm -- logarithmic form?

15 MR. DON PALMER: Yes.

16 MR. RAYMOND OAKES: And then that's
17 converted to a non-logarithmic form?

18 MR. DON PALMER: Yes.

19 MR. RAYMOND OAKES: And that's done by
20 taking the ex -- exponent of the number?

21 MR. DON PALMER: That's correct.

22 MR. RAYMOND OAKES: I think maybe you can
23 confirm, as becoming an actuary, you also get a course on
24 how to pronounce some of these words.

25 And so I understand a simple linear model

1 is used then?

2 MR. DON PALMER: No. You just said a
3 logarithmic model was used, which is the -- in fact, a
4 logarithm -- when you take a logarithm of a number and
5 fit a straight line to it, that's in fact an exponential
6 fitting.

7 MR. RAYMOND OAKES: And then referring to
8 the next page, more the next attachment after 115.5, the
9 -- and we've headed that AH at page 126 -- it applies
10 the models used as a graph with the description
11 relativities used to represent the relativities proposed
12 by MPI?

13 MR. DON PALMER: Yes.

14 MR. RAYMOND OAKES: And is it acceptable
15 for the relativities to swing up and then flatten off
16 before continuing upwards?

17 MR. DON PALMER: Sure. In fact, if
18 you'll look at our -- at our rate line for private
19 passenger vehicles, there is a flattening in that
20 particular rate line.

21 So, yes, that's -- there's nothing magic
22 or incorrect about that particular fit.

23 MR. RAYMOND OAKES: But the Corporation
24 would prefer a smoother transition across the rate
25 groups?

1 MR. DON PALMER: No.

2 MR. RAYMOND OAKES: How is credibility
3 used in developing the rate group relativities?

4 MR. DON PALMER: The collision costs are
5 deemed to be 100 percent credible, and with the flat
6 allocation of injury costs, which are 80 percent of the
7 costs, they're zero percent credible.

8 MR. RAYMOND OAKES: Is the identical
9 formula used including the credibility constant for the
10 calculation of rate group relativities for motorcycles as
11 for passenger vehicles and light trucks?

12

13 (BRIEF PAUSE)

14

15 MR. DON PALMER: No. The credibility
16 weighting is -- is a weighting between an observed value
17 and some other value. So, in terms of credibility
18 weighting, you have to have an alternate value and we
19 don't have that from -- for motorcycles.

20 So, no, the -- out of necessity, the
21 calculations are different.

22 MR. RAYMOND OAKES: If the same formula
23 was used, what would be the impact on motorcycle rates?

24 MR. DON PALMER: If the same -- well, we
25 couldn't use the same formula because of the lack of the

1 complement data.

2 If there was something available, the
3 effect would be minimal just because you're talking about
4 20 percent of the cost on the collision part.

5 So, my evidence would be that there would
6 be little or no effect.

7 MR. RAYMOND OAKES: Mr. Chairman, I
8 realize that these questions of actuarial science create
9 a hunger and a thirst for kno -- for further knowledge,
10 but if it's more of a temporal kind of hunger and thirst,
11 perhaps the Board would like to step down. Otherwise,
12 I'm prepared to jump into the multi-year Rate Application
13 material.

14 THE CHAIRPERSON: Thank you, Mr. Oakes.
15 Before you do, just a couple of ones to keep catching up
16 here. Mr. Palmer, would you mind reminding the Board as
17 to the nature of the actions taken by MPI in '05/'06,
18 with respect to case reserving practices that led to, I
19 think you said, \$250 million dollars of case reserves
20 being brought down, and the PFAD margin being increased
21 by -- from 12 1/2 percent to 15?

22 MR. DON PALMER: We -- at that point in
23 time, we changed our mortality assumptions in our long
24 term cases. We had been using an old mortality table.
25 We have since updated that, using at that time the -- the

1 available data from -- that we had from PIPP.

2 So there was a difference. And we found
3 that the -- the mortality assumptions were -- were
4 different, and that's what brought down the reserve
5 levels.

6 THE CHAIRPERSON: So I'm just assuming
7 that the change in the mortality tables would reduce the
8 expected life expectancy?

9 MR. DON PALMER: That's correct, and
10 hence, decrease the case reserves.

11 THE CHAIRPERSON: Perhaps you could just
12 explain to us lay people, why would that force the PFAD
13 margin to go up, if the new mortality tables were
14 acceptable to the industry?

15 MR. DON PALMER: First of all, they're
16 not acceptable to the industry, per se. These are --
17 these are MPI developed tables, based on MPI experience.

18 We are estimating the reserves for life
19 expectancy, which for injured parties can be upwards of
20 sixty (60) years. We are basing that on twelve (12)
21 years of experience. So, there is certainly some risk
22 that the last forty-eight (48) years could develop in --
23 into some unexpected trends within -- within our
24 assumptions.

25 So even though we have taken that -- that

1 new mortality table, and the standards do say, if there
2 are changes in reserving and reserving practices, then
3 that's a consideration in the PFAD.

4 Since we did that, the standards basically
5 compelled us to increase our PFAD margin.

6 THE CHAIRPERSON: The mortality tables
7 that you had been using, these were tables presumably
8 that you'd been using way back to 1994, if not before?

9 MR. DON PALMER: That's correct.

10 THE CHAIRPERSON: The tables that you
11 adopted, are the ones that are used by other no fault
12 jurisdictions? Or are they proprietary tables, so to
13 speak?

14 MR. DON PALMER: We have compared our
15 mortality to Quebec, and it's different. I don't know
16 that I can explain exactly why. But there are certainly
17 differences. So it was on the basis of -- of our testing
18 of our own data that we adopted new tables.

19 THE CHAIRPERSON: The consulting actuary
20 wouldn't have tables for people in those conditions?

21

22 (BRIEF PAUSE)

23

24 MR. DON PALMER: Disabled mortality
25 tables are really different -- differ, depending on type

1 of injury. There has been some work on workers comp for
2 instance, but the nature of those injuries are
3 fundamentally different than automobile injuries.

4 The tables that we have adopted were done
5 in consultation with our consulting actuary.

6 THE CHAIRPERSON: Just again to remind
7 us, what is the 2 1/2 percent increase in the PFAD margin
8 mean in dollars added to unpaid claims? Approximately.

9

10 (BRIEF PAUSE)

11

12 THE CHAIRPERSON: You could take it as an
13 undertaking if you want it.

14

15 (BRIEF PAUSE)

16

17 MR. DON PALMER: It would be in rou --
18 very round numbers, about 25 million.

19 THE CHAIRPERSON: So I imagine since the
20 changes were just made in '05/'06, you haven't got enough
21 experience right now to alter the margin that you've
22 selected?

23 MR. DON PALMER: No. And if I may be so
24 bold as to correct the Chairman, the PFAD margins are --
25 are not selected by the Corporation. They are selected

1 by the consult --

2 THE CHAIRPERSON: I stand corrected. I
3 understand.

4 MR. DON PALMER: -- actuary. Thank you.

5 THE CHAIRPERSON: Just out of curiosity,
6 what's the lowest PFAD margins is acceptable under the
7 Code of Practice?

8 MR. DON PALMER: 5 percent.

9 THE CHAIRPERSON: What kind of conditions
10 would argue for a level of that nature?

11 MR. DON PALMER: Collision reserves where
12 there is virtually no variability.

13 THE CHAIRPERSON: More certainty?

14 MR. DON PALMER: Absolutely.

15 THE CHAIRPERSON: Okay. We'll have our
16 lunch break now, and we'll come back at -- is 1:00
17 acceptable to you? 1:00 it is.

18

19 --- Upon recessing at 11:50 a.m.

20 --- Upon resuming at 1:13 p.m.

21

22 THE CHAIRPERSON: Mr. McCulloch...?

23 MR. KEVIN MCCULLOCH: Yes, Mr. Chairman.

24 Another undertaking to provide a written response to, and
25 this has to do with the number of immobilized vehicles

1 leaving the fleet due to attrition for years 2009/'10
2 through to 2011/'12. And I would ask that that be filed
3 as MPI Exhibit Number 22.

4 THE CHAIRPERSON: Thank you, sir.

5
6 --- EXHIBIT NO. MPI-22: Written response as to the
7 number of immobilized
8 vehicles leaving the fleet
9 due to attrition for years
10 2009/'10 through to 2011/'12
11

12 THE CHAIRPERSON: Before going back to
13 Mr. Oakes, if you would not mind, Mr. Palmer, just a
14 follow-up on something that we were talking about before.

15 We greatly appreciated your responses to
16 the Board's inquiry as to the origins to the case reserve
17 reductions, '05/'06, and the increase in the PFAD margin
18 and that was quite helpful.

19 We are at a bit of a disadvantage in the
20 absence of our actuarially advisor, we'd further
21 appreciate your providing a high-level explanation in
22 layperson's words as to why a reduction in case reserves
23 of 250 million, offset by an increase in PFAD margin of
24 25 million would not have resulted in a very large net
25 income for '05/'06, much larger than was reported?

1 I am sure there is a simple explanation.

2 MR. DON PALMER: Most of the decrease in
3 case reserves was, in fact, offset by an increase in
4 IBNR.

5 THE CHAIRPERSON: We speculated that that
6 was it.

7 The increase in IBNR would be a totally
8 separate factor, thought, would it not?

9 MR. DON PALMER: No. In -- in every case
10 our review of claims liabilities is an estimate of the
11 ultimate claims. We look -- looked at that and the --
12 we, in fact, were carrying a very large negative IBNR,
13 prior to this adjustment. So -- so the decrease in the
14 case IBNR -- or case reserves basically brought the IBNR
15 from a large negative number into something slightly
16 positive.

17 THE CHAIRPERSON: And it was negative
18 because of financial provisions?

19 MR. DON PALMER: It was negative because
20 we had recognized that our case reserves were likely too
21 high in the early years. So -- so it was a dir --
22 basically a direct shifting of dollars from -- in -- in a
23 sense from case reserve to IBNR, but the IBNR was -- was
24 a large negative number. So our -- our projection of the
25 ultimate claims for all those old accident years didn't

1 change.

2 THE CHAIRPERSON: Okay, thank you, Mr.
3 Palmer.

4 Okay, Mr. Oakes.

5 MR. BARRY GALENZOSKI: Before Mr. Oakes
6 does, I wonder if I could just respond to a -- a question
7 that the Chair put to the panel, and that's regarding the
8 rationale for charging the cost of immobilizers to Basic
9 in 2005/'06. The rationale was that extension SR -- in
10 SRE were, at that time, transferring all excess retained
11 earnings to Basic.

12 Approximately \$72 million was transferred
13 from the extension lines of business to Basic up to
14 2005/'06. PUB/MPI-1-48(a), Attachment 2, indicates
15 expected extension claims reductions attributed to the
16 Immobilizer Program at \$21 million to 2013/'14.

17 THE CHAIRPERSON: So that means you are
18 going to start allocating to extension?

19 MR. BARRY GALENZOSKI: No, what that
20 means is that -- that because of -- of transfers that
21 have already occurred that basically that -- that whole
22 Immobilizer Fund was established from monies that was --
23 that was transferred over from the extension lines of
24 business, and therefore we felt that it was appropriate
25 to have the costs associated with that -- which are

1 offset through the Immobilizer Incentive Program, flow
2 through the Basic line of business.

3 THE CHAIRPERSON: Okay, we will reflect
4 on that. Thank you, Mr. Galenzoski, thanks for jumping
5 in there.

6 Okay, Mr. Oakes.

7 MR. DON PALMER: Mr. Chairman, I also
8 have a couple of extra responses from -- one (1) -- one
9 (1) from this morning and I'm not sure when -- the other
10 one came from.

11 One (1) was from, Mr. Oakes: asked the
12 cost of the -- producing the Basic Dynamic Capital
13 Adequacy Test Report, also know as DCAT.

14 The Basic DCAT Report from Ernst & Young
15 is at a cost of forty thousand dollars (\$40,000). The
16 other question that I'm not quite sure who or when, was
17 relaying to our most recent MCT score. And as at the
18 28th of February, 2007 our MCT score was 83 percent.

19 THE CHAIRPERSON: And what was it at
20 28/02/06 because the question that I raised was actually
21 the difference or the trend?

22 MR. DON PALMER: It was 74 percent.

23 THE CHAIRPERSON: Thank you, sir.

24 Finally, Mr. Oakes, we're back to you.

25 MR. DON PALMER: I'm sor -- I'm sorry.

1 THE CHAIRPERSON: We are not.

2 MR. DON PALMER: Okay, I'm going to
3 besmirch my back row again. I think one (1) of them
4 needs his bifocals checked. In fact, it's 94 percent,
5 not 74 percent for 2006.

6 THE CHAIRPERSON: So it's deteriorated,
7 not improved?

8 MR. DON PALMER: That'S correct.

9 THE CHAIRPERSON: Is there anything else
10 from the MPI Panel? No.

11 Okay, Mr. Oakes.

12

13 CONTINUED BY MR. RAYMOND OAKES:

14 MR. RAYMOND OAKES: Hearing no objection.
15 Mr. Chairman, we're at Tab 7 of the CMMG materials. The
16 issue is multi-year rate applications. The question for
17 the Corporation: For cars and trucks how many insurance
18 uses does MPI have for basic coverage?

19 MR. DON PALMER: I don't know off the top
20 of my head. We can go into TI-20 and count them.

21 MR. RAYMOND OAKES: Would there be
22 roughly fifteen (15) or more?

23 MR. DON PALMER: That's -- for passenger
24 cars and light trucks?

25 MR. RAYMOND OAKES: Yes.

1 MR. DON PALMER: That's probably --
2 that's probably close.

3 MR. RAYMOND OAKES: And I understand
4 there's five (5) territories.

5 MR. DON PALMER: That's correct.

6 MR. RAYMOND OAKES: And for cars and
7 trucks there would be thirty-two (32) rate groups?

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

9 MR. RAYMOND OAKES: And there's five (5)
10 discount levels?

11 MR. DON PALMER: In fact six (6) if you
12 say that zero discount is a level.

13 MR. RAYMOND OAKES: Similarly, for
14 motorcycles there would be ten (10) declared value
15 ranges?

16 MR. DON PALMER: Designated by rate group
17 zero to nine (9), yes.

18 MR. RAYMOND OAKES: And there would be
19 three (3) engine displacement ranges?

20 MR. DON PALMER: Yes.

21 MR. RAYMOND OAKES: Twelve (12) insurance
22 uses?

23

24

(BRIEF PAUSE)

25

1 MR. DON PALMER: We're having a little
2 difficulty with that twelve (12) insurance uses. There
3 are pleasure and all-purpose. We talk about four (4)
4 different body styles which, in essence, are -- are
5 treated like a -- an insurance use for differential
6 purposes, but I -- I'm struggling to see where twelve
7 (12) insurance uses would come from.

8 MR. RAYMOND OAKES: Both the five (5)
9 discount levels, the five (5) territories apply?

10 MR. DON PALMER: Six (6) discount levels
11 and five (5) territories, yes.

12 MR. RAYMOND OAKES: Thank you. I'm
13 referring to the percentage distribution all
14 classification and rate adjustments contained at page
15 127, the first page in Tab 7, and I'd ask the Corporation
16 to confirm that approximately 70 percent of motorcycles
17 receive increases of more than 10 percent for the
18 intended year of application.

19 MR. DON PALMER: That's for the major
20 class of -- of motorcycles which does include mopeds.

21 MR. RAYMOND OAKES: Right. And similarly
22 about 80 percent of those receive increases of more than
23 3 percent.

24 Is that correct?

25 MR. DON PALMER: That's correct.

1 MR. RAYMOND OAKES: And very few
2 motorcyclists will receive a rate decrease.

3 Would you agree with that?

4 MR. DON PALMER: Twenty-six (26) would be
5 very few, yes.

6 MR. RAYMOND OAKES: And that's typically
7 reflective of the pattern that we've seen for motorcycles
8 in the last decade.

9 MR. DON PALMER: Because of insufficient
10 rates and poor experience, yes.

11 MR. RAYMOND OAKES: And page 3 talks
12 about the private passenger class and it indicates that
13 about a hundred seventy-two thousand (172,000) vehicles
14 receive a rate increase of more than 3 percent. And
15 that'd be contained at the next page which is 128.

16 MR. DON PALMER: Subject to check, that
17 looks about right, yes.

18 MR. RAYMOND OAKES: And about the same
19 number, about a hundred and seventy-four thousand
20 (174,000) would receive a rate decrease of more than 3
21 percent?

22 MR. DON PALMER: Again, subject to check,
23 but in the interest of time, yes, I would accept that.

24

25

(BRIEF PAUSE)

1 MR. RAYMOND OAKES: With respect to the
2 multi-year approach, I'm struggling to understand, is
3 MPI's suggestion that this Board would provide an
4 approval if the rate change is between 1 and 3 percent?

5 MR. DON PALMER: Our proposal was if the
6 actuarial indicator was between 1 and 3 percent. We
7 would come up with an overall rate file that would equal
8 the actuarial indicator. That actuarial indicator, based
9 on all the procedures and -- and provisions that have
10 been approved in -- in past years from the Public
11 Utilities Board.

12 So, the -- the proposal being that an
13 indicator and hence an overall rate change between 1 and
14 3 percent, positive or negative, would no require a
15 hearing.

16 MR. RAYMOND OAKES: So there would be no
17 hearing and no request for an approval of the rate.

18 Is that correct?

19 MR. DON PALMER: No. PUB has to approve
20 all rates, so there still would be an approval process,
21 if the indicator was between 1 and 3 percent, yes. As
22 there would be an approval if there was zero percent.

23 MR. RAYMOND OAKES: And so what type of
24 scrutiny would the Board be expected to apply to give
25 that approval?

1 MR. DON PALMER: In both conversations
2 that I had with Mr. Saranchuk and Mr. Williams, there is
3 a very extensive list of documents that will be provided
4 -- provided to the Board and interested parties, and I
5 had committed to also post those on our website.

6 MS. MARILYN MCLAREN: And in a question
7 from the PUB, I believe it was in the first round,
8 whether or not the Corporation anticipated the PUB would
9 call on its advisors to scrutinize the filed material.
10 The Corporation responded, yes, but clearly that would be
11 the PUB's call.

12 MR. RAYMOND OAKES: One of the other
13 matters raised in both the cross-examination last week
14 and in CAC/MSOS-2-25 which is found at page 154 of the
15 CMMG materials, the Corporation suggested that the way
16 the public could have input during those interim years in
17 the multi-year process would be via the public
18 information sessions held by the Corporation on a regular
19 basis.

20 Can the Corporation confirm that?

21 MR. DON PALMER: That's one (1) of the
22 avenues that any -- any member of the public can -- can
23 ask questions about any aspect of the Corporation.

24 MR. RAYMOND OAKES: What -- what's the
25 average attendance at the meetings the Corporation holds?

1 MS. MARILYN MCLAREN: The numbers are
2 relatively small, but -- but significantly larger than
3 the number of every day citizens who come to present at
4 these hearings. Often in the Winnipeg session there
5 would be two (2) or three (3) dozen people who are very
6 interested in the specific issues with respect to the
7 Corporation; much smaller attendance outside of Winnipeg.

8 MR. RAYMOND OAKES: And what would the
9 typical topics that the public bring forward to those
10 meetings?

11 MS. MARILYN MCLAREN: As here sometimes
12 claims concerns; rating concerns; people have road safety
13 ideas; people have ideas as to how theft should be
14 addressed in Winnipeg. The -- the whole gamut of the
15 kinds of conversations that we have here. A broad range
16 of topics that most people address in a public forum;
17 probably rating would be only second to specific claims
18 related concerns.

19 MR. RAYMOND OAKES: Well, Ms. McLaren,
20 you've testified that the whole gamut of concerns as
21 raised here, to the knowledge of anyone present from MPI
22 has the public at these information sessions brought up
23 issues such as lost development factors, PFADs, trending,
24 motorcycle rate relativities, or any of those other
25 matters?

1 MS. MARILYN MCLAREN: No. And if we were
2 still in the early stages of the development and
3 evolution of the rate making methodology and forecasting
4 processes, the Corporation wouldn't have seen it to be
5 appropriate to propose a multi-year approach.

6 All of the things that you just mentioned
7 have been long established by the Corporation, approved
8 by this Board, and consistently applied by the
9 Corporation in its -- in its rate making processes, and
10 consistently approved by this Board over the last many
11 years.

12 MR. RAYMOND OAKES: And you'll agree with
13 me, as evidenced by the recent questions of the Chairman
14 about the PFAD, though there's still a great volume of
15 material that's pertinent to these rate hearings each
16 year?

17 MS. MARILYN MCLAREN: There's always
18 questions that can be asked for sure.

19 MR. RAYMOND OAKES: And does the
20 Corporation provide funding to groups for expert advice
21 relative to your information sessions?

22 MS. MARILYN MCLAREN: You're talking
23 about the public review meetings?

24 MR. RAYMOND OAKES: Yes.

25 MS. MARILYN MCLAREN: No.

1 MR. RAYMOND OAKES: And are the
2 Corporation's staff sworn as witnesses during those
3 meetings?

4 MS. MARILYN MCLAREN: The public
5 information meetings, no.

6 MR. RAYMOND OAKES: Ms. McLaren, suppose
7 the rate increases between 1 percent and minus 1 percent
8 that the Corporation's seeking, and the Corporation has
9 made extensive changes to the PFAD and other corporate
10 financial reserves within the limits of the professional
11 judgment of actuaries and accountants that result in
12 greater stability outside of retained earnings, in that
13 proposed process the Corporation would still be not
14 seeking a rate application, given that the rate increase
15 is between plus 1 percent and minus 1 percent?

16 MR. DON PALMER: I would really have
17 difficulty believing that there would be very large
18 changes in any of those things, and not cause large
19 fluctuations. When we do make a change, it is in
20 accordance with all actuarial standards, and if there's a
21 change necessitated, it goes through our financial
22 statements.

23 To -- to point and say whether large
24 offsetting changes could happen; I'm pretty hard pressed
25 as to: Is it possible? Maybe. But for specific

1 examples, as I say, they're all -- all of the work done
2 based on standards of practice. So, I -- I don't know if
3 I can agree or disagree with that statement because I
4 can't think of a scenario which would apply.

5 MR. RAYMOND OAKES: Mr. Palmer, in our
6 materials between about pages 133 and 155, there's a
7 number of Board Orders that are found there or summarized
8 there. There's Order 2000/02, there's 148/04, there's
9 156/06.

10 Would you agree with me that it's common,
11 as exemplified by those Orders, that there would be a
12 number of recommendations, some of which result to
13 motorcycles?

14

15 (BRIEF PAUSE)

16

17 MR. DON PALMER: Are you specifically
18 talking about the bolded statements that are on those two
19 (2) charts?

20 MR. RAYMOND OAKES: Well, we can do that,
21 or I can take you chapter and verse through the three (3)
22 different Orders. But my question was a general one,
23 seeking to avoid some of that level of detail.

24 Are you familiar with the -- well, you
25 would be familiar with those Board Orders, I believe?

1 MR. DON PALMER: Absolutely. And in some
2 of those Orders that talks about some of the substantive
3 changes that have been made over the last couple of
4 years, such as the PIPP Cost Allocation coming from the
5 Loss Transfer Hearing.

6 We had talked about that for a number of
7 years. We have put it to rest. And it is issues like
8 that -- the -- the update of the risk analysis, which we
9 did -- we talked about at length last year -- that issue
10 was put to rest. There are a number of other issues that
11 -- introduction of a pleasure class for motorcycles --
12 that we put to rest.

13 So there are many issues that have come up
14 in those five (5) Board Orders that have been dealt with;
15 don't exist anymore. So, to -- to go on that it happened
16 in the past, so it can happen again. If that's where
17 you're going, those issues have been dealt with and --
18 and don't exist any longer.

19 So to say that there have been Orders that
20 we have complied with, absolutely.

21 MR. RAYMOND OAKES: And you'll agree with
22 me that in previous Board Orders the Board is limited,
23 the rate increase sought by the Corporation for
24 motorcycles?
25

1 (BRIEF PAUSE)

2

3 MR. DON PALMER: In the last two (2) Rate
4 Applications, there was limitations for motorcycles;
5 specifically had to do with the -- the results of the
6 last transfer Hearing. I believe two (2) years ago, we
7 had not yet completed the -- the PIPP cost allocation, so
8 there was an allowance put in for the rates, according to
9 the Board Order, to allow for that.

10 We are now finished the PIPP cost
11 allocation and all our rate calculations in last year's
12 Rate Application, in this year's Rate Application, and in
13 all further Rate Applications, until there is some other
14 change ordered by the Board, comply with that.

15 In last year's Board Order there was a
16 decrease, again, related to cost allocation. We have
17 amended our methodology to comply with that and, it's our
18 plan to continue with that -- with that methodology. So,
19 again, limitations over the last few years on motorcycle
20 rates were specifically regarding the cost allocation
21 methodologies, and we have dealt with both of those.

22 MR. RAYMOND OAKES: So, Mr. Palmer, I
23 want to understand your position. Are you ruling out the
24 possibility that this Board will decrease the rate, say,
25 in the immediate future, the next several years from that

1 applied from the Corporation? Are you ruling out that
2 possibility?

3 MR. DON PALMER: No. But I will say that
4 the Board had been very consistent in their acceptance of
5 our methodologies regarding rate setting, regarding the
6 minimum bias calculations, regarding rate groups,
7 regarding the rate line -- any number of those things
8 which -- which affect the -- that can affect the rates.

9 So, by applying con -- consistently, all
10 of those rules which we have talked about for many years,
11 and -- and with some -- at some length, there has never
12 been any question regarding the veracity of those
13 calculations and those methodologies.

14 When something special comes up, like the
15 change in the allocation, the PUB has made adjustments
16 for that. And we have incorporated those into our rate-
17 making methodology and will continue. But as far as
18 other ad hoc changes, I can't remember that the Board has
19 ever ordered us to deviate from our -- any of our
20 methodologies, just because.

21 They have very sound reasoning in -- in
22 terms of -- of their Orders, and -- and it's not, you
23 know, picking numbers out of the air that I -- that I can
24 see.

25 MR. RAYMOND OAKES: I don't think anyone

1 suggested that strawman. You would agree with me though
2 that one (1) of the matters that the Board has
3 recommended is a change in the assignment of fault
4 relative to collision that the Corporation has still yet
5 to do?

6 MR. DON PALMER: No, there has never been
7 an Order regarding assignment of fault of any claims.

8 MR. RAYMOND OAKES: How about the
9 inclusion of the -- what we call -- called "loss
10 transfer"; that methodology with respect to the collision
11 costs?

12 MR. DON PALMER: There has never been an
13 Order from the Board to extend the PIPP cost allocation
14 to collision. In Board Order 97/05, which was the Order
15 on loss transfer, they had ordered us to invest --
16 investigate the feasibility of extending the PIPP
17 allocation methodology to collision claims.

18 In last year's Board Order, they -- and it
19 wasn't an Order, it was -- there was a sentence contained
20 within -- in the Order, not in the orders or -- or in the
21 recommendations, suggesting that there was some favour in
22 possibly extending the methodology. And, in their Order,
23 they -- there was a decrease in the motorcycle rate
24 applied for.

25 We -- the extension -- the full extension

1 of the allocation methodology really isn't feasible in
2 any sort of cost benefit way. And we have taken the
3 approach, from the Board, to do that allocation in a more
4 -- from a more global perspective, and adopted that --
5 and incorporated that into our methodology. But there
6 has never been an Order to actually order us to do the
7 cost allocation for collision.

8 MR. RAYMOND OAKES: I understand the
9 distinction you're making. Mr. Palmer, on a different
10 tack, this year the rate requirement, evidenced by the
11 financial forecast method, was shown to be 16.5 percent.

12 The Corporation applied for 9.6 percent.
13 What can you tell us to give the motorcyclists any
14 comfort that in years where there isn't a public review
15 and not a Public Utility Board Hearing in the full sense,
16 that the Corporation would apply for something less than
17 their financial forecast?

18 MR. DON PALMER: Again, the rules that we
19 have adopted include capping methodologies, both from a
20 experience adjustment, being plus or minus fifteen (15);
21 also from the overall requirement that no individual
22 vehicle can go up by more than 20 percent.

23 It is through those two (2) caps that the
24 16.7 percent is adjusted downwards to the nine point
25 seven (9.7). I think that was your number. We would

1 continue to apply those rules that have been approved and
2 endorsed by the Public Utilities Board.

3 MR. RAYMOND OAKES: The current
4 application says with respect to the 2009/'10 and
5 2010/'11 methodologies that the average rates are
6 expected to decrease in those years.

7 Can you confirm that?

8 MR. DON PALMER: Could we get a
9 reference, please?

10 MR. RAYMOND OAKES: I don't happen to
11 have that. From your knowledge of the Corporation's
12 forecast for '09 and 2010, are you expecting the rates to
13 decrease in those years?

14 MR. DON PALMER: In the financial
15 forecasts for those years, which actually extend because
16 of the staggered way that rates take effect and work
17 through our financial statements, we have seen very, very
18 minimal bottom lines in the outlook period.

19 That would indicate to me that the rate
20 indications would be marginally negative. Something --
21 this year, I believe, the indicator was -- was negative
22 .24 percent. We probably would see indicators in that
23 general vicinity for the outlook period if all else being
24 equal. And so I -- I would not foresee any rate changes
25 over the -- overall average rate changes over the outlook

1 period. Just, I'm just going to confirm a couple of
2 numbers for a second. Just a minute.

3

4

(BRIEF PAUSE)

5

6 MR. DON PALMER: In our financial outlook
7 contained in TI-16, there were no rate changes -- overall
8 average rate changes contemplated for the three (3) years
9 that would be covered in this -- in our three (3) year,
10 multi-year approach.

11 We did include out in 2011/12 was the
12 inclusion of a 2 percent rate decrease, but that falls
13 outside the three (3) years that we are talking about.

14 MR. RAYMOND OAKES: Thank you for that,
15 Mr. Palmer. While the crystal ball is still warmed up,
16 can you tell me what the change in motorcycle rates will
17 be for the -- each of those years?

18 MR. DON PALMER: Given that we are still
19 not breaking even on motorcycle rates; we have had in the
20 past year among the worst motorcycle experience that the
21 Corporation has ever experienced with credibility
22 considerations dampening the effect. But us still not
23 achieving actuarially-sound rates on motorcycles, I would
24 foresee rate increases over the next -- in all three (3)
25 years of the -- the Application period.

1 MR. RAYMOND OAKES: Mr. Chairman, I had
2 two (2) pages of questions on multi-year applications as
3 used for Hydro and MTS, but I've satisfied myself that
4 Mr. Saranchuk and Mr. Williams had adequately canvassed
5 those areas. Similarly, with respect to operating costs,
6 in the interests of time, I think that there will only be
7 a few questions relative to that.

8 THE CHAIRPERSON: Very good, Mr. Oakes.

9

10 CONTINUED BY MR. RAYMOND OAKES:

11 MR. RAYMOND OAKES: And that takes us now
12 to Tab 8 of CMMG materials, and our question CMMG-1-28.1
13 asked to provide the staffing levels with the three (3)
14 departments removed.

15 Would you confirm that the total staff of
16 the Corporation was expected to increase from March 1st,
17 2003 to March 1st, 2008, in the order of two hundred and
18 fourteen (214)?

19

20 (BRIEF PAUSE)

21

22 MR. OTTMAR KRAMER: That number is
23 correct. As we had indicated previously during this
24 hearing, the numbers are not totally comparable because
25 they do include a DVL component in the latter years,

1 because all we've removed are the direct DVL employees;
2 the 100 percent direct employees.

3 As DVL is folded into the MPI operations,
4 there are partial people that are allocated to DVL
5 extension or SRE that have not been removed from these
6 numbers. So the -- that increase is skewed by -- by that
7 factor.

8 MR. RAYMOND OAKES: Are you able to
9 indicate, Mr. Kramer, how many of those additional staff
10 would be related to the requirements of the PUB
11 Regulatory Process?

12

13 (BRIEF PAUSE)

14

15 MR. OTTMAR KRAMER: I think -- as filed
16 under a previous IR, I think we -- we've indicated that
17 the -- the decrease would be two point five (2.5) people.

18

19 (BRIEF PAUSE)

20

21 MR. RAYMOND OAKES: And just by way of
22 summary, you'll agree with me that claims expenses have
23 risen more in Manitoba than in SGI or ICBC?

24 MR. BARRY GALENZOSKI: I don't think we'd
25 agree without seeing a reference on that. If you're

1 talking about the trend analysis, which you're probably
2 pointing towards, that just shows from a relative point
3 in time they've grown, but it doesn't show what the
4 relative values were because it assumes everybody was at
5 the same value at 100 percent back in 1998 when those
6 were first done.

7 MR. RAYMOND OAKES: Thank you, Mr.
8 Galenzoski. I remember your qualification of that
9 previously. With reference to CMMG-1-25 which is
10 contained at page 197 of this CMMG materials, I believe
11 the conclusion that can be drawn from that is that claims
12 expenses have risen by 59.3 percent since 2001.

13

14 (BRIEF PAUSE)

15

16 MR. BARRY GALENZOSKI: That would be
17 shown on -- on page 200, and that shows the fifty-nine
18 point three (59.3) for MPI from 2001, yes, when you look
19 at nineteen (19) -- 2001 being at a hundred (100).

20 MR. RAYMOND OAKES: And would you agree
21 with me that that's about a quarter more than SGI or
22 ICBC?

23 MR. BARRY GALENZOSKI: No, we wouldn't
24 agree because the -- again, you have to look at what the
25 relative was starting at the hundred (100) and, you know,

1 there's a huge difference when you look at those numbers.

2

3 (BRIEF PAUSE)

4

5 MR. RAYMOND OAKES: At page 249 there's a
6 -- there's CMMG-1-26.8, and it talks about special
7 services, PIPP. Can you advise what that would consist
8 of?

9

10 (BRIEF PAUSE)

11

12 MR. OTTMAR KRAMER: I believe we
13 previously discussed this. That would be for the PIPP
14 infrastructure studies; those were the expenses that have
15 been incurred to date and forecast for this year.

16 MR. RAYMOND OAKES: And with respect to
17 the sponsorship items at page 253 in relation to PUB/MPI-
18 1-29, is there a cost benefit analysis of proposed
19 sponsorship that's done by the Corporation?

20 MR. DON PALMER: Not specifically for
21 each and every program. And we have talked extensively,
22 over the last week, some of the criteria regarding
23 sponsorship, with the -- the primary one (1) being
24 something that effects our core business. And then there
25 are also other sponsorships more related to our Corporate

1 citizenship and the fa -- the fabric of Manitoba, so to
2 speak.

3 And those are the criteria in which we
4 make decisions regarding sponsorships.

5 MR. RAYMOND OAKES: There's no formula
6 for a calculation of benefits; it's a judgment call? Is
7 that what it is?

8 MR. DON PALMER: The -- the approval
9 process for sponsorships; anything over five thousand
10 dollars (\$5,000) would be approved by our Board of
11 Directors. To say that there -- if there's a cost
12 benefit formula, no.

13 MR. RAYMOND OAKES: Mr. Chairman, that --
14 the area of operating costs, again, was examined quite
15 comprehensively by others. Moving to Tab 9, which is
16 sport bikes and the application SM4 at page 2, describes
17 for sport bikes, the horsepower to rate -- to weight
18 ratio concept.

19 How is that applied? Is it that any --
20 every motorcycle that has greater than a point three five
21 (.35) relativity is determined to be a sport bike?

22

23

(BRIEF PAUSE)

24

25

MR. DON PALMER: No. The Insurance

1 Bureau of Canada does have classifications of sport bikes
2 that we use. It was only on the older models that we
3 applied this horsepower-to-weight ratio calculations.

4 For newer bikes we defer to the
5 classifications from Insurance Bureau of Canada.

6 MR. RAYMOND OAKES: And with respect to
7 the differential the Corporation applies, what
8 differential is the Corporation currently using in the
9 GRA before this Board? Is it the 10 percent?

10 MR. DON PALMER: No. We have, starting
11 last year, as approved by this Board, we incorporated
12 actual sport bike data into our relativity calculations.
13 And I think the current differential was one point five
14 (1.5) something, and the proposal -- and again we went
15 over it earlier in these hearings -- is one point six
16 (1.6) something. I can get those exact numbers very
17 quickly if you need them.

18 MR. RAYMOND OAKES: And that's based on
19 the Corporations interpretation of ruling 156-06 of this
20 Board. Is that your position?

21 MR. DON PALMER: Could you point me
22 exactly the -- the Order number.

23 MR. RAYMOND OAKES: Order number 156-06.
24 I don't have a page reference for you, and I would
25 appreciate knowing the exact amount applied on the

1 differential by the Corporation.

2 MR. DON PALMER: The current relativity
3 underlying current rates is one point five three nine
4 seven (1.5397). The new relativity, before capping, is
5 one point six two five seven (1.6257).

6 MR. RAYMOND OAKES: And we're talking
7 about a very limited number of unit. Page 266 is
8 information from the application and Exhibit 18.5
9 relative to the number of units for sport bikes.

10 Can you just confirm what number of
11 motorcycles we're speaking about receiving that
12 differential?

13 MR. DON PALMER: It's about a thousand
14 (1,000) units, round numbers. May I also remind the
15 Board that those relativities that we talked about are
16 credibility weighting -- weighted, so they do include
17 adjustments for the -- the number of units that are in
18 sport bikes.

19 If we didn't limit the -- to the number of
20 units in the credibility weighting, the actual data that
21 we have observed over the last few years would indicate,
22 before credibility weighting, a relativity of two point
23 two five (2.25).

24 MR. RAYMOND OAKES: And instead, I guess,
25 the Corporation has assigned a relativity of point zero

1 eight six two (.0862).

2 Would that be correct?

3 MR. DON PALMER: I don't know that I
4 would necessarily agree with your interpretation
5 "assigned a credibility of". We have a formula that has
6 been utilized and approved by this Board to come up with
7 that credibility of point-o-eight six two (.0862).

8 MR. RAYMOND OAKES: And what would be the
9 compliment that you then use? Would it be the current
10 sport bike rate differential?

11 MR. DON PALMER: The current relativity,
12 yes.

13 MR. RAYMOND OAKES: And there would be
14 other options for other compliments that you could
15 choose.

16 MR. DON PALMER: Again, we have been very
17 consistent with all our relativity com -- computations
18 that we have used; the current relativity is the
19 complement.

20 Again, been consistent through uses
21 through all of the years that we've used these
22 calculations that that's the complement, so this -- this
23 is no different.

24 MR. RAYMOND OAKES: One (1) of the other
25 options would be the claims frequency, isn't that

1 correct?

2 MR. DON PALMER: No, you're -- you're
3 confusing concepts.

4 MR. RAYMOND OAKES: What other options
5 are there for the complement then?

6 MR. DON PALMER: If you had comparable
7 experience from a bigger group; national -- national rel
8 -- relativities, for instance, possibly could be used.
9 In relativity calculations, that's probably the only one
10 (1) that -- that comes to mind. It's different than the
11 complemented credibility that we use in our overall
12 indications that we use the indication of the overall
13 fleet as the complement of credibility.

14 To use the overall fleet as the complement
15 is -- for relativity purposes is one (1), so really that
16 doesn't make any sense to use that. So I -- I guess any
17 -- any group that is bigger, that has comparable
18 underlying statistics, you could use.

19 MR. RAYMOND OAKES: Just moving from
20 that, talking about just the determination of credibility
21 for a second. If the Corporation used a claims
22 frequency basis for the determination of credibility, the
23 credibility could likely be lower than presently
24 assigned?

25 MR. DON PALMER: I don't know that I

1 would necessarily agree with that. If you just took the
2 claims frequency and blindly applied into some other
3 formula, likely different assumptions will give you
4 different results. But to say automatically, carte
5 blanche, that that would be the case; we haven't done the
6 work, so I can't confirm or -- or deny that.

7 MR. RAYMOND OAKES: I thank you for that.
8 Moving now to the area of broker information on declared
9 values and ask you, Mr. Palmer or Mr. Keith, if a
10 motorcyclist gets the declaration of their value wrong;
11 if they are incorrect in that, are they at a risk that
12 they will not have inadequ -- not have adequate coverage
13 in the event of an accident, their motorcycle's written
14 off, if they estimated the value too low?

15 MR. DON PALMER: The maximum that they
16 could get in a write-off situation would be the declared
17 value.

18 MR. RAYMOND OAKES: And in terms of a
19 minimum, if they've estimated the vehicle value too low,
20 then they won't have adequate coverage.

21 Is that correct?

22 MR. DON PALMER: I don't know,
23 necessarily, that I would agree with that. And first of
24 all, from that standpoint, the rate is based on the --
25 the declared vla -- value. So if they under-declare,

1 then that -- that's the premium that they pay.

2 I have had some motorcyclists tell me that
3 they declare their bikes under what they know that --
4 that the declaration to -- to be to effectively self-
5 insure the excess.

6 It's a strategy that's used, and so in
7 that case to say that they're under insured, I will say
8 that the value of the settlement is less than the bike.
9 But I think, in most cases, that that's a risk that -- or
10 in some cases, a risk that was knowingly borne by the
11 motorist.

12 MR. RAYMOND OAKES: And do you have some
13 empirical evidence to support that assumption on your
14 behalf?

15 MR. DON PALMER: Only anecdotal.

16 MR. RAYMOND OAKES: And if they
17 overestimate the value, you mentioned that the
18 Corporation will only pay the amount chosen, so then
19 they're paying for coverage that they don't need.

20 Is that correct?

21 MR. DON PALMER: The calculation of
22 claims cost is the actual cash value of the bike -- of
23 the bike, yes.

24 MR. RAYMOND OAKES: And, for instance, if
25 someone owns a 2007 Dodge Caravan, they don't need to

1 worry about the declared value when they apply for
2 insurance?

3 MR. DON PALMER: No, we do have our --
4 our CLEAR System, which, through much, much, much lo --
5 larger numbers that are insured in motorcycles, well
6 documented data to support the rate group of Dodge
7 Caravans.

8 There is no CLEAR System for motorcycles.

9 MR. RAYMOND OAKES: And at Tab 8, we
10 filed a number of broker training materials in response
11 to CMMG-2-15.1 at two hundred and sixty-seven (267) and
12 following.

13 Is there anything that the Corporation has
14 that coaches brokers relative to the importance of
15 motorcyclists assigning the correct declared value?

16

17 (BRIEF PAUSE)

18

19 MR. DON PALMER: The brokers are
20 "coached" -- your word -- the importance of all
21 information that's given in -- in order to properly
22 classify vehicles.

23 MR. RAYMOND OAKES: And similarly,
24 there's nothing in this material that trains the brokers
25 the consequences of a motorcyclist declaring an incorrect

1 declared value?

2

3

(BRIEF PAUSE)

4

5 MR. DON PALMER: The brokers know that
6 they have to re-validate the declared value every year.
7 As to the consequences of an incorrect declared value,
8 that's not what was asked for in the -- in the
9 Undertaking -- or in the Information Request.

10 So I -- as to exactly how the brokers
11 would know the consequences, at this point, I don't know.

12 MR. RAYMOND OAKES: And you don't have
13 any training materials on that topic that you could file
14 as an Undertaking?

15 MR. DON PALMER: No.

16 MR. RAYMOND OAKES: Moving to Tab 11,
17 dealing with the survey of -- conducted by MPI, it --
18 Interrogatory 2-17.1 talks about -- and the response
19 speaks to a series of questions relating to the public
20 attitudes towards motorcycles for the last six (6) years,
21 that its asked those series of questions.

22 Does the Corporation ask any questions
23 comparing the risk of sport utility vehicles, for
24 example, to other vehicles?

25 MR. DON PALMER: I'm sorry, Mr. Oakes, I

1 missed the question.

2 MR. RAYMOND OAKES: Not a problem, Mr.
3 Palmer. We -- the Interrogatory 2-17 says that the
4 Corporation asks a series of questions related to the
5 public attitudes towards motorcycles for the past six (6)
6 years.

7 Does the Corporation ask any questions
8 comparing the risk of sport-utility vehicles, for
9 example, to other vehicles?

10 MR. WARD KEITH: I don't know the answer
11 to that question at this time, Mr. Oakes.

12 MR. RAYMOND OAKES: How about sports
13 cars, Mr. Keith?

14 MR. WARD KEITH: Not to my knowledge.

15 MR. RAYMOND OAKES: How about people with
16 large motorhomes?

17 MR. WARD KEITH: Not to my knowledge.

18 MR. RAYMOND OAKES: Is the purpose of the
19 survey to gather information to set motorcycle rates on
20 the basis of public views of risk, rather than on the
21 basis of the sound statistical evidence?

22 MR. WARD KEITH: No, the purpose is to,
23 on a regular basis, gauge the general public's attitudes
24 and perceptions towards motorcycles and motorcyclists.
25 It speaks to something we spoke about this morning, which

1 is a recognition that one of the Corporation's objectives
2 is to raise awareness of motorcycles and motorcycle-
3 related issues. Awareness, not just amongst the
4 motorcycle -- amongst motorcyclists, but amongst the
5 general public as well, recognizing that all motorists
6 can play a role or need to play a role in -- in
7 preventing motorcycle accidents.

8 And, so, we use these types of surveys in
9 order to gauge the attitudes and perceptions of the
10 general public, which we can then use to try and refine
11 our awareness programming in that regard.

12 MR. DON PALMER: If I may add to that.
13 Let me assure you that there are no actuarial standards,
14 that I am aware of, that would even allow that we set
15 rates by public survey.

16 MR. RAYMOND OAKES: Does the Corporation
17 collect satisfaction-rate data from its customers by type
18 of vehicle; for example, commercial trucks, off-road
19 vehicle owners, private passenger vehicle owners and
20 motorcyclists?

21 MR. WARD KEITH: Not by vehicle type, no.
22 By the type of claim that they presented in the case of a
23 claim satisfaction survey, or the type of transaction
24 that they were -- that they performed, whether through a
25 broker or through a direct-service counter.

1 (BRIEF PAUSE)

2

3 MR. RAYMOND OAKES: I'm going to ask a
4 number of questions about the current rates applied for,
5 and the reference is CMMG-2-91 which is in the last tab.
6 I'm sure there's members that are happy to hear the words
7 "last tab".

8 If the Corporation could confirm how much
9 motorcycle rates have risen in dollar terms since
10 1999/2000?

11 MR. DON PALMER: Average rate, seasonally
12 adjusted, in '99/2000 was three hundred and ninety-seven
13 (397). The current applied-for average rate is a
14 thousand and eighteen (1,018), for an increase of six
15 hundred and twenty-one dollars (\$621).

16 MR. RAYMOND OAKES: And so that's an
17 increase of about two-and-a-half (2 1/2) times?

18 MR. DON PALMER: Yes.

19 MR. RAYMOND OAKES: And the materials
20 that were provided, CMMG-1-23.1; if the Board approves
21 the Corporation's proposal related to motorcycle rates,
22 about 50 percent of motorcyclists would receive an
23 increase of more than a hundred dollars (\$100)?

24 MR. DON PALMER: That's correct. And
25 again, that's major-class motorcycles which includes

1 mopeds.

2 MR. RAYMOND OAKES: And about 72 percent
3 would receive an increase of 10 percent or more?

4

5 (BRIEF PAUSE)

6

7 MR. DON PALMER: That's on page 29 -- I
8 think it's 299 in the material. The page numbers are
9 somewhat chopped off, shown on the exhibit as page 7 of
10 12.

11 MR. RAYMOND OAKES: And, Mr. Palmer, I'm
12 going to leave you with one (1) last question.

13 If you're one (1) of these motorcyclists
14 receiving large increases like we've just talked about,
15 would you consider MPI rates stable?

16

17 (BRIEF PAUSE)

18

19 MR. DON PALMER: Given somewhat insider
20 knowledge that I have, I would consider the methodologies
21 to be stable. I would consider the overall required
22 rates to be stable.

23 I would not consider the increases
24 necessarily to be stable, but I would understand that the
25 reason that there are large increases that are required

1 is that the rates are completely inadequate, were very
2 inadequate in 1999/2000 for a number of reasons, and that
3 the requested increases over the last number of years are
4 actuarially sound and statistically driven.

5 MR. RAYMOND OAKES: So your answer is,
6 because of your inside knowledge you wouldn't be shocked
7 at the large increase, but absent that you could
8 understand it?

9

10 (BRIEF PAUSE)

11

12 MR. DON PALMER: It -- it's difficult for
13 me to -- to say what I would have -- what I -- what my
14 thoughts would be if I had less knowledge.

15 MR. RAYMOND OAKES: I appreciate that
16 difficulty. Those are my questions, Mr. Chair.

17 THE CHAIRPERSON: Thank you, Mr. Oakes.
18 We have a couple more questions, but before we do that,
19 we will just ensure that we have the order correct here.

20 Does CAA have any questions to pose?

21 MR. MICHAEL MAGER: We do not.

22 THE CHAIRPERSON: And Professor Miller
23 does not look he is going to be able to make an
24 appearance

25 Okay. Then just before we have the

1 redirect for Mr. McCulloch, we are just going to take a
2 break because I have got a couple of questions I just
3 want to finalize.

4 Thank you. We will be back in 15 minutes.

5 MR. BYRON WILLIAMS: Mr. Chairman...?

6 THE CHAIRPERSON: Yes, Mr. Williams?

7 MR. BYRON WILLIAMS: Yeah, if I might. I
8 -- I may have a couple questions in terms of some
9 responses to undertakings that were filed -- or even
10 verbally today.

11 THE CHAIRPERSON: Are you ready to do
12 that now?

13 MR. BYRON WILLIAMS: I can, if -- if you
14 wish. Certainly.

15 THE CHAIRPERSON: How long do you think
16 it will take?

17 MR. BYRON WILLIAMS: Eight (8) minutes.

18 THE CHAIRPERSON: Please do so now and
19 then we will take the break.

20

21 RE-CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

22 MR. BYRON WILLIAMS: I see Mr.
23 McCulloch's put the -- the timer on me. One (1) -- and I
24 -- I have been listening either in the room or next door
25 in the Intervenor room, but one (1) I'm not sure if there

1 has been a response filed yet, was with regard to the --
2 the IBM work that was done on PIPP and I -- I'm just
3 wondering if -- if the Corporation has reflected upon
4 whether they'll be res -- providing or not? or if I've
5 missed that, I apologize.

6 MS. MARILYN MCLAREN: No, we didn't reply
7 to that. I have been considering it and will not be
8 filing it as part of these proceedings, but possibly in -
9 - in future ones.

10 MR. BYRON WILLIAMS: I'll reflect upon
11 that one over the break, as well. In terms of --

12 THE CHAIRPERSON: I will come back to you
13 with that, Mr. Williams.

14

15 CONTINUED BY MR. BYRON WILLIAMS:

16 MR. BYRON WILLIAMS: Yes. In terms of
17 occupant restraint, just -- and I thank you, Mr. Keith,
18 for your response.

19 Just so my understanding is clear, of the
20 forty-one (41) deaths when individuals were unbelted in
21 2006, thirty-four (34) of those were from rural Manitoba.

22 Is that right, sir?

23 MR. WARD KEITH: No, thirty-seven (37).

24 MR. BYRON WILLIAMS: Thirty-seven (37),
25 excuse me.

1 MR. WARD KEITH: And four (4) -- four (4)
2 from urban centres.

3 MR. BYRON WILLIAMS: In terms of the
4 '07/'08 year and the '08/'09 year can -- can you advise
5 me what, if any additional, activities Manitoba Public
6 Insurance may be undertaking in rural Manitoba with
7 regard to occupant restraint?

8 Are -- are there any planned over and
9 above what would -- would you had undertaken in the last
10 two (2) or three (3) years?

11

12 (BRIEF PAUSE)

13

14 MR. WARD KEITH: We -- we are still
15 planning for the 2008/'09 year, but the one area where we
16 do intend to increase our involvement, in both 2008 and
17 as well in the current year, is with respect to the Road
18 Watch initiative, which is again what I spoke of earlier
19 this week with respect to contributions to law
20 enforcement agencies to assist them in doing greater
21 roadside checks than they otherwise would of if left to
22 their -- if left to their own budget limitations.

23 And -- and that -- those fundings -- that
24 funding goes to Winnipeg police service, but as well to
25 RCMP and a number of other rural police detachments.

1 MR. BYRON WILLIAMS: And I'm going off
2 memory but the figure you used for Road Watch, would I be
3 right in suggesting to you it was about two hundred and
4 fifty thousand dollars (\$250,000) annually?

5 MR. WARD KEITH: I -- I believe it was
6 two hundred and seventy (270), yeah.

7 MR. BYRON WILLIAMS: And how much of that
8 currently goes urban, how much goes rural?

9 MR. WARD KEITH: I had those figures a
10 day ago. Going by memory and subject to check, I believe
11 the contribution was fifty thousand dollars (\$50,000) to
12 the Winnipeg police service and the remainder to rural
13 police forces, and that includes RCMP primarily for use
14 in rural areas; the Morton police service, the Winkler
15 police service, the Dakota Ojibway police service,
16 Brandon and -- which would be an urban centre -- and a
17 number of other smaller detachments with a combined
18 contribution of all those smaller detachments of, I
19 think, fifteen thousand (15,000), I think it was.

20 MR. BYRON WILLIAMS: In terms of the
21 increased involvement that you spoke of in '07/'08 as
22 well as '08/'09, can you give me a ballpark, magnitude-
23 wise, please?

24

25

(BRIEF PAUSE)

1 MR. WARD KEITH: I -- I --

2 MR. BYRON WILLIAMS: Less than a hundred
3 thousand (100,000), more than a hundred thousand
4 (100,000)?

5 MR. WARD KEITH: It -- it's less than a
6 hundred thousand (100,000). I -- I can't be more
7 specific at this point, only because I don't have the
8 information readily available.

9 MR. BYRON WILLIAMS: Just turning very
10 quickly to the Corporation's response to Undertaking
11 Number 19 which is MPI number -- Exhibit Number 22, which
12 is the amount of immobilized vehicles leaving the fleet.

13 And these will just be quick but, Mr.
14 Palmer, I'm -- I'm just trying to make sure I get the --
15 what this table is showing me correct. In 2008/'09, if I
16 was -- moving one (1) column over there'll be seven
17 thousand two hundred and fifty-nine (7,259) aftermarket
18 immobilized vehicles leaving the fleet in that year.

19 Is that right, sir?

20 MR. DON PALMER: That's correct.

21 MR. BYRON WILLIAMS: And so for 2009/'10
22 there would be an additional eleven thousand two hundred
23 and ninety-five (11,295) leaving the fleet.

24 Is that right? Have I got --

25 MR. DON PALMER: That's correct.

1 MR. BYRON WILLIAMS: Has it -- does the
2 Corporation in -- in it's projections, do you do a
3 breakdown between fully funded vehicles leaving the fleet
4 and partially funded? Is there any sense of the
5 proportion?

6 MR. DON PALMER: The vast majority would
7 be fully funded. I don't think I can give you, quickly,
8 a -- a breakdown, but most of -- most of these would be
9 in the most- at-risk list, MAR-1, MAR-2, or -- or MAR-2
10 star.

11 MR. BYRON WILLIAMS: And you used two (2)
12 different adjectives, "vast majority" or 'most.'" Am --
13 am I -- is -- is the word that you're adhering to "vast
14 majority," like are we talking over 80 percent, sir?

15

16 (BRIEF PAUSE)

17

18 MR. DON PALMER: The assumptions
19 underlying this is 85 percent would be the enhanced.

20 MR. BYRON WILLIAMS: And just ballpark,
21 in -- in terms of the fully funded we're looking at, I
22 guess the new figure is three hundred dollars (\$300) a
23 vehicle, is that about right, sir?

24 MR. DON PALMER: Yes.

25 MR. BYRON WILLIAMS: So, if I just -- for

1 -- for my client's benefit, wanted to calculate the
2 value, for example, in terms of fully funded, I would
3 multiply point eight five (0.85) times eleven two nine
4 five (11.295) and using three hundred (300) as a
5 ballpark, that would give my client some sense of the
6 investment that's leaving the -- in terms of Immobilizer
7 that -- that's leaving in the year, in terms of
8 attrition?

9 MR. DON PALMER: In that year, but I -- I
10 think you ha -- also have to take into consideration that
11 there was protection for these vehicles for some period
12 of time.

13 MR. BYRON WILLIAMS: I understand the
14 point, Mr. Palmer, and I appreciate your assistance on
15 this. Thank you.

16 And Mr. Chairman, I believe I've come in
17 under the eight (8) minute mark, although I'll -- I'll
18 take Mr. McCulloch's advice on that point.

19 THE CHAIRPERSON: We'll try and find an
20 appropriate reward for you, Mr. Williams.

21 MR. DON PALMER: If I may take up his
22 extra minute.

23 THE CHAIRPERSON: You may, Mr. Palmer.

24 MR. DON PALMER: One (1) of the hanging
25 threads that I had from my conversation with Mr. Oakes

1 was the existence of counsel regarding declared value in
2 our policy guide and on Page 19 of our policy guide is
3 the statement,

4 "The declared value limit is the most
5 you'll get if your new motorhome or
6 motorcycle is written off."

7 THE CHAIRPERSON: Thank you. Okay, we
8 are going to take a break and when we come back we'll be
9 able to conclude this phase of the proceeding. Thank
10 you.

11

12 --- Upon recessing at 2:24 p.m.

13 --- Upon resuming at 2:46 p.m.

14

15 THE CHAIRPERSON: Did you have anything
16 for us, Mr. McCulloch?

17 MR. KEVIN MCCULLOCH: Mr. Chairman, Mr.
18 Keith has a couple of responses to issues raised by Mr.
19 Oakes and, again, he'll just be giving a verbal response
20 to those questions.

21 THE CHAIRPERSON: Mr. Keith...?

22 MR. WARD KEITH: These arise from the
23 discussion this morning with respect to the coding of
24 accidents. The first was a question about accidents with
25 domestic wildlife.

1 And I can confirm that there is
2 information available to all of the claims adjusters in
3 the field with respect to the handling of these claims in
4 particular, both with respect to how those claims get
5 coded and with respect to the investigation that needs to
6 be undertaken with a view toward enabling the Corporation
7 to pursue recovery against the owner of that -- of the
8 owner of that -- that livestock.

9 With respect to -- there was another
10 question about an unidentified vehicle and the
11 involvement of an unidentified vehicle and coming into
12 the path of an oncoming motorcyclist, forcing the -- the
13 motorcyclist to -- to lay the bike down or -- or
14 otherwise -- otherwise crash.

15 What I've confirmed is that, assuming we
16 are able to confirm the presence of an unidentified
17 vehicle, and the negligence of that vehicle, in terms of
18 creating that hazard, then the file would be coded as a
19 hit-and-run, and the motorcycle operator would be held
20 zero percent responsible for that loss.

21 THE CHAIRPERSON: Thank you, Mr. Keith.

22 Mr. Williams, we promised we would go back
23 to you if you have given some reflection to your...?

24

25 CONTINUED BY MR. BYRON WILLIAMS:

1 MR. BYRON WILLIAMS: Yes. And I -- I
2 just have a -- to assist my clients, I wonder if in terms
3 of its refusing to provide the IBM document in -- in this
4 proceeding, if the Corporation could indicate on what
5 grounds it's declining to produce it?

6 Is it on the grounds that it considers
7 that proprietary, on the grounds it considers it
8 irrelevant; that would be helpful?

9 MS. MARILYN MCLAREN: Sure. It was a --
10 a study, a document, a report, filed as advice to the
11 Corporation. It is advice that we're making good use of.
12 The work was never undertaken, the report was never
13 developed as -- as, like all of these things, there is
14 certainly, you know, reports developed with the input of
15 people from Manitoba Public Insurance. It's not a hands-
16 off-IBM exercise, even close.

17 It was never prepared with a view that it
18 may become a public document. I had a cursory review of
19 it last night, after our conversation yesterday, and I
20 really need to have a much closer look at it because it
21 was never prepared as a document that would be in the
22 public domain.

23 I have some concern that it's possible
24 that as we proceed with some of the projects arising from
25 that report that we will be issuing RFPs and we may put

1 ourselves at a commercial disadvantage if it was a public
2 document. But I think the most important reason is that
3 really, as -- as our responsibility to our own employees,
4 our employee relations, this is a plan-to-plan, it is a
5 working document, and that we have not particularly
6 shared much of the contents with our own staff, and would
7 really believe it appropriate to do that before it became
8 a public document.

9 MR. BYRON WILLIAMS: I'll reflect upon
10 that. But I -- I will have no further questions in this
11 proceeding on that matter, sir.

12 THE CHAIRPERSON: Ms. McLaren, this
13 document that Mr. Williams is seeking, is there, in your
14 opinion, anything in that document that would assist the
15 Board in dealing with your application in considering the
16 forecasts out to 2014 or any of the outstanding matters
17 that are still to be addressed?

18 The other question, by the way, just so
19 it's not -- is that if the answer to that is yes, is it
20 possible to produce a redacted version?

21 MS. MARILYN MCLAREN: No, I -- the --
22 I've talked to -- a lot through the last several days
23 about our intentions with respect to PIPP, the kind of
24 work that we will be undertaking, the kinds of benefits
25 we see from doing that work. That's really what the

1 report shows.

2 It -- it identifies at a much more
3 detailed level what some of these components would be;
4 what would -- what would be the content; what is the
5 value. It's very consistent with everything that I've
6 shared with you, simply a level of detail that is much,
7 much more substantive than the information I've shared
8 with you.

9 So I think all of the information that
10 we've put on the record with respect to the fact that we
11 will establish a budget for the next few years, as we've
12 told you, the -- most of those costs as we begin this
13 larger project will be amortized. The amortization would
14 not start until, even under our three (3) year proposal;
15 would not start until we were back in front of you again
16 to have a broader discussion of those things.

17 So I don't think that there's anything
18 inconsistent at all or different than anything that we
19 have shared with you, there's just more detail.

20 THE CHAIRPERSON: Okay. I will leave it
21 with Mr. Williams to reflect upon.

22

23 QUESTIONS BY BOARD:

24 THE CHAIRPERSON: Okay, I had a few more
25 questions, just to conclude this phase. Returning to

1 subjects, it was actually referred to today by Mr. Oakes,
2 and there has been some back and forth on that.

3 Mr. Palmer, again if you wouldn't mind,
4 take into account our immediate inability to access our
5 actuarial consultant, Mr. Pelly, and the point that we
6 are in the proceedings, this is why I am asking the
7 questions.

8 With respect to your report that
9 concurrent with the decision to reduce the case reserves
10 by approximately 250 million for '05/'06, to reflect the
11 implementation of new and MPI unique mortality tables,
12 MPI decided to increase IBNRs and the increase basically
13 offset the decrease in unpaid claims that the reduction
14 in case reserves brought about.

15 Given all that, assuming that that is
16 correct, should the Board assume; a) absent the
17 implementation of the new mortality tables, the IBNR
18 adjustment in a large loss for '04/'05?

19 I will give you the other questions.

20 The second section was, given that again,
21 as at the end of '04/'05, were the reported IBNR and
22 unpaid claims in a sense understated, although it may or
23 may not have been fully realized, and c) is it fair to
24 say that the MPI's independent actuary has considerable
25 discretion in the practice of actuarial science?

1 You can take them as an Undertaking, if
2 you wish.

3 MR. DON PALMER: No, I think I'll -- I'll
4 go ahead. Maybe I'll take the last one first and -- and
5 maybe ask you to repeat the first question again. But as
6 far as considerable discretion of actuaries; I wouldn't
7 agree with that.

8 There are standards of practice
9 promulgated by the Canadian Institute of Actuaries that
10 we must follow that have guidelines -- in some cases very
11 rigid guidelines as -- as to what you can or -- or cannot
12 do. So -- so to say that there's considerable discretion
13 in there; there is some amount of judgment, granted. But
14 considerable discretion, I would disagree with that.

15 There are -- are also a -- a statement of
16 principles regarding reserving promulgated by the
17 Casualty Actuarial Society. Again, pretty standard
18 considerations which have to be taken into account in any
19 reserving. Again, to -- to characterize that as
20 "considerable discretion", I would disagree with.

21 The second question was whether the
22 '04/'05 reserves were understated?

23 THE CHAIRPERSON: No. As at the end of
24 '04/'05, was the reported IBNR on the unpaid claims
25 liability understated?

1 MR. DON PALMER: No. Within -- within
2 that, the -- the bulk of -- the reserving changes
3 affected both personal care and weekly income claims.
4 And there had been some fluctuation of -- of reserves.

5 And for purposes of determining the
6 ultimate, we had used a paid development methodology
7 which, for weekly income, essentially ignores the
8 reserving and projects the ultimate value of claims based
9 on paid; not reserves, which, with longer-tail business,
10 you'd rather have incurreds.

11 Which is why we went ahead to -- to get a
12 better reserving methodology that we thought better
13 reflected the estimate of claims through the incurred
14 methodology in reported rather than just paid. But the
15 pays, in fact, are more stable, so there's pluses and
16 minuses on -- on either side of that.

17 The overall ultimate value of claims,
18 which includes both the IBNR and the case reserves, the
19 overall unpaid -- some of those, too, came down some, but
20 not -- certainly not \$250 million. So as at 2004/'05,
21 that was the best estimate that we had then and -- and
22 really hadn't changed too much.

23 THE CHAIRPERSON: The reason I ask the
24 question, because you indicated they were basically in a
25 credit position -- the IBNRs at the end of '04/'05.

1 MR. DON PALMER: The -- the -- because
2 the case reserves were overstated and our estimate of
3 ultimates was in fact less than the case reserves, that's
4 when we had negative IBNRs.

5 So, once we brought the case reserves
6 down, there was an offsetting entry for the IBNR.

7 THE CHAIRPERSON: So you're saying at the
8 end of '04/'05 you understood there was a problem then
9 with the claims reserves.

10 You must have been working on the
11 mortality tables before the end '04/'05, is that fair?

12 MR. DON PALMER: Yes, and in fact one (1)
13 of the recommendations from the actuary was that we work
14 further on our case-reserving methodology, which -- which
15 we did. But from an overall financial impact
16 perspective, there was very little, just because of the
17 offsetting entries.

18 THE CHAIRPERSON: So the answer, then, to
19 the first question was that basically you wouldn't have
20 adjusted the IBNRs if you hadn't also done the case.

21 MR. DON PALMER: That's absolutely true.
22 You can't separate one from the other.

23 THE CHAIRPERSON: Okay, that -- that
24 helps us. There is one (1) other thing that seems to
25 relate to this. Do these discoveries -- which I think

1 you've explained this, so I think I know the answer, but
2 we might as well have it on the record -- do these
3 discoveries of '05/'06 -- the breakdown of the case
4 reserves and the IBNRs -- do they have anything to say to
5 the conclusions reached by the May 2005 Beren Report
6 (phonetic)?

7 MR. DON PALMER: No, the Beren Report was
8 commenting on the -- the total estimate of ultimate
9 claims, which was not impacted in the change in reserving
10 methodology.

11 THE CHAIRPERSON: Thank you, sir. Now,
12 we couldn't close this Hearing, Mr. Galenzoski without
13 having one (1) last question for you. There would be
14 something wrong with that, I think.

15 Mr. Galenzoski, to ensure the Board
16 properly interprets your report pertaining to Immobilizer
17 costs, the extension in the basis RSR, would you please
18 advise if it would be correct to say that MPI decided
19 that MPI's projected benefits to extension that would
20 arise out the Immobilizer Program were, in fact, paid for
21 by extension through prior transfers of extension
22 retained earnings to Basic ISR.

23 Did we hear you right?

24 MR. BARRY GALENZOSKI: Yes, you did.

25 THE CHAIRPERSON: Does this decision

1 follow the Board's rejection of MCT as the basis for the
2 RSR and MPI's decision to seize further transfers of
3 extension in SRE retained earnings to Basic RSR?

4 MR. BARRY GALENZOSKI: No, I don't think
5 they're linked.

6 THE CHAIRPERSON: We thought that the
7 stated reason for the transfers of the SRS was the
8 buildup of the Basic RSR.

9 MR. BARRY GALENZOSKI: Well, it wasn't
10 until -- once the RSR was built to the level that the
11 Board thought was sufficient, and there was no -- there -
12 - there was no longer any reason to transfer monies to
13 the RSR.

14 We -- I think we've explained that pretty
15 well in our management discussion and analysis document
16 that we had in the last Annual Report.

17 THE CHAIRPERSON: Actually, that was the
18 last question then, and probably dismissed it in the fast
19 read in the last day of the Public session.

20 So the MPI's decision and reasoning is
21 somewhere in the Annual Report then, it's commented on?

22 MR. BARRY GALENZOSKI: Yes, I can provide
23 you a reference to that if you'd like. If you look at
24 the last Annual Report on page 39 on the right hand side;
25 it's one (1), two (2), three (3), four (4), five (5)

1 paragraphs down and I'll read it in. It says:

2 "Funding for the RSR is derived from
3 the annual operations of the Basic
4 Insurance Plan. In prior years,
5 retained earnings exceeding the target
6 set for the extension in SRE lines of
7 business were transferred to the Basic
8 RSR as additional funding to achieve
9 the target level set by the
10 Corporation's Board. These transfers
11 have ceased with the Order from the PUB
12 that limits the RSR to levels that are
13 fully funded to their target levels."

14 THE CHAIRPERSON: It wouldn't have been
15 fuller reporting to talk about this -- the benefits to
16 extension of the Immobilizer Program?

17 MR. BARRY GALENZOSKI: Well, the -- the
18 funding was just -- as far as the Immobilizer Program,
19 that -- that had just started in that particular year, so
20 this -- that would have been maybe a forward-looking
21 statement.

22 THE CHAIRPERSON: Okay, thank you, sir.
23 And I have got two (2) other questions, given one (1) in
24 particular, because Mr. -- Professor Miller was
25 apparently unavoidably unable to attend.

1 Ms. McLaren, in his absence, could you
2 please advise whether MPI considers itself obliged to
3 eventually reflect environmental objects in rate making?

4 MS. MARILYN MCLAREN: No, I don't think
5 we would consider that to be true at this point.

6 THE CHAIRPERSON: The follow-up question
7 was; and if so, whether MPI would be inclined to pursue
8 such a goal in the absence of specific government
9 direction? So I think you just said no?

10 Is that fair?

11 MS. MARILYN MCLAREN: Yes, that's fair.

12 THE CHAIRPERSON: Okay. Ms. McLaren,
13 given the role played by the police and Department of
14 Infrastructure and Highways, and the overall societal
15 effort to bring down accident and injuries on Manitoba
16 highways and roads - roles that you pointed out are
17 critical to MPI's success and restraining if not reducing
18 premium rates - would it be useful for the Board to give
19 strong consideration for future proceedings to call the
20 police and the Department to give evidence with respect
21 to traffic law enforcement and highway design in
22 operational matters?

23

24 (BRIEF PAUSE)

25

1 MS. MARILYN MCLAREN: It's very hard to
2 predict an outcome of an action like that. I -- in my
3 experience with the other authorities that you've
4 mentioned, they are very interested in collaborating --
5 working together with other stakeholders.

6 I'm not -- it wou -- they -- I -- I
7 believe that they would see such a call from the PUB to
8 be something very much out of the ordinary.

9 I think they would -- would have
10 difficulty understanding what the context of such a
11 reques -- I think their experience and their preference
12 is to work collaboratively with the stakeholders as -- as
13 opposed to be -- being called to bring evidence or
14 testify.

15 THE CHAIRPERSON: I just wanted to
16 indicate the comments mainly relate to the importance to
17 all parties of bringing down these accidents and
18 injuries. And, as you correctly pointed out, MPI is not
19 solely responsible for ensuring that this comes about.

20 We understand that you're cooperating with
21 them in the background, and we hope that that continues.

22 Well, with that all said, the Board has a
23 few comments towards assisting the parties in preparing
24 closing argument.

25 These comments should not be taken to

1 infer or suggest that the Board is not interested in any
2 of the enumerable matters that have arisen through this
3 proceeding. And parties are to cover such matters as
4 they wish to address.

5 In closing argument -- and, again, this
6 does not infer any other topic should not be addressed --
7 the Board would appreciate if the parties addressed,
8 among the matter that they raise, the following:

9 MPI's 2008/'09 rate and rebate proposals.

10 2. The three (3) year Rate Application.

11 Consideration of outstanding matters,
12 directions, and/or recommendations provided by the Board
13 in prior year's Orders; in particular, the position of
14 the party on these unresolved or outstanding matters.

15 4. The view with respect to MPI's
16 forecasts for '08/'09 and future years. And how, if any,
17 these forecasts should affect the Board's decision with
18 respect to '08/'09 rates and the rebate issue and the
19 consideration of the three (3) year Rate Application.

20 5. Whether the Board should continue to
21 take into account the retained earnings of SRE and
22 extension in assessing MPI's financial strength; and if
23 so, or not - why?

24 6. Whether the environmental impacts
25 related to motor vehicles should be taken into account in

1 rate setting for individual vehicle groups or major
2 classes.

3 7. The priorities that MPI should proceed
4 under with respect to matters under consideration, such
5 as the PIPP Benchmark and Analysis, Driver Safety Rating
6 Program, investment matters such as asset class
7 investment accounting, et cetera, operating cost analysis
8 and benchmarks, and road safety and the business process
9 review.

10 Your choices have to be made once the
11 parties comments on priorities.

12 As to Undertakings for which exhibits have
13 yet to be filed - and I believe there is a few - we would
14 appreciate if they could be filed as quickly as possible.

15
16 And I just wanted to point out, in case
17 Mr. Galenzoski -- because often times in closing
18 argument, not everybody comes -- does not return to this
19 hearing room for closing argument. Again on behalf of
20 the Board and the staff, we want to wish him well in his
21 retirement and will miss his presence at future
22 proceedings.

23 While this Hearing has been shorter in
24 duration than most, this does not mean that considerable
25 efforts have not been expended by all parties present and

1 those behind the scenes particularly at the Corporation.
2 The Board appreciates the combined efforts of all to
3 assist the Board in properly meeting its public interest
4 mandate.

5 With that we stand adjourned to return on,
6 I believe it is a Tuesday, at 9:00 a.m., October 16th for
7 Intervenor and MPI closing statements. Thank you all, we
8 stand adjourned.

9 I apologize, Mr. McCulloch, I never gave
10 you a chance to redirect to the panel.

11 MR. KEVIN MCCULLOCH: A good indication,
12 Mr. Chairman, that I had no intention to call any
13 redirect evidence.

14 THE CHAIRPERSON: I apologize. We do
15 stand adjourned.

16

17 (PANEL STANDS DOWN)

18

19 --- Upon adjourning at 3:10 p.m.

20

21 Certified Correct,

22

23

24 _____
25 Rolanda Lokey, Ms.