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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE COMPANY  
GENERAL RATE APPLICATION  
FOR 2009/10 INSURANCE YEAR

Before Board Panel:

- Graham Lane - Board Chairman
- Eric Jorgensen - Board Member
- Alain Molgat - Board Member

HELD AT:

Public Utilities Board  
400, 330 Portage Avenue  
Winnipeg, Manitoba  
September 22nd, 2008  
Pages 1 to 296

APPEARANCES

1  
2 Walter Saranchuk ) Board Counsel  
3 Candace Everard )  
4  
5 Kevin McCulloch ) Manitoba Public Insurance  
6  
7 Raymond Oakes ) CMMG  
8  
9 Byron Williams ) CAC/MSOS  
10  
11 Nick Roberts (np) ) Manitoba Used Car Dealers  
12 ) Association  
13  
14 Donna Wankling ) CAA Manitoba  
15 Jerry Kruk )  
16  
17 Robert Dawson ) CBA/MBA  
18  
19 Claudio Sousa (np) ) Scootering Manitoba  
20  
21  
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14		attached exhibits stating that all	
15		interested parties were served	
16		Notice of Public Hearing and rate	
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18	MPI-2	Affidavit of Zdenka Melnyk with	
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20		Public Hearing and Pre-Hearing	
21		Conference dated May 30, 2008 published	
22		in the required newspapers.	
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7	MPI-4	MPI 2009 Rate Application - Volume I,	
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10		filed June 13, 2008	
11	MPI-6	MPI 2009 Rate Application - Volume III,	
12		filed June 13, 2008	
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8		Inter-Jurisdictional Comparison
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10	CAC/MSOS/MPI-1-7	Consumers' Association of
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18		Society of Senior's Information
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6		Requests and Manitoba Public	
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7		the rating to the other person	
8	CMMG/MPI-1-23	Coalition of Manitoba Motorcycle	
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10		Manitoba Public Insurance's	
11		Responses - 1st Round. Rate groups	
12	CMMG/MPI-1-24	Coalition of Manitoba Motorcycle	
13		Groups' Information Requests and	
14		Manitoba Public Insurance's	
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17	CMMG/MPI-1-25	Coalition of Manitoba Motorcycle	
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7		by rate group	
8	CMMG/MPI-1-28	Coalition of Manitoba Motorcycle	
9		Groups' Information Requests and	
10		Manitoba Public Insurance's	
11		Responses - 1st Round. Rate line	
12		differentials	
13	CMMG/MPI-1-29	Coalition of Manitoba Motorcycle	
14		Groups' Information Requests and	
15		Manitoba Public Insurance's	
16		Responses - 1st Round. "Substitute"	
17		a pleasure use vehicle for an all	
18		purpose vehicle	
19	CMMG/MPI-1-30	Coalition of Manitoba Motorcycle	
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12	CMMG/MPI-1-33	Coalition of Manitoba Motorcycle	
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14		Manitoba Public Insurance's	
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16	CMMG/MPI-1-34	Coalition of Manitoba Motorcycle	
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18		Manitoba Public Insurance's	
19		Responses - 1st Round. Rate	
20		difference	
21	CMMG/MPI-1-35	Coalition of Manitoba Motorcycle	
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8	CMMG/MPI-1-37	Coalition of Manitoba Motorcycle	
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10		Manitoba Public Insurance's	
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12		special services	
13	CMMG/MPI-1-38	Coalition of Manitoba Motorcycle	
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15		Manitoba Public Insurance's	
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17		programs specific to motorcycle	
18	CMMG/MPI-1-39	Coalition of Manitoba Motorcycle	
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20		Manitoba Public Insurance's	
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7		Staffing level.	
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10		Manitoba Public Insurance's	
11		Responses - 1st Round. Projected	
12		capital expenditures	
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15		Manitoba Public Insurance's	
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7	CMMG/MPI-1-46	Coalition of Manitoba Motorcycle	
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9		Manitoba Public Insurance's	
10		Responses - 1st Round. IBNR	
11	CMMG/MPI-1-47	Coalition of Manitoba Motorcycle	
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13		Manitoba Public Insurance's	
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15		reserves.	
16	CMMG/MPI-1-48	Coalition of Manitoba Motorcycle	
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18		Manitoba Public Insurance's	
19		Responses - 1st Round. Changes in	
20		loss development factors	
21	CMMG/MPI-1-49	Coalition of Manitoba Motorcycle	
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7		mis-specifying insurance use	
8	CMMG/MPI-1-55	Coalition of Manitoba Motorcycle	
9		Groups' Information Requests and	
10		Manitoba Public Insurance's	
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12	CMMG/MPI-1-56	Coalition of Manitoba Motorcycle	
13		Groups' Information Requests and	
14		Manitoba Public Insurance's	
15		Responses - 1st Round. Personal	
16		vehicle insurance products	
17	CMMG/MPI-1-57	Coalition of Manitoba Motorcycle	
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19		Manitoba Public Insurance's	
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10		Manitoba Public Insurance's	
11		Responses - 1st Round. Claim	
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15		Manitoba Public Insurance's	
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19		Groups' Information Requests and	
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22		processes used to calculate IBNR.	
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7		related risk	
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10		Manitoba Public Insurance's	
11		Responses - 1st Round. Immobilizer	
12		incentive program	
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15		Manitoba Public Insurance's	
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10		Manitoba Public Insurance's	
11		Responses - 1st Round. Recycled	
12		parts	
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15		Manitoba Public Insurance's	
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10		Manitoba Public Insurance's	
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12		of operations	
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15		Manitoba Public Insurance's	
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7		and loss prevention programs	
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10		Manitoba Public Insurance's	
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12		and safety sponsorships	
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15		Manitoba Public Insurance's	
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10		Manitoba Public Insurance's	
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17		of rate groups to new vehicles	
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16		1st Round. PIPP accident benefits	
17	MBA/MPI-1-20	Manitoba Bar Association's	
18		Information Requests and Manitoba	
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20		1st Round. Corporate customer	
21		service standards	
22	MBA/MPI-1-21	Manitoba Bar Association's	
23		Information Requests and Manitoba	
24		Public Insurance's Responses -	
25		1st Round. Bodily injury claims	

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6		1st Round. Whistleblower complaint	
7	MBA/MPI-1-23	Manitoba Bar Association's	
8		Information Requests and Manitoba	
9		Public Insurance's Responses -	
10		1st Round. Slide 20 of the PIPP	
11		infrastructure Phase 2	
12	MBA/MPI-1-24	Manitoba Bar Association's	
13	to 1-25	Information Requests and Manitoba	
14		Public Insurance's Responses -	
15		1st Round. Claims handling: physical	
16		damage to motor vehicles	
17	MBA/MPI-1-26	Manitoba Bar Association's	
18		Information Requests and Manitoba	
19		Public Insurance's Responses -	
20		1st Round. Dealer insurance use	
21		category	
22	MBA/MPI-1-27	Manitoba Bar Association's	
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25		1st Round. Customer databases	

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5		Public Insurance's Responses -	
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11		2nd Round. Development of service		
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9		Information Requests and Manitoba	
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12		functionality	
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14		Information Requests and Manitoba	
15		Public Insurance's Responses -	
16		2nd Round. Claim for physical	
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10		Public Insurance's Responses -	
11		2nd Round. Compliance with	
12		restriction.	
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16		Responses - 2nd Round. Fire, theft,	
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1 --- Upon commencing at 9:06 a.m.

2

3 THE CHAIRPERSON: Okay. Good morning  
4 everyone. I call this MPI General Rate Application  
5 hearing to order. Manitoba Public Insurance Corporation  
6 has applied to the Public Utilities Board for approval of  
7 its premiums to take effect, March the 1st, 2009.

8 This Hearing and process is in accordance  
9 with the provisions of the Crown Corporations Public  
10 Review and Accountability Act, Manitoba Public Insurance  
11 Corporation Act and the Public Utilities Board Act.

12 In its application, MPI is seeking  
13 approval of its rates charged for compulsory driver and  
14 vehicle insurance for the 2009-10 insurance year,  
15 including a one percent decrease in overall premium  
16 revenue.

17 I am Graham Lane, Chairman of the Public  
18 Utilities Board. I am joined by two (2) other Board  
19 members, Mr. Eric Jorgensen, Mr. Alain Molgat. Also with  
20 us today is Gerry Gaudreau, executive director and  
21 secretary to the Board, Gerry Baron, and Hollis Singh.  
22 They will be here from time-to-time, associates,  
23 secretaries of the Board.

24 And Walter Saranchuk and Candace Everard  
25 of Pitblado LLB, Board counsels. The Board has also

1 retained the services of two (2) advisors, well known to  
2 the participants. Mr. Roger Cathcart C.A., Cathcart  
3 Advisors Inc., who is in attendance as is Mr. Brian  
4 Pelly, the Actuarial Firm Partners.

5 Transcripts of the hearing will be  
6 recorded by Digitran and made available on our website.

7 Our current expectation is that we will  
8 sit for the first three (3) days of this week, first two  
9 (2) days of next week and than if necessary, three (3)  
10 days, October 6th, 7th and 10th, the week thereafter. We  
11 will begin each morning at 9:00 a.m., provide for a break  
12 mid-morning and again for lunch, and then the afternoon  
13 will begin again at 1:30 and adjourn at 4:00.

14 Following closing arguments, the panel, my  
15 two (2) colleagues and myself, will requester ourselves  
16 and deliberate to meet our final determination on the  
17 matters before us. In the end we may accept, deny or  
18 vary MPI's application.

19 In reaching our decision, we will be  
20 guided by the evidence, written, and oral, and our  
21 determination of what represents the public interest. We  
22 are concerned not only with the short-term economic  
23 impact of MPI's operations on its rate payers, but also  
24 the fairness of the impact and MPI's long-term fiscal and  
25 operational well being.

1                   We trust that the participants at this  
2 hearing will be guided by such considerations as:  
3 Effective participation; and on point, the monetary cost  
4 of excessively wandering presentations or off-point  
5 inquiries can be high; the employment of a cooperative  
6 approach by all; and useful evidence and examination  
7 towards the objective of assisting the Panel in reaching  
8 a sound decision in the matters before it.

9                   We have, as usual, weighty and complex  
10 issues before us, and I am confident that we will  
11 approach this process with civility and make it work.

12                   I now call on Mr. Saranchuk for his  
13 introductions followed by the introductions by MPI and  
14 the Intervenors. Mr. Saranchuk will then give his  
15 introductory remarks after which I will call on the  
16 Intervenors and MPI to provide theirs. Then we will  
17 proceed with the swearing in of MPI witnesses and be  
18 away.

19                   Mr. Saranchuk...?

20                   MR. WALTER SARANCHUK: Thank you, sir.  
21 My name is Walter Saranchuk of the law firm of Pitblado  
22 LLP, and accompanying me this morning is Candace Everard  
23 of our firm. We appear as Board Counsel this morning.

24                   We are joined by the Board advisors, to my  
25 immediate left, Mr. Roger Cathcart of the Cathcart

1 Advisors Inc., the Board's Accounting Advisor; to my  
2 immediate right, Mr. Brian Pelly of Ecklar Partners, the  
3 Board's Actuarial Advisor.

4 We now, I take it, proceed with MPI's  
5 introduction and the introduction of the other  
6 representatives -- participants.

7 THE CHAIRPERSON: Mr. McCulloch...?

8 MR. KEVIN MCCULLOCH: Good morning, Mr.  
9 Chairman, Members of the Board. My name is Kevin  
10 McCulloch, I appear as Counsel for the Applicant in these  
11 proceedings. To my immediate right is Marilyn McLaren,  
12 President and Chief Executive Officer of MPI. Moving  
13 further right we have Mr. Don Palmer, Vice-President of  
14 Finance and Chief Financial Officer, and at the end of  
15 the table Mr. Ottmar Kramer, Director of Finance and  
16 Corporate Controller. To my left, Mr. Ward Keith,  
17 Executive Director, Service and Safety Operations.

18 And this Panel will constitute the -- the  
19 four (4) witnesses that will be sworn in to give evidence  
20 in these hearings.

21 We also have assisting in the back row,  
22 moving from my far left, Mr. Dean Scaletta, Acting  
23 Director Legal Services and Acting Assistant General  
24 Counsel at MPI; Jeannine Savard, Manager of Regulatory  
25 Affairs; Luke Johnston, Manager Actuarial Services; Glenn

1 Bunston, Manager Investments; Steve Promutter (phonetic),  
2 Manager Financial Reporting; and Mr. Michael  
3 Kruse, (phonetic) Manager Budgeting and Planning. Thank  
4 you.

5 THE CHAIRPERSON: Thank you, sir. Ms.  
6 Wankling, do you want to introduce CAA?

7 MS. DONNA WANKLING: Thank you. I'm  
8 Donna Wankling, representing CAA Manitoba and also  
9 representing CAA is Mr. Jerry Kruk.

10 THE CHAIRPERSON: Thank you. Mr.  
11 Dawson...?

12 MR. ROBERT DAWSON: Good morning, Mr.  
13 Chairman, Members of the Board, my name is Robert Dawson  
14 of Winnipeg's Dawson Law Chambers. I appear on behalf of  
15 the Manitoba Bar Association. We are ready to proceed.

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

18 MR. RAYMOND OAKES: Good morning, Mr.  
19 Chairman, Board Directors. I appear this morning on  
20 behalf of the Coalition of Manitoba Motorcycle Groups,  
21 the CMMG. I am Raymond Oakes, an attorney with Booth  
22 Dennehy LLP. And we are joined this morning by the Head  
23 of the CMMG, Mr. Douglas Houghton, who is well known to  
24 the Board as well.

25 THE CHAIRPERSON: Thank you, sir. Mr.

1 Saranchuk, I believe Scootering Manitoba, you are going  
2 to read the remarks into the record?

3 MR. WALTER SARANCHUK: Yes, at the  
4 conclusion of the other opening remarks.

5 THE CHAIRPERSON: Very good. And Mr.  
6 Williams...?

7 MR. BYRON WILLIAMS: Good morning, Mr.  
8 Chairman, Mr. Jorgenson and Ms. Molgat. Byron Williams,  
9 Public Interest Law Centre, appearing on behalf of the  
10 Consumers Association of Canada, Manitoba Branch, and  
11 also the Manitoba Society of Seniors. To my -- to my  
12 left is my bright young articling student, Juliana Aiken,  
13 A-I-K-E-N. And to everyone's amazement, at this early  
14 hour in the morning we are joined by Ms. Desorcy of the  
15 Consumer's Association, who advises me that this is the  
16 first time she's actually been at a PUB Hearing before  
17 nine o'clock. And so clearly she is ready to proceed as  
18 am I.

19 THE CHAIRPERSON: Very good, Mr.  
20 Williams.

21 Okay, Mr. Saranchuk...?

22 MR. WALTER SARANCHUK: Thank you, Mr.  
23 Chairman. Manitoba Public Insurance is applying to the  
24 Public Utilities Board for approval of MPI's premiums to  
25 be charged with respect to compulsory vehicle and driver

1 insurance, that is, it's rates for service for the  
2 insurance year of 2009/2010. The rates would take effect  
3 on March 1st, 2009 and are based on an overall 1 percent  
4 decrease in premium revenue.

5 The changes proposed affect average-based  
6 premiums for each major vehicle class as follows:

7 For private passenger vehicles, and there  
8 are six hundred and seventy-seven thousand (677,000)  
9 approximately of them, a 1.5 percent decrease.

10 For commercial vehicles, and there are  
11 approximately forty-one thousand (41,000) of them, a 3.9  
12 percent increase.

13 For public service vehicles, there's  
14 approximately ten thousand six hundred (10,6000) of them,  
15 a 2.3 percent increase.

16 For motorcycles, there are approximately  
17 eleven thousand (11,000) of them, a 7.2 percent increase.

18 For trailers, and there are approximately  
19 a hundred and twenty-seven thousand (127,000) of them, a  
20 3.4 percent increase.

21 And for off-road vehicles, and there are  
22 approximately forty-five thousand (45,000) of them, a  
23 14.3 percent decrease.

24 So overall, vehicles totalling some nine  
25 hundred and twelve thousand seven hundred and fifty-four

1 (912,754) will experience a 1 percent decrease in rates.

2 The impact of proposed rate adjustments on  
3 the total vehicle population is distributed and -- as I  
4 indicated and the actual premiums would vary depending on  
5 claim experience, driving record, insurance use,  
6 territory, and vehicle rate group. No changes are  
7 proposed to fleet rebates and surcharges, driver's  
8 license premiums, and existing accident surcharges and  
9 other existing time payment service and transaction fees.

10 The Corporation proposes the following  
11 rate adjustments for policies issued between March 1,  
12 2009, and February 28, 2010:

13 Firstly, annual experience-based rate  
14 adjustments of plus 15 percent to minus 15 percent for  
15 individual classes with the exception of mopeds, motor  
16 scooters, and trailers of some value of twenty-five  
17 hundred dollars (\$2,500) or less and off-road vehicles.

18 The annual -- secondly, an annual  
19 experience-based adjustment of up to 25 percent for  
20 mopeds and motorcycles with body style of motor scooter.

21 Thirdly, a combined classification offset  
22 for all vehicles except off-road vehicles to achieve  
23 revenue neutrality.

24 And finally, capping rate changes at 20  
25 percent per year except rate changes for mopeds and motor



1 scooters which are kept at 25 percent per year.

2 I now request that the following documents  
3 be entered into the evidence and marked as exhibits of  
4 the Public Utilities Board:

5 Firstly, as Exhibit PUB-1 the notice of  
6 public hearing and pre-hearing conference dated May 30th,  
7 2008.

8

9 --- EXHIBIT NO. PUB-1: Notice of public hearing and  
10 pre-hearing conference dated  
11 May 30th, 2008

12

13 MR. WALTER SARANCHUK: Secondly, as PUB-2  
14 the Board's Rules of Practice and Procedure.

15

16 --- EXHIBIT NO. PUB-2: Board's Rules of Practice and  
17 Procedure

18

19 MR. WALTER SARANCHUK: Thirdly, as PUB-3  
20 the proposed timetable for this General Rate Application.

21

22 --- EXHIBIT NO. PUB-3: Proposed timetable for this  
23 General Rate Application

24

25 MR. WALTER SARANCHUK: As Exhibit PUB-4,

1 transcript of the pre-hearing conference held on June  
2 26th, 2008.

3

4 -- EXHIBIT NO. PUB-4: Transcript of the pre-hearing  
5 conference held on June 26th,  
6 2008

7

8 MR. WALTER SARANCHUK: As Exhibit PUB-5  
9 the Public Utilities Board procedural order number 9508  
10 dated July 7th, 2008.

11

12 --- EXHIBIT NO. PUB-5: Public Utilities Board  
13 procedural order number 9508  
14 dated July 7th, 2008

15

16 MR. WALTER SARANCHUK: As Exhibit PUB-6,  
17 the reminder notice of the public hearing dated August  
18 12th, 2008.

19

20 --- EXHIBIT NO. PUB 6: Reminder notice of the public  
21 hearing dated August 12th,  
22 2008

23

24 MR. WALTER SARANCHUK: As Exhibit  
25 PUB/MPI-7-1 to 7-71, the Public Utilities Board

1 Information Requests and MPI's responses in the first  
2 round.

3

4 --- EXHIBIT NO. PUB/MPI-7-1 to 7-71:

5 Public Utilities Board  
6 Information Requests and  
7 MPI's responses in the first  
8 round

9

10 MR. WALTER SARANCHUK: As Exhibit  
11 PUB/MPI-8-1-821 Public Utilities Board Information  
12 Requests and Manitoba Public Insurance responses in the  
13 second round.

14

15 --- EXHIBIT NO. PUB/MPI-8-1 to 8-21:

16 Public Utilities Board  
17 Information Requests and  
18 Manitoba Public Insurance  
19 responses in the second round

20

21 MR. WALTER SARANCHUK: As Exhibit  
22 PUB/MPI-9 the Board's book of documents circulated this  
23 morning.

24

25 --- EXHIBIT NO. PUB/MPI-9: Book of documents

1 MR. WALTER SARANCHUK: And Exhibit  
2 PUB/MPI-10 the Board's Information Requests and Consumer  
3 Association of Canada Manitoba Inc., Manitoba Society of  
4 Seniors response.

5  
6 --- EXHIBIT NO. PUB/MPI-10: The Board's Information  
7 Requests and Consumer  
8 Association of Canada  
9 Manitoba Inc., Manitoba  
10 Society of Seniors response  
11

12 MR. WALTER SARANCHUK: Insofar as the  
13 Board inquiry this morning or the next -- the period of  
14 this hearing is concerned, cross-examination of the Board  
15 relative to the application will address the following  
16 major issues:

17 Firstly, the revenue requirement with  
18 reference to net income including comparison of actual  
19 results to forecasts.

20 Secondly, base premiums and rate  
21 methodology in light of the proposed 1 percent decrease  
22 in overall premium revenue.

23 Thirdly, MPI's RSR or Rate Stabilization  
24 Reserve.

25 Next, the investment income particularly

1 in view of the AON; that's the acronym AON report filed  
2 at AI-11 Volume III part 1 of MPI's application.

3 Next, claims incurred including claims  
4 forecasting.

5 Claims expenses and operating expenses  
6 will be the next topic and also MPI's anti-theft  
7 initiatives, particularly the Engine Immobilizer Program  
8 and the Winnipeg Auto Theft Suppression Strategy known by  
9 the acronym WATTS, W-A-T-T-S.

10 And finally we'll discuss the impact of  
11 the accounting changes on MPI's financial reporting as  
12 well as MPI's capital expenditures.

13 I'd now like to refer to the procedural  
14 outline that was distributed this morning and the second  
15 page, in particular, where those present will note that  
16 in terms of the orders of matters to be heard, there'll  
17 be the introduction of witnesses by MPI and the leading  
18 of testimony. Lead cross-examination of MPI's witness,  
19 Mr. Jeremy Bell of AON Consulting produced at the request  
20 of the Board and he will attend on September 30th which  
21 is a week from tomorrow.

22 Then there'll be, after the conclusion of  
23 that cross-examination, the cross-examination of  
24 CAC/MOS's witnesses, Professors D. Hum, H-U-M and W.  
25 Simpson, S-I-M-P-S-O-N.

1                   The presenters for this hearing will be  
2 heard this afternoon at 1:15. In terms of closing  
3 remarks, the order will be, Number 1 Board Counsel,  
4 secondly Intervenors in the order listed in the first  
5 page and finally MPI Counsel.

6                   As indicated by the Chairman, the Board  
7 will sit for the first three (3) days of this week and  
8 the first two (2) days of next week with hearing dates  
9 thereafter proposed as October 6th, 7th and 10th but  
10 finally to be determined.

11                   Those are my opening remarks, Mr.  
12 Chairman, thank you.

13                   THE CHAIRPERSON: Thank you, Mr.  
14 Saranchuk.

15                   Ms. Wankling for the CAA?

16                   MS. DONNA WANKLING: Thank you. I'm  
17 Donna Wankling with CAA Manitoba. I will be representing  
18 CAA throughout the course of this hearing as will Jerry  
19 Kruk. We will be in attendance throughout the hearing.

20                   We're here to provide a watching brief as  
21 we have in the past. We look forward to and have a  
22 particular interest in hearing about what may be called  
23 our favourite topic namely the level of the RSR.

24                   It appears that the money's being put away  
25 in reserve funds continues to grow in particular in the

1 area of extension reserves.

2 On the topic of investments and the change  
3 in methodology and accounting for investments, this will  
4 certainly be of interest to us and we look forward to the  
5 discussions with AON Consulting's Jeremy Bell and  
6 Professors Hum and Simpson.

7 The third topic of interest is of course  
8 the question of auto theft, the whole question of funding  
9 and the success or lack of success of the entire program.

10 We intend to be here throughout the entire  
11 hearings and to participate when necessary. Thank you.

12 THE CHAIRPERSON: Thank you very much.

13 Mr. Dawson...?

14 MR. ROBERT DAWSON: Thank you, Mr.  
15 Chairman. On behalf of my client, the Manitoba Bar  
16 Association, I again thank the Board for granting  
17 Intervenor status to the Bar Association.

18 As in past years the Manitoba Bar  
19 Association brings what I suggest is a unique and  
20 hopefully helpful perspective to the Board instead of  
21 advancing positions that are narrowly in the self  
22 interests of its members, the Manitoba Bar Association  
23 intends to pursue as always issues that involve broad  
24 public policy considerations that affect all Manitobans.

25 For as long as I've had conduct of this

1 matter, the Manitoba Bar Association has tested the way  
2 in which the Manitoba Public Insurance Corporation, that  
3 is the applicant in the instant proceedings, handles  
4 claims for personal injury arising out of the operation  
5 of motor vehicles and this year will be no different.

6 This year the submission of the Bar  
7 Association primarily is two-fold. First, to highlight  
8 what is submitted is the continuing unexcused and  
9 deliberate attempt by the applicant to evade closer  
10 oversight by this Board through what certainly seems to  
11 be a calculated plot to ignore the orders that this Board  
12 issues.

13 The question on all tempestuous lips  
14 surely must be, what is the point of holding these  
15 hearings if an applicant can ignore the lawful and  
16 unchallenged directions of this Board which after all has  
17 statutory oversight over the applicant?

18 The second component of the Bar  
19 Association's submission will be to show a need for  
20 urgency and diligence in enforcing the Board's orders. To  
21 do this, my client will continue its review of the way in  
22 which MPI handles personal injury claims and of course,  
23 I'm very mindful that it serves no use to revisit ground  
24 already covered by my client or any other Intervenor  
25 before this Board either this year or in past years.



1                   So to avoid such problems, my client will  
2 instead focus on selected aspects of the claim process to  
3 show that just as there were problems when I first  
4 assumed conduct of this matter five (5) years ago, those  
5 same and related problems continue.

6                   In addition to this primary thrust --  
7 thrust, my client intends to raise what My Learned  
8 Friend, Mr. Saranchuk would label, quick, snapper topics,  
9 and I certainly have had the opportunity to consult with  
10 My Learned Friend, Mr. Williams and depending on how his  
11 own cross-examination unfolds, I may be able to dispense  
12 with some, if not all, of those other topics.

13                   As always, I wish to assure the Board that  
14 the Manitoba Bar Association is working to avoid  
15 duplication and promote the effectiveness of this  
16 hearing.

17                   Turning now, to two (2) quick housekeeping  
18 matters. First, I have already objected, and I merely  
19 put it on the record, to the Board's change which came on  
20 Friday afternoon of last week, to a hearing date from 8  
21 to 7 October, 2008 and I'm confident that through the  
22 intervention conversations with Board counsel that I'll  
23 be able to resolve that particular concern and should the  
24 Board, at anytime, require me to say more, I can advise  
25 that I've already written to the Board's secretary and

1 copied that correspondence to other Intervenors.

2                   The second and very routine housekeeping  
3 matter is to ask the Board to accept as exhibits of the  
4 Manitoba Bar Association's first round information  
5 requests and responses received thereto, as well as its  
6 second round information requests and resulting  
7 responses.

8                   Failing any questions, Mr. Chairman, that  
9 concludes the opening statement of the Manitoba Bar  
10 Association. Thank you.

11                   THE CHAIRPERSON: Thank you, Mr. Dawson.  
12 Mr. Oakes...?

13                   MR. RAYMOND OAKES: Thank you, Mr.  
14 Chairman members of the Board and welcome to Fall. We  
15 send out our greetings on the first day of Fall.

16                   The issue of the CMMG's intervention takes  
17 a historical perspective at this point because it's been  
18 some seventeen (17) years that we've been granted  
19 Intervenor status. You would think over that elapse of  
20 time that some complacency might set in, certainly in --  
21 in an environment where the applicant has good cash  
22 reserves and we'll certainly probably hear the applicant  
23 say that, you know, very little has changed. But I think  
24 that that's one (1) of the major deficiencies that the  
25 CMMG will look at, is the lack of change and response to

1 the phenomenon of increased claims expenses over that  
2 period of time.

3 Looking at the rates, the average rate for  
4 motorcyclist's has risen by six-hundred and five dollars  
5 (\$605) since 2000. Over the last decade, the average  
6 rate has doubled for motorcyclists. When we look at this  
7 year's application, we see that there's some fourteen  
8 (14) private passenger vehicles that receive a rate  
9 increase of more than a hundred dollars (\$100). Whereas,  
10 for motorcyclists that would be some five-thousand,  
11 seven-hundred and eight-five (5,785) motorcyclists would  
12 receive an increase over one hundred dollars (\$100). So  
13 certainly complacency shouldn't be the order of the day.

14 Mr. Chairman, we propose to look, as we  
15 have in addition to the rates that I've just talked  
16 about, at the road safety expenditures because we feel  
17 the applicant can be doing much more in addressing those  
18 claim's costs and premium increases by way of investment  
19 in road safety.

20 We'll be looking at the reserves and the  
21 risk margins which continue to increase, year after year  
22 in several different venues. Look at the operating of  
23 the costs of the corporation, which continue to sky-  
24 rocket and their capital expenditures, similarly.

25 We'll be dealing with some motorcycle

1 unique issues like the declared value ranges, the engine  
2 displacement ranges, the single vehicle accident  
3 phenomenon in Manitoba, as that's represented as well in  
4 wildlife claims on a single vehicle accident side.

5 We'll be examining the rate-line  
6 adjustment in dealing with sport-bike issues, and also  
7 other issues such as pleasure use by motorcycles and the  
8 basic comprehensive plan to the extent that we're allowed  
9 to cross-examine on that basis, and we would hope that  
10 our intervention would assist the Board in reaching a  
11 sound decision.

12 At this time, Mr. Chairman, that's my  
13 opening comments. If the Board wishes, we can mark the  
14 first and second round IR's at this time, as exhibits?

15 THE CHAIRPERSON: Very good. Thank you,  
16 sir.

17

18 --- EXHIBIT NO. CMMG-MPI-1-1 TO 1-82:

19 Coalition of Manitoba Motorcycle  
20 Groups' Information Requests and  
21 Manitoba Public Insurance's  
22 Responses - 1st Round.

23

24 --- EXHIBIT NO. CMMG-MPI-2-1 TO 2-37:

25 Coalition of Manitoba Motorcycle

1                   Groups' Information Requests and  
2                   Manitoba Public Insurance's  
3                   Responses - 2nd Round.

4  
5                   THE CHAIRPERSON:     Mr. Williams...?

6                   MR. BYRON WILLIAMS:     Yes, thank you, Mr.  
7                   Chairman and good morning MPI.

8                   I think I said this in one previous  
9                   hearing, but my favourite regulatory question of all time  
10                  is the one that's invariably asked by Mr. -- My Friend,  
11                  Mr. Saranchuk, he of the beautiful ties, right at the  
12                  onset of each hearing and the question goes something  
13                  like this:

14                  Does the Corporation accept that it bears  
15                  the onus of proof in supporting its application?

16                  And to date the Corporation's answer each  
17                  year has been yes. An express acknowledgement that it  
18                  has the obligation to establish first, that its projected  
19                  revenue forecasts are reasonable.

20                  Secondly, that its projected cost  
21                  forecasts are reasonable and third, that the costs it  
22                  seeks to recover from ratepayers are both prudent and  
23                  necessary.

24                  And my clients see this question of onus  
25                  as central to their position in this hearing in two (2)

1 different ways -- two (2) material ways.

2                   First, if MPI meets its onus in terms of  
3 the reasonableness of its expenditures and its forecast,  
4 in closing arguments my clients will not -- and I  
5 underline the word not -- will not be supporting the 1  
6 percent proposed rate decrease.

7                   The simple reason is that if the MPI  
8 expenditures are found to be prudent and the forecasts  
9 are found to be reasonable, my clients consider that  
10 projecting a net loss for rating purposes of over \$4  
11 million to be budgeting for a loss.

12                   And so the first point my clients wish to  
13 emphasize in this hearing is that they will not support a  
14 planned draw -- draw down of the RSR through a rate  
15 decrease.

16                   The second and equally important issue  
17 relating to the onus comes to -- is whether MPI can  
18 discharge its evidentiary burden of establishing that its  
19 forecasts are reasonable and its projected expenditures  
20 are prudent and necessary.

21                   On this point my clients will first ask  
22 the question:

23                   Can we reasonably rely on the  
24 Corporation's forecasts of its claims incurred, its  
25 operating and claims expenses, and its revenues and net

1 income? Or does the results of the last four (4) years  
2 suggest less reliance should be placed on the  
3 Corporation's forecasts?

4                   Secondly, in this regard, my clients will  
5 test the prudence and reasonableness of the forecast of  
6 expenditures of MPI for 2009/'10, and my clients expect  
7 MPI may experience some challenges in this regard.

8                   First of all, given its recent track  
9 record in terms of expenditure control, secondly, given  
10 the absence of those long awaited benchmarks which at  
11 some distant point in the future should allow us to test  
12 the reasonableness of MPI's expenditures against  
13 expenditures in other jurisdictions.

14                   And we also note that the Corporation's  
15 ability to meet its onus of establishing the prudence and  
16 reliability of its expenditures may be hampered by the  
17 opacity it itself has created by immunizing driver and  
18 vehicle licencing from regulatory scrutiny.

19                   And we wish all par -- parties in this  
20 proceeding good luck in attempting to untangle exactly  
21 what percentage of the almost two thousand (2000) full  
22 time equivalent staff should be attributed to the basic  
23 program as it may be attributed to different parts of the  
24 program, and that will be a complicated task.

25                   A third area of scrutiny of my clients

1 relates to the question whether the Corporation can  
2 demonstrate that its investment policy on a going-forward  
3 basis will be efficient in maximizing the return for the  
4 Corporation's ratepayers given both acceptable risk  
5 tolerances and policy constraints.

6 In that task, CAC/MSOS will be ably  
7 assisted by the always insightful and quite often  
8 entertaining team of Dr. Wayne Simpson and Dr. Derek Hum  
9 who some Board members will be familiar with either from  
10 the recent Payday Lending proceeding or the Manitoba  
11 Public Insurance General Rate Application of two (2)  
12 years ago.

13 As usual, my clients will follow with  
14 great interest issues relating to road safety and other  
15 loss prevention initiatives, PIP, the RSR and with some  
16 trepidation, the numerous accounting issues that are  
17 presented in this proceeding.

18 Just to finish, Mr. Chairman and Members  
19 of the Board, it's fair to say that notwithstanding what  
20 will hopefully be some assertive questions my clients may  
21 pose in this proceeding, they continue to believe, as do  
22 most Manitobans, that a publicly owned and transparently  
23 regulated basic insurance monopoly has tremendous  
24 potential to provide Manitobans with affordable,  
25 efficient and quality auto insurance while achieving



1 other important public objectives such as the  
2 minimization of the tragic economic and social cost of  
3 accidents.

4 So my client's participation in this  
5 proceeding will be premised on the goal of a transparent  
6 rate setting process aimed at providing affordable,  
7 efficient, and quality service.

8 Just as a bookkeeping way to conclude my  
9 comments, Mr. Chairman, I'd ask that the first round  
10 Information Requests of CAC/MSOS and the responses of MPI  
11 be in 1-1 through 1-54, the second round Information  
12 Requests and responses of MPI be in 2-1 through 2-21, and  
13 the third round exhibit, CAC/MSOS Exhibit Number 3 being  
14 the evidence of Dr. Hum and Simpson, be entered and  
15 marked as exhibits in this proceeding. Thank you.

16 THE CHAIRPERSON: Very good and thank  
17 you, Mr. Williams.

18 Mr. Saranchuk, coming back to you with  
19 reading in Scootering Manitoba, I had one (1) other  
20 question. The Manitoba Used Car Dealers' Association  
21 were granted Intervenor status but have chosen not to  
22 participate. They had a number of IRs on there. We  
23 probably should put them on the record as well.

24 MR. WALTER SARANCHUK: Yes, sir. So then  
25 we can have marked as exhibits, MUCDA's first round.

1 And if there were any second round Information Requests,  
2 have those marked as Exhibits 1. And if there were  
3 second round IRs, it would be Exhibit Number 2.

4

5 --- EXHIBIT MUCDA/MPI-1:

6 Manitoba Used Car Dealers'  
7 Association's Information Requests  
8 and Manitoba Public Insurance's  
9 Responses - 1st Round.

10

11 --- EXHIBIT MUCDA/MPI-2:

12 Manitoba Used Car Dealers'  
13 Association's Information Requests  
14 and Manitoba Public Insurance's  
15 Responses - 2nd Round.

16

17 MR. WALTER SARANCHUK: Proceeding with  
18 the statement on behalf of Scootering Manitoba, this is  
19 dated September 11th, 2008, and it's the Scootering  
20 Manitoba opening statement provided for MPI for this rate  
21 application. It goes as follows:

22 "Mr. Chairman, Members of the Board, I  
23 thank you for the opportunity to submit  
24 our opening statement in lieu of attending  
25 the hearing in person. I'd like to use

1 this opportunity to highlight to the Board  
2 the concerns of our membership relating to  
3 the GRA.

4 In past hearings we have described the  
5 correlation of scooter popularity with  
6 increases in gas pricing. The past two  
7 (2) years have been exceptional for growth  
8 and fuel efficient scooters. Our  
9 organization continues its efforts to  
10 encourage use of protective riding gear  
11 and safe riding practices for these new  
12 riders.

13 While we are disappointed in the continued  
14 increase in rates for mopeds and motor  
15 scooters, we are pleased that MPI  
16 continues to observe previous Board orders  
17 to cap increases at 25 percent.

18 Scootering Manitoba would like to  
19 highlight two (2) areas of concern:  
20 Firstly, better information for consumers.  
21 The current legal definition of moped is  
22 confusing for consumers and difficult for  
23 MPI to administer. The experience of our  
24 members suggests that a significant number  
25 of insurance brokers are providing

1 incorrect or incomplete information  
2 regarding the distinction. In some cases  
3 this results in incorrect classification  
4 of a motor scooter as a moped or vice  
5 versa.

6 We are aware that MPI has made attempts to  
7 ensure brokers are well-informed on moped  
8 laws and restrictions. We would like to  
9 encourage MPI to provide a simple brochure  
10 or information package to increase the  
11 consistency of information provided to  
12 consumers.

13 The second area of concern is vehicle  
14 repair costs relative to motor scooters  
15 and mopeds. Excuse me. In responding to  
16 the second round interrogatory of  
17 Scootering Manitoba, MPI identified that  
18 claims adjusters will obtain a variety of  
19 repair estimates when the cost of repair  
20 is suspect. This implies that adjusters'  
21 experience and judgment is the sole basis  
22 upon which multiple estimates are required  
23 for moped/ scooter repair estimation.

24 Scootering Manitoba would prefer to see a  
25 more stringent protocol that requires the

1 adjuster to obtain at least two (2)  
2 estimates when the motor scooter or moped  
3 does not appear in the repair estimate  
4 manual.

5 Regards, Claudio Sousa on behalf of  
6 Scootering Manitoba."

7 That is the statement and I would ask that  
8 for the record the first round and second round  
9 Information Requests of that Intervenor be marked as  
10 Exhibits 1 and 2.

11 THE CHAIRPERSON: Very good, Mr.  
12 Saranchuk.

13

14 --- EXHIBIT NO. SCMB/MPI-1:

15 Scootering Manitoba's Information  
16 Requests and Manitoba Public  
17 Insurance's Responses - 1st Round

18

19 --- EXHIBIT NO. SCMB/MPI-2:

20 Scootering Manitoba's Information  
21 Requests and Manitoba Public  
22 Insurance's Responses - 2nd Round

23

24 THE CHAIRPERSON: Mr. McCulloch...?

25 MR. KEVIN MCCULLOCH: Mr. Chairman, I



1 interested parties were  
2 served with the Notice of  
3 Public Hearing and the Rate  
4 Application

5  
6 MR. KEVIN MCCULLOCH: As Exhibit number  
7 2, the affidavit of Zdenka Melnyk with attached exhibits  
8 of Notice of Public Hearing and Pre-Hearing Conference,  
9 dated May 30th, 2008, published in the required  
10 newspapers.

11  
12 --- EXHIBIT NO. MPI-2: The affidavit of Zdenka  
13 Melnyk with attached exhibits  
14 of Notice of Public Hearing  
15 and Pre-Hearing Conference,  
16 dated May 30th, 2008,  
17 published in the required  
18 newspapers

19  
20 MR. KEVIN MCCULLOCH: And as Exhibit  
21 number 3, the affidavit of Zdenka Melnyk with attached  
22 exhibits of Reminder Notice of the Public Hearing dated  
23 August 2008, published in the required newspapers.

24  
25 --- EXHIBIT NO. MPI-3: The affidavit of Zdenka

1 Melnyk with attached exhibits  
2 of Reminder Notice of the  
3 Public Hearing dated August  
4 2008

5  
6 MR. KEVIN MCCULLOCH: As Exhibit Number  
7 4, the MPI Rate Application Volume I, filed June 13th,  
8 2008; Exhibit number 5, MPI Rate Application Volume II,  
9 dated June 13th, 2008; and as Exhibit number 6, MPI Rate  
10 Application Volume III, filed June 13th, 2008. Thank  
11 you.

12

13 --- EXHIBIT NO. MPI-4: The MPI Rate Application  
14 Volume I, filed June 13th,  
15 2008

16

17 --- EXHIBIT NO. MPI-5: MPI Rate Application Volume  
18 II, dated June 13th, 2008

19

20 --- EXHIBIT NO. MPI-6: MPI Rate Application Volume  
21 III, filed June 13th, 2008

22

23 THE CHAIRPERSON: Thank you, sir. Oh,  
24 thank you. We will now proceed with the evidence.

25

To begin with we should have MPI's Panel



1 of witnesses sworn or affirmed and then we can hear from  
2 MPI. Mr. Gaudreau...?

3

4 MPI PANEL:

5 WARD KEITH, Sworn

6 DON PALMER, Sworn

7 MARILYN MCLAREN, Sworn

8 OTTMAR KRAMER, Sworn

9

10 THE CHAIRPERSON: Thank you, sir.

11 Mr. McCulloch...?

12 MR. KEVIN MCCULLOCH: Mr. Chairman, the  
13 prefiled testimony of the four (4) witnesses who have now  
14 been sworn appears in MPI Exhibit number 4, Volume I of  
15 the application. There is no intention to lead any new  
16 direct evidence from any of the four (4) witnesses. We  
17 are ready to proceed with cross-examination.

18 THE CHAIRPERSON: Mr. Saranchuk...?

19 MR. WALTER SARANCHUK: Thank you, sir.

20

21 CROSS-EXAMINATION BY MR. WALTER SARANCHUK:

22 MR. WALTER SARANCHUK: Now, Ms. McLaren,  
23 can you confirm that the Corporation accepts that it  
24 bears the onus of proving its case to substantiate its  
25 General Rate Application?

1 MS. MARILYN MCLAREN: Yes.

2 MR. WALTER SARANCHUK: And that MPI  
3 agrees that it carries the onus to establish that its  
4 rates are just and reasonable?

5 MS. MARILYN MCLAREN: Yes.

6 MR. WALTER SARANCHUK: The premium rates  
7 proposed in this application are based on a 1 percent  
8 decrease in written premium revenue?

9 MS. MARILYN MCLAREN: Yes.

10 MR. WALTER SARANCHUK: And experience-  
11 based rate adjustments are applied ranging from minus  
12 15 percent to plus 15 percent?

13 MS. MARILYN MCLAREN: Yes.

14 MR. WALTER SARANCHUK: And as I  
15 understand it there are classification offsets  
16 adjustments -- or offset adjustments that are applied to  
17 achieve revenue neutrality.

18 Is that correct?

19 MS. MARILYN MCLAREN: Yes.

20 MR. WALTER SARANCHUK: And as I  
21 understand it one (1) includes the rate group offset and  
22 the other the rate line offset. And could you just  
23 explain those two (2) at a high level, please?

24 MS. MARILYN MCLAREN: I'll have Mr.  
25 Palmer do that.

1                   MR. DON PALMER:     The rate group offset  
2     pertains to our CLEAR rate groups that we receive from  
3     the Insurance Bureau of Canada.

4                   MR. WALTER SARANCHUK:    CLEAR, being the  
5     acronym for...?

6                   MR. DON PALMER:     Canadian Loss Experience  
7     Automobile Rating.  And when we apply those, we want to  
8     apply each on a revenue-neutral basis within use in  
9     territory.  So if there are changes that come about by  
10    the -- the overall shift in rate group for a given use  
11    territory, then we would offset that back.  So it's  
12    otherwise revenue-neutral.

13                   For the rate-line adjustment, it's very  
14    similar to that.  We do adjust the relationship of rate  
15    from rate group to rate group, to make sure that that  
16    relative ranking remains intact.  And again, if that  
17    changes an overall level, than we offset that as well.

18                   MR. WALTER SARANCHUK:    And these  
19    classification adjustments are in addition to the  
20    experience rate adjustments?

21                   MR. DON PALMER:     That's -- that's  
22    correct.  But since it's offset, those are revenue-  
23    neutral.

24                   MR. WALTER SARANCHUK:    Yes, thank you.  
25    Can you confirm that motorcycle rate-line adjustments are

1 revenue-neutral for 2009/'10 as opposed to the private  
2 years where the -- prior years where offsets were not  
3 applied to motorcycles for rate-line differentials.

4 MR. DON PALMER: That's correct.

5 MR. WALTER SARANCHUK: And there is now  
6 an addition of the sport-touring body style for  
7 motorcycles. Is that correct?

8 MR. DON PALMER: No, that is not new this  
9 year. We have had differentials for body styles in the  
10 past as well.

11 MR. WALTER SARANCHUK: Okay, I thought  
12 there was an introduction of the sport-touring body  
13 style?

14 MR. DON PALMER: Sorry, I was just a  
15 sport bike. Yes, there is a new body style this year of  
16 sport-touring.

17 MR. WALTER SARANCHUK: Thank you, sir.  
18 And in total, all adjustments are subject to an  
19 overriding cap of 20 percent as set out in Board Order  
20 number 14804 and 25 percent for mopeds and motor scooters  
21 directed by the Board in Order 15606.

22 Is that correct?

23 MR. DON PALMER: That's correct.

24 MR. WALTER SARANCHUK: In Volume 1, in  
25 Section SM6.4, the common carrier local passenger rates

1 are indicated in Territory 4 as being, Adjusted to ensure  
2 that they are not lower than the all purpose rates for  
3 that territory.

4 Is that correct?

5 MR. DON PALMER: That's correct.

6 MR. WALTER SARANCHUK: And the light  
7 farming all purpose truck in Territory 3 is, Adjusted to  
8 ensure that -- or, it is -- they're adjusted to ensure  
9 that they are not lower than rates for the same insurance  
10 Territory 2.

11 Is that correct?

12 MR. DON PALMER: Reference again, please?

13 MR. WALTER SARANCHUK: SM-6.4?

14 MR. DON PALMER: That's correct.

15 MR. WALTER SARANCHUK: And as well,  
16 vehicles with the following four (4) insurance uses for  
17 the commuter territory are adjusted to ensure that they  
18 are not lower than the rates for the same insurance uses  
19 in Territory 2. Namely all purpose motorcycles, other  
20 body style all purpose motorcycles, a touring body style,  
21 light farming all purpose trucks and other trucks.

22 Is that correct?

23 MR. DON PALMER: That's correct.

24 MR. WALTER SARANCHUK: And as I  
25 understand it, there's a correction of a rating anomaly

1 for busses so that the relative ranking rules to ensure -  
2 - are imposed to ensure that the rate increases as  
3 seating capacity range for busses increases?

4 MR. DON PALMER: That's correct.

5 MR. WALTER SARANCHUK: And in terms of  
6 the revenue adjustment requested, and this is indicated  
7 at SM6.5, could you confirm, sir, that there's no change  
8 in driver's license premiums?

9 MR. DON PALMER: Confirmed.

10 MR. WALTER SARANCHUK: And that the major  
11 uses, insofar as they are concerned, and this is  
12 indicated at SM-6.5, page 7, the adjustments range of in  
13 between minus 14.3 percent for off-road vehicles or ORVs  
14 to plus 7.2 percent for motorcycles.

15 Is that correct, sir?

16 MR. DON PALMER: That's correct.

17 MR. WALTER SARANCHUK: And as indicated  
18 again, on page 7 of SM-6.5, on a territorial basis, rate  
19 adjustments range from minus 4.2 percent in Territory 3  
20 to minus 0.1 percent for commuters.

21 Is that correct?

22 MR. DON PALMER: That's correct.

23 MR. WALTER SARANCHUK: And as in --  
24 indicated earlier, can you confirm that for mopeds and  
25 motor scooters, however, the experience-based rate

1 adjustment is capped at 25 percent as per the Board  
2 order, two (2) years ago?

3 MR. DON PALMER: I can confirm that as  
4 well.

5 MR. WALTER SARANCHUK: And can you  
6 confirm, sir, and this is indicated at SM-4, page 12,  
7 that in respect to the motorcycle rates, the changes  
8 range from an increase of 13.8 percent for rate group  
9 zero to a decrease of 3.2 percent for rate groups four  
10 (4) and five (5)?

11 MR. DON PALMER: That's the rate  
12 increases by rate group. Yes, that's true.

13 MR. WALTER SARANCHUK: Thank you, sir.  
14 And finally, just by way of housekeeping here, there's no  
15 change in service for transaction fees and no change in  
16 perimeter certificate fees.

17 Is that correct?

18 MR. DON PALMER: That's correct.

19 MR. WALTER SARANCHUK: And there's no  
20 change in the forty dollars (\$40.00) discount provided to  
21 customers with approved anti-theft devices?

22 MR. DON PALMER: That would be approved  
23 after market, anti-theft devices, yes.

24 MR. WALTER SARANCHUK: And there's a  
25 continuation of the free immobilizer offer for Most at

1 Risk or MAR, M-A-R vehicles throughout the province?

2 MR. DON PALMER: That's true.

3 MR. WALTER SARANCHUK: And as I  
4 understand it, sir, the most at risk list has been  
5 expanded to include fifty thousand (50,000) more vehicles  
6 this year from mandatory immobilized -- the immobilizer  
7 installations, that being announced in May of this year.

8 And can you just explain the rationale for  
9 the expansion of that MAR list?

10 MR. DON PALMER: The -- and just a bit of  
11 an explanation background, the derivation of that Most at  
12 Risk list originally, back -- oh, I'm thinking probably  
13 three (3) or four (4) years ago now, we did an analysis  
14 to -- to try and identify which vehicles were being  
15 stolen more often than others.

16 And we found it -- really, there -- there  
17 was a real high correlation in certain vehicle types and  
18 their propensity to be stolen.

19 And I think at that time we discovered  
20 there was about 17 percent of vehicles that accounted for  
21 about 68 percent of thefts. So that certainly highlights  
22 a need to -- to do some sort of intervention for those  
23 particular vehicles.

24 We -- and we established the Most at Risk  
25 list which we have all called by the acronym MAR so I may



1 slip into MAR every once in awhile.

2 That -- that list we are now completed  
3 with the -- immobilization of all vehicles on that Most  
4 at Risk list. We haven't completely eliminated auto  
5 theft yet and we -- and we saw some migration into that  
6 next category of vehicles that the thefts -- the thieves  
7 couldn't take the Most at Risk one list so -- so we're  
8 looking for alternatives so to speak.

9 And that really is what makes up the Most  
10 at Risk list. The new list, again, we call it MAR-2 and  
11 that compulsory immobilization of those vehicles is  
12 underway October 1st.

13 MR. WALTER SARANCHUK: Thank you, sir.  
14 So that as I understand it, coupled with the new  
15 Transport Canada requirement for electronic immobilizers  
16 on all new vehicles manufactured for sale in Canada after  
17 September 1st of last year, the Corporation expects more  
18 than 70 percent of the Winnipeg vehicle fleet will be  
19 protected against auto theft by September 2009.

20 Is that correct?

21 MR. DON PALMER: Protected with approved  
22 devices, that's true.

23 MR. WALTER SARANCHUK: Thank you, sir.  
24 In terms of the base premiums applied for, this is dealt  
25 with in SM6.6 on page 8 and just ask you to confirm, sir,

1 that by way of the following summary, the 2009/2010  
2 modelling process considers a vehicle population of nine  
3 hundred and twelve thousand, seven hundred and fifty-four  
4 (912,754) vehicles.

5 Is that correct?

6 MR. DON PALMER: I haven't put my thumb  
7 on that number but I'll take your word for it, sure.

8 MR. WALTER SARANCHUK: Thank you. And as  
9 I understand it, 65 percent will receive a rate decrease  
10 while 2 percent will experience no change in rates and 32  
11 percent will experience rate increases.

12 Is that correct, sir?

13 MR. DON PALMER: That's correct.

14 MR. WALTER SARANCHUK: And of course on  
15 an overall basis a 1 percent rate decrease is being  
16 requested by the Corporation.

17 MR. DON PALMER: Yes.

18 MR. WALTER SARANCHUK: And of course,  
19 individual vehicle premiums will be impacted by rate  
20 experience adjustments, rate group changes, offset  
21 adjustments, clear rate line adjustments and rate line  
22 differential adjustments so although no change in vehicle  
23 rates is being sought, 32 percent of vehicle owners will  
24 nonetheless be paying more with this application.

25 Is that correct?

1 MR. DON PALMER: With the one (1)  
2 correction that we are proposing a 1 percent rate  
3 decrease overall rather than no change as -- as you had  
4 said; otherwise that's true, yes.

5 MR. WALTER SARANCHUK: Thank you.

6

7 (BRIEF PAUSE)

8

9 MR. WALTER SARANCHUK: Now, at SM-6.3 on  
10 page 3 in terms of the indicated experience  
11 adjustments...

12

13 (BRIEF PAUSE)

14

15 MR. WALTER SARANCHUK: ...the headings  
16 appear there as Financial, Exponential, and Linear. Very  
17 briefly, could you explain the headings in those columns?

18 MR. DON PALMER: Sure. Essentially there  
19 are three (3) forecasting techniques for forecasting  
20 future rate changes, specifically claims costs which is  
21 the major part of -- of the rate requirement.

22 The financial forecast comes from a -- the  
23 claims forecasting committee. It's a multi-disciplinary  
24 committee of the Corporation which forecasts what claims  
25 costs are going to be in the future and that uses both

1 past trends as well as some field information to easily  
2 or -- to -- to identify new trends in -- in the data that  
3 we're seeing so a little more responsive than -- than  
4 just looking at the data.

5           The exponential and linear techniques are  
6 just curve-fitting, so to speak, to take the past  
7 experience, past claims experience, and fit either an  
8 exponential curve which would mean that we're looking at  
9 a percentage increase or percentage change from year-to-  
10 year and fitting a curve to that particular line.

11           With a linear adjustment, it's fitting a  
12 straight line to the vast experience and that would  
13 assume that we have a fixed dollar increase each year  
14 rather than a percentage increase.

15           So those are -- the exponential and -- and  
16 linear are used as -- as benchmarks to -- to actually  
17 test the financial forecast, but it's the financial  
18 forecast that we use for creating our pro-forma  
19 statements and the basis of this application.

20           MR. WALTER SARANCHUK: Thank you, sir.  
21 And with reference to what appears in the table for the  
22 experience rate requirement indicators under the three  
23 (3) financial methodol -- or actuarial methodologies, on  
24 page 3, could you just compare those then with the  
25 required rate adjustments by major use in territory which

1 appears on page 7 just four (4) pages over, just very  
2 generally at a high level.

3

4

(BRIEF PAUSE)

5

6

MR. DON PALMER: Specifically, the  
7 financial forecast you're talking about or --

8

MR. WALTER SARANCHUK: Yes, sir.

9

MR. DON PALMER: For private passenger  
10 vehicles, the indicator is a decrease of 1.4 percent; we  
11 are requesting a decrease of 1.5 percent.

12

For commercial vehicles the indicator is  
13 an increase of 2.6; we are requesting an increase of 3.9.

14

For public vehicles the indicator is zero;  
15 we're increase -- requesting an increase of 2.3 percent.

16

For motorcycles the indicator is 13.2  
17 percent; we are requesting 7.2.

18

For trailers the indicator is plus 6.1  
19 percent; the -- we are requesting 3.4 percent.

20

For off-road vehicles we're -- the  
21 indication is a decrease of 60.4 percent; that's six zero  
22 point four (60.4). We are requesting a decrease of  
23 fourteen three (14.3), and on an overall basis, we are  
24 requesting the financial forecast indicator of negative 1  
25 percent.

1                   MR. WALTER SARANCHUK:    And again, in  
2 general, what gives rise to the differences in what is  
3 being proposed as opposed to the -- the actual indicator?

4                   MR. DON PALMER:        There's a couple of  
5 things but by and large is our -- is the caps that we  
6 have talked about and the rules of -- of getting to plus  
7 and minus 15 percent and the experience changes.

8                   So if there is one (1) category that would  
9 be -- not get their indicated rate, then certainly that -  
10 - those changes have to be spread out over other vehicle  
11 groups.

12                   MR. WALTER SARANCHUK:    Thank you, sir.  
13 Now I would turn the MPI panel witnesses to SM-8 in  
14 Volume I and indicate that we will ask you to address at  
15 a high level, all issues and recommendations arising out  
16 of the Board order last year.  And again I'd ask that  
17 just be addressed in terms of an answer in summary form.

18                   You don't have to read everything that's  
19 appearing in SM-8 but just give us a general indication  
20 of what the Corporation has done in response to the PUB  
21 order and recommendations last year.

22                   So that in SM-8.1 for example, the premium  
23 rebate where the PUB ordered that MPI provide a premium  
24 rebate of 10 percent to all policyholders who paid a  
25 basic compulsory insurance premiums in 2006/'07, there's

1 an indication there of a number of cheques being issued  
2 et cetera, what does the Board's -- I'm sorry, what is  
3 the Corporation's response to that particular order, sir?

4 MR. DON PALMER: We were ordered to  
5 provide a 10 percent rebate to all customers based on  
6 their 2006/'07 premiums and we did that and the cheques  
7 were mailed in early May of 2008.

8 MR. WALTER SARANCHUK: And as I  
9 understand it, there was some five hundred and fifty-one  
10 thousand three hundred and fifty-eight (551,358) cheques  
11 issued and on the rebate cheques mailed in 2007 and 2006,  
12 there are a number that remain undelivered or uncashed as  
13 at May 23rd, 2008.

14 For example, approximately some twelve  
15 thousand six hundred dollars (sic) (\$12,600) in the 2006  
16 rebate cheques totalling seven hundred and eighty-five  
17 thousand four hundred and ninety-five dollars (\$785,495).

18 And for the 2007 rebate cheques there  
19 remain undelivered or uncashed some eleven thousand four  
20 hundred and ninety-eight (11,498) cheques totalling  
21 seven hundred and seventeen thousand seventy (717,070).

22 Is that correct? Dollars that is.

23 MR. DON PALMER: Subject to check, I  
24 think those numbers were included in a information  
25 response

1 but --

2 MR. WALTER SARANCHUK: They appear in SM-  
3 8.1.

4 MR. DON PALMER: Okay, I'll confirm that.

5 MR. WALTER SARANCHUK: Thank you. There  
6 was a request -- this is addressed at SM-8.2 that the  
7 PIP, Personal Injury Protection Plan infrastructure  
8 initiative be updated by May 5th, 2008 and as I  
9 understand it, there was some response to that by the  
10 Corporation?

11 MR. DON PALMER: Yes. That material was  
12 filed with the PUB and Intervenors on May the 5th, 2008  
13 and was re-filed as part of this application in AI-20 of  
14 Volume III.

15 MR. WALTER SARANCHUK: Thank you, sir.  
16 And what can you tell us about the cost allocation review  
17 indicated in SM-8.3 on page 2 of SM-8 wherein the order  
18 last year the Board requested that -- ordered MPI to  
19 undertake a cost allocation review in consultation with  
20 the Board and file the results at the next General Rate  
21 Application.

22 Can you give me an idea of the response by  
23 the Corporation by way of an update?

24 MR. DON PALMER: We, through  
25 correspondence with -- with the Board, after this PUB





1 And at SM-8.5 in the Board Order last year,  
2 Recommendation 8(a) stated that MPI provide an update to  
3 the Board on or before June 30th, 2008 on (a) the  
4 business process review and driver safety rating program  
5 development, and that is answered at length or addressed  
6 at length on pages 2 and 3 of SM8 by the Corporation at a  
7 very high level.

8 Can you just give us an update on what has  
9 transpired there, sir?

10 MR. DON PALMER: We're well underway with  
11 a number of those initiatives with, I guess, the -- the  
12 biggest development with regard to driver safety rating  
13 and -- and streamlined renewal process which we will be  
14 coming to the Board with a application in January, I  
15 think our filing date is January 30th of -- of 2009,  
16 looking forward to the special hearing likely in April.

17 MR. WALTER SARANCHUK: Thank you, sir.  
18 And in addressing SM-8.6, the auto theft initiatives and  
19 auto theft statistics and costs in 2007 and '08, again  
20 there's a couple of pages, or at least a page and a half,  
21 of information provided by the Corporation. Can you give  
22 us an update on that particular topic, namely the auto  
23 theft statistics and costs in '07/'08 at a high level at  
24 this juncture?

25 MR. DON PALMER: I'm sure we'll get into

1 much detail over the next couple of days but by in large,  
2 the Corporation is very, very pleased with the outcome of  
3 those particular initiatives and we have seen dramatic  
4 decreases in auto theft and attempted auto theft, due  
5 mainly to these two (2) initiatives.

6 MR. WALTER SARANCHUK: Thank you. And at  
7 SM-8.7 it's indicated that the Board ordered last year in  
8 Order number 6 that MPI submit to the Board the proposed  
9 terms of reference for the Plan 2008 Assets Allocation  
10 Review and could you please respond to that?

11 MR. DON PALMER: We did provide a copy of  
12 the RFP for that Asset Allocation Review. In addition,  
13 that study is -- was completed, I believe, in March of --  
14 of this year and we have filed the -- that study as part  
15 of the evidence in these proceedings.

16 MR. WALTER SARANCHUK: And that's the  
17 AON, A-O-N Consulting Report?

18 MR. DON PALMER: That's correct.

19 MR. WALTER SARANCHUK: And at SM-8.8,  
20 it's mentioned that the Board ordered MPI to provide an  
21 update on progress related to the planned Expert  
22 Independent Review of driver education and training and  
23 there is a lengthy response by the Corporation on that  
24 particular topic.

25 Can you, at a high level, just give us an

1 update on that?

2 MR. DON PALMER: I will pass that over to  
3 Mr. Keith.

4 MR. WARD KEITH: As was discussed with  
5 the Board last year the Corporation has initiated two (2)  
6 streams for driver education evaluation: The first is a  
7 formative evaluation which is intended to focus on the  
8 program's theory standards, instructional products,  
9 processes and outcomes, so the -- the details with  
10 respect to our current program.

11 And with respect to that evaluation, North  
12 Port Associates has been -- has been appointed to -- to  
13 lead that evaluation and work is well underway with  
14 respect to the first year's work plan for that five (5)  
15 year evaluation.

16 The second is a summit of evaluation and  
17 we spoke about that again last year with respect to the  
18 Corporation being asked to participate in a three (3)  
19 jurisdictions -- three (3) jurisdictional study to look  
20 at the effectiveness of the driver education program in -  
21 - in terms of actual outcomes and work again is underway  
22 with respect to that evaluation, the North Port  
23 Associates and Traffic Injury Research Foundation, two  
24 (2) Canadian firms have been appointed by AAA in the  
25 United States to pursue that evaluation, and -- and

1 Manitoba as well as two (2) other jurisdictions have been  
2 identified to participate in that evaluation.

3 MR. WALTER SARANCHUK: Thank you, sir.  
4 At page 8 of SM-8, there's reference to the Board  
5 recommendation last year that MPI consult with policing  
6 agencies in the province with respect to remedying  
7 evident diminished traffic law enforcement.

8 Could you provide us with an update in  
9 respect of -- of that recommendation and the  
10 Corporation's position on it, Mr. Keith?

11 MR. WARD KEITH: Our discussions have  
12 been focussed primarily with the RCMP and with the  
13 Winnipeg police service. With respect to the RCMP, work  
14 is underway in order to look at expanding their traffic  
15 enforcement initiatives and we have spoken in the  
16 contents to this application to an agreement that we've  
17 reached for a two (2) year pilot with the RCMP in order  
18 to assist them in identifying and -- and providing  
19 further analysis to accident and conviction data across  
20 the province so they can better target their enforcement  
21 activities.

22 With respect to the Winnipeg police  
23 service, we have had discussions with the police service  
24 both at the operational and at the executive level and --  
25 and they have reaffirmed their -- their commitment to

1 traffic safety as being imp -- an important priority.

2 MR. WALTER SARANCHUK: Thank you, sir.

3 At SM-8.9.2 again this is at page 8 of SM-8, in Board  
4 order 15007, Recommendation 8, the Board recommended that  
5 MPI continue consultations with CMMG, the Coalition of  
6 Manitoba Motorcycle Groups -- Group rather, concerning  
7 motorcycle coverage.

8 Could you address that particular matter,  
9 Mr. Palmer?

10 MR. DON PALMER: We have had discussions  
11 with the CMMG; have attended a couple of -- or  
12 representatives of MPI have attended a couple of meetings  
13 regarding not only coverage issues but general rating  
14 issues as well.

15 MR. WALTER SARANCHUK: Thank you. And at  
16 SM-8.9.3 on page 9, there's reference to the Board order  
17 last year, Recommendation 12 that, MPI review the current  
18 approach to livestock and wildlife collisions and related  
19 incurred claims.

20 And would you, Mr. Palmer, please respond  
21 in terms of an update on the Corporation's position  
22 regarding that recommendation?

23 MR. DON PALMER: We have reviewed that.  
24 We have provided some data with regard to wildlife and  
25 livestock claims in that section. Our position at this

1 time is that there would be no change in our approach to  
2 pooling those claims.

3 MR. WALTER SARANCHUK: And the essential  
4 reason behind that, sir?

5 MR. DON PALMER: We still would treat  
6 those as single vehicle accidents. There's no  
7 involvement of other parties and we don't believe that  
8 there should be other parties that are responsible for  
9 them.

10 MR. WALTER SARANCHUK: All right. Now,  
11 proceeding with the other recommendations indicated at  
12 SM-8.10 -- but just before we go with that, in respect of  
13 the recommendation dealing with wildlife and livestock  
14 claims, the decision also has been that there is to be no  
15 waiving of the deductible. Waiving, W-A-I-V-I-N-G.

16 Could you expand or elaborate on that,  
17 please?

18 MR. DON PALMER: The waiver of the  
19 deductible is included in a -- as an extension policy, so  
20 it's not included in the basic auto pack.

21 MR. WALTER SARANCHUK: Could you just  
22 explain that, please?

23 MR. DON PALMER: As part of the basic  
24 coverage, we have a five-hundred dollar (\$500) deductible  
25 for -- for most things including collision with a

1 wildlife. If a customer purchases the extension policy  
2 with -- that would have a, say a two-hundred dollar  
3 (\$200) deductible on collision and other comprehensive,  
4 deductible is waived as a zero deductible for collisions  
5 with wildlife.

6 MR. WALTER SARANCHUK: And so I take it  
7 that there's no consideration being given to waiving that  
8 requirement for paying additional funds in the way of  
9 premium and to have that deductible waived. Mainly if  
10 you have purchased the extension coverage, then your  
11 deductible's waived.

12 Is the Corporation not prepared to address  
13 that?

14 MR. DON PALMER: Not as part of basic  
15 coverage, no.

16 MR. WALTER SARANCHUK: And the reason  
17 essentially being?

18

19 (BRIEF PAUSE)

20

21 MR. DON PALMER: We would be looking at  
22 expanding the basic coverage only absolutely necessary.  
23 There is currently very available coverage to cover the -  
24 - a zero (0) deductible on -- on wildlife both through  
25 our policies and -- and other available policies in the



1 marketplace.

2                   So we wouldn't see that there's a need at  
3 this time to expand that coverage.

4                   MR. WALTER SARANCHUK:    Can you give us an  
5 idea of -- of how many instances there were when MPI  
6 waived the deductible last year?  In round figures, are  
7 we talking fifty (50) times, five hundred (500) times,  
8 five thousand (5,000) times, generally?

9                   MR. DON PALMER:        The waiving of  
10 deductible as you have characterized, it isn't something  
11 that we would have the ability to do on a -- a case-by-  
12 case basis that is part of a policy -- a specific policy  
13 consideration and a policy coverage.

14                   So that is -- is a part of the extension  
15 coverage.  We say in this that we have eleven thousand  
16 (11,000) wildlife claims.  Some or all of those, if they  
17 had bought extension coverage from us or -- or otherwise,  
18 would have the deductible waived.

19                   MR. WALTER SARANCHUK:    So then what is  
20 shown here as the financial impact of eliminating the  
21 basic deductible, that's not quite accurate is it?

22                   MR. DON PALMER:        That's the financial  
23 impact on basic ratepayers.  Remember if there was a  
24 change made and -- and remember that MPI does not have  
25 the ability to change coverage, we are administering the

1 -- the act as within the MPIC Act.

2                   So although we could make recommendations  
3 to that, it's certainly isn't within our mandate to make  
4 that change.

5                   MR. WALTER SARANCHUK:    But I take it the  
6 Corporation's not prepared to make that recommendation  
7 either?

8                   MR. DON PALMER:       No.

9                   MR. WALTER SARANCHUK:    Moving on to the  
10 section of SM-8.10, that is the other recommendation,  
11 this is on page 11 of SM-8.

12                   I might say that these responses in each  
13 of the following three (3) pages shown in that section  
14 are similar to those contained in the Corporation's  
15 December 5th, 2007 letter to me as Board counsel and as  
16 appears in Section AI-8.

17                   So just dealing with some of these topics,  
18 if we can just deal with the recommendation indicated in  
19 SM-8.10.1, dealing with the extension and SRE lines of  
20 business, Recommendation 2, in the order last year,  
21 stated that the support -- that the MPI ought to support  
22 the Board's recommendation to Government that extension  
23 in SRE divisions be brought within the Board's regulatory  
24 oversight.

25                   We see the Corporation's response that MPI

1 does not support extension of PUB's regulatory oversight  
2 as requested. What is the essential reason behind that?

3 MR. DON PALMER: I think the -- it's been  
4 pretty clear within legislation that the PUB's oversight  
5 was based on basic compulsory automobile insurance. This  
6 does not fall within that mandate. There are competitive  
7 -- a competitive marketplace out there so we don't see  
8 any need for further oversight.

9 MR. WALTER SARANCHUK: And so I take it  
10 then that the -- the essential reason is that the  
11 Corporation believes that it would lose its competitive  
12 advantage if this were to be the case?

13 MR. DON PALMER: If we were the only one  
14 (1) regulated, absolutely. If there was a fair and a  
15 level playing field, an all-extension or SRE was  
16 regulated, then certainly we would have that objection.  
17 You might get that objection from other people who would  
18 -- other companies who would have to come towards this  
19 Board with their extension coverage. But certainly that  
20 -- I see it as being a -- not a level playing field on  
21 that particular line.

22 MR. WALTER SARANCHUK: Can you see,  
23 though, the fact that the Board is, to use a vernacular,  
24 behind the eight-ball, if you will, when it has to deal  
25 with such issues as DVL and the business process review

1 and what just has to be alloc -- or what is to be  
2 allocated to basic and what is to be borne by extension.

3 Can you appreciate or can MPI appreciate  
4 the Board's concern in terms of its limited ability to  
5 oversee the Corporation's operations in that respect?

6 MS. MARILYN MCLAREN: No. The  
7 Corporation would not either share that view or believe  
8 that that's an appropriate view. Long before DVL was  
9 part of Manitoba Public Insurance, the basic compulsory  
10 program was -- we were required to bring the basic  
11 compulsory program rates to this Board for review and  
12 approval and since the beginning of the Corporation, we  
13 have run competitive lines of business and a basic  
14 compulsory line of business.

15 What the Board needs, I believe, the  
16 Corporation would believe, is understandable and  
17 transparent cost allocation policies, and it also needs  
18 the assurance that the Corporation has complied with  
19 those policies. That's always the way this has been done  
20 and it's reasonable to put us behind the eight-ball, to  
21 use your vernacular, to ensure that we have done that.

22 We are obligated to demonstrate that we  
23 have cost allocation policies. We share them with this  
24 Board every year. We have auditors sign off that they  
25 have been adhered to. That's one of the reasons that

1 many years ago now we started producing a separate basic  
2 compulsory insurance annual report to ensure that the  
3 cost allocation policies had been adhered to. It doesn't  
4 matter how many other lines of business we have.

5           What this Board is responsible for is  
6 ensuring that the costs paid by basic compulsory rate  
7 payers are appropriate according to the framework within  
8 which we exist. The Board has had that, the Board will  
9 continue to have that. As the Corporation's business  
10 changes, it is important to make sure that we have  
11 updated cost allocation policies and we've committed to  
12 do that within the next year.

13           In the meantime, you have assurance that  
14 the existing cost allocation is adhered to. That's what  
15 the Board needs to make sure that the costs charged to  
16 basic rate payers are appropriate.

17

18   (BRIEF PAUSE)

19

20           MR. WALTER SARANCHUK:    Has there been a  
21 cost allocation review since DVL was acquired and  
22 integrated?

23           MS. MARILYN MCLAREN:    Well, --

24           MR. WALTER SARANCHUK:    I understand, for  
25 example, your comment that it was -- the cost allocation

1 has been adhered to but there, from what I understand,  
2 has not been any great amount of information provided in  
3 terms of the basis for the overall cost allocation.

4 MS. MARILYN MCLAREN: Well, I think it  
5 was a number of years ago, back in the '90s, the last  
6 time cost allocation was looked at seriously in this  
7 forum.

8 Since that time, we have adhered to the  
9 same policy, the same framework. It is robust enough and  
10 flexible enough to add new programs, new lines of  
11 business and to apply the policies as they are.

12 Every -- every year we go through a  
13 process of reviewing the policies and deciding whether or  
14 not small changes are required to be consistent with the  
15 framework that we've had since I believe it was about  
16 1990 or 1993 and we continue to do that.

17 So, no, we have not re-done the entire  
18 cost allocation framework. There's -- there's no need  
19 to. According to the approved allocation policies of the  
20 Corporation which were shared with this Board, we adhere  
21 to them.

22 There's fundamental changes coming which  
23 is why we decided it would be somewhat a waste of time  
24 and money to do the allocation this year.

25 Fundamental changes that will change

1 probably, likely change the basis of allocating cost  
2 within Manitoba Public Insurance. So it does need to be  
3 redone, not necessarily -- not at all because DVL was  
4 added as a line of business of the Corporation, but  
5 because inherently fundamental services to Manitobans and  
6 to a certain extent the -- you know, the driver safety  
7 rating as well as a streamlined renewal process will  
8 fundamentally change the cost structure and therefore  
9 potentially the way those costs are allocated.

10 So that's why it needs to be done but it  
11 does not at all mean that since DVL came on board  
12 Manitoba Public Insurance, we haven't learned how to  
13 allocate the costs that we've had. Not in any way, shape  
14 or form.

15 MR. WALTER SARANCHUK: Which brings me to  
16 the next recommendation shown at SM-8.10.2 where the  
17 recommendation last year was that MPI transfer DVL  
18 operations including its financial aspects from the  
19 extension to division to basic insurance operations.

20 And of course, the response by the  
21 Corporation has been that it does not intend to make that  
22 transfer and that its position has been made clear in  
23 previous rate hearings.

24 Now could you just remind me as to what  
25 the essential reason is? Why the Corporation would not

1 agree to transfer DVL from extension to basic?

2 MS. MARILYN MCLAREN: It's really for  
3 exactly the same reason that the Corporation would never  
4 agree to treating its operations as if there was only one  
5 (1) line of business.

6 The basic compulsory insurance line of  
7 business is an insurance product. It has all perils  
8 coverage. It funds the PIPP program that's available to  
9 all Manitobans injured in motor vehicle accidents. It  
10 covers a certain percentage of operating expenses.

11 That's what the basic compulsory program  
12 is. To put another line of business in with it and say  
13 that somehow now driver testing is part of the basic  
14 insurance product doesn't make any sense just like it  
15 wouldn't make sense to say that now long haul optionally  
16 purchased trucking coverage is part of the basic.

17 It's a line of business specified by law  
18 as a basic compulsory insurance program. It doesn't make  
19 any sense to put anything else into it. It is what it  
20 is.

21 MR. WALTER SARANCHUK: But of course when  
22 the legislation was introduced, DVL was operated by the  
23 Province of Manitoba and not MPI.

24 So now you've got a complete different  
25 scenario and with the impact on basic by -- or basically



1 essentially, sorry, impact on the motor written  
2 (phonetic) public and its costs in terms of premiums of  
3 DVL and the changes being made by MPI, doesn't it make  
4 sense that there should be at least a review of that  
5 application of having DVL included in extension and not  
6 basic?

7 MS. MARILYN MCLAREN: It's a separate of  
8 business. The finances flow through the extension line  
9 of business at the very end of the financial reporting  
10 process. We know exactly what the extension line of  
11 business itself entails and exactly what the DVL line of  
12 business entails.

13 Until the Government was to tell us that  
14 in the future they expect basic rate payers to pay the  
15 cost of a driver testing program. If -- if that ever was  
16 to happen, then I guess driver testing would become part  
17 of the basic compulsory program.

18 I don't think that's likely to happen.  
19 Until it does, it doesn't make any sense to put DVL  
20 functions and treat them as if they were part of a basic  
21 compulsory line of business. They're not.

22 MR. WALTER SARANCHUK: In terms of the  
23 cost allocation question, I take it that MPI's auditor as  
24 you say, reviews that on a regular basis, would you  
25 agree?

1 MS. MARILYN MCLAREN: Absolutely. We  
2 wouldn't have an approved signed off separate basic  
3 compulsory insurance annual report if our auditors had  
4 not confirmed that the cost allocation policies had been  
5 adhered to.

6

7

(BRIEF PAUSE)

8

9 MR. WALTER SARANCHUK: And who is MPI's  
10 auditor?

11 MR. DON PALMER: TPMG.

12 MS. MARILYN MCLAREN: The provincial  
13 auditor also has oversight of the Corporation's  
14 activities and financial reporting.

15 THE CHAIRPERSON: We are going to take  
16 our mid-morning break now. Thanks.

17

18 --- Upon recessing at 10:29 a.m.

19 --- Upon resuming at 10:53 a.m.

20

21 THE CHAIRPERSON: Okay, Mr. Saranchuk,  
22 anytime you are ready.

23

24 CONTINUED BY MR. WALTER SARANCHUK:

25 MR. WALTER SARANCHUK: Thank you, sir. I

1 can give the Corporation then some advice or at least  
2 some indication rather, not advice -- indication that  
3 there will be some further questions asked of the panel  
4 in respect of the cost allocations arising out of DDL.

5 But right now, let's move on with SM-8 and  
6 in particular, SM-8.10.3 regarding Recommendation Number  
7 4, which indicated that the -- MPI ought to transfer  
8 sufficient net income to basic to cover the annual  
9 subsidy provided by basic to interprovincial truckers.  
10 And of course, the Corporation has given a response  
11 there.

12 Can someone just elaborate on that, in  
13 terms of the rationale behind MPI's position?

14 MR. DON PALMER: Under legislation all  
15 Manitobans are covered under the personal injury  
16 protection plan, which includes long-haul truckers. The  
17 suggestion that there be a transfer or that this somehow  
18 is a subsidy of SRE to the -- or from -- from basic to  
19 SRE, is not a valid opinion, just because all long-haul  
20 truckers are not covered under an SRE policy. So the two  
21 (2) are completely independent.

22 MR. WALTER SARANCHUCK: All right.  
23 Moving on now to SM-8.10.4, the investment portfolio, and  
24 the recommendation last year that the Corporation  
25 seriously consider the further divers -- diversification

1 of the investment portfolio. And of course, I -- the  
2 Corporation has responded by engaging AON Consulting to  
3 carry out an asset liability study and that report has  
4 been filed at AI-11. We'll be getting into that in some  
5 detail later on in the cross-examination by the board  
6 counsel.

7                   So perhaps we can just move on to SM-  
8 8.10.5, and the province management fees, where the  
9 recommendation was, To discuss with government a  
10 discontinuation of investment management fees to the  
11 province for the portion of the portfolio invested in  
12 Province of Manitoba treasury bills and bonds. The  
13 Corporation's response is there for all to read.

14                   Can you elaborate on it, Mr. Palmer,  
15 please?

16                   MR. DON PALMER: I think the response  
17 pretty much speaks for itself. We brought it to their  
18 attention and -- and that was what our requirement was  
19 and that -- that was it.

20                   MR. WALTER SARANCHUK: So there's an  
21 external study that, we understand, is being undertaken  
22 now. Have you heard anything further on that? This  
23 external study by the department.

24                   I'm looking at your answer here on top of  
25 page 14, where it says that:



1 CONTINUED BY MR. WALTER SARANCHUK:

2 MR. WALTER SARANCHUK: Thank you, Mr.  
3 Palmer. Another recommendation is is that SM-8.10.6  
4 dealt with environmental objectives and that the  
5 Corporation seek direction from Government concerning the  
6 potential use of rate setting model to further  
7 environmental objectives.

8 Can you elaborate on the response there?  
9 In other words we appreciate that or at least I think it  
10 can be appreciated, that the discussions between MPI and  
11 the Government relating to social policy are conducted on  
12 a confidential basis, but is there anything that you can  
13 share with the Board in terms of some update in this  
14 respect?

15 MS. MARILYN MCLAREN: Just simply that if  
16 -- if there was any change in that regard consistent with  
17 this recommendation, it would be the Government that  
18 announced it. No announcement has occurred.

19 MR. WALTER SARANCHUK: All right. Moving  
20 onto SM-8.10.7 and the pension plan where it was  
21 recommended that the Corporation segregate investment  
22 assets to the employee pension plan and consider a  
23 separate investment policy for pension assets.

24 There is the response by the Corporation  
25 for all to read. Is there anything that the Corporation

1 can add in regards to that response?

2 MR. DON PALMER: No, certainly it was --  
3 there was some mention included in the AON study. There  
4 was also mention of it in the Hum and Simpson pre-filed  
5 testimony that they said essentially it's not an issue if  
6 we have a defined benefit plan as opposed to a defined  
7 contribution plan.

8 And I can certainly confirm to this Board  
9 that there's no -- no plans to changes to the MPI pension  
10 plan or the superannuation plan to define contribution  
11 bases.

12 So from that -- that perspective, I have  
13 nothing further.

14 MR. WALTER SARANCHUK: I'm just noting  
15 the footnote number 2 with respect to the words "from an  
16 investment perspective" which is in the excerpt from the  
17 AON Consulting report shown on page 15 where it says that  
18 relative to those words it says quote:

19 "We recognize that there may be non-  
20 investment factors that could make  
21 separate asset mixes for separate  
22 liabilities attractive. However, any  
23 analysis of these non investment  
24 factors are beyond the scope of this  
25 report."

1 Can you explain that, Mr. Palmer?

2 MR. DON PALMER: That was a quote out of  
3 the AON study so that -- that's their quote, not mine.  
4 But with regard to pension plans, ownership of surplus  
5 and that kind of issue is -- is certainly something that  
6 you'd want to have segregated assets for, but from an  
7 investment perspective, no.

8 MR. WALTER SARANCHUK: Have there been  
9 any discussions with the MGEU in this respect?

10 MR. DON PALMER: This -- this is just the  
11 employer's contribution. We are not obligated to -- to  
12 fund those liabilities. We -- we pay for them; pensions  
13 on a pay-as-you-go basis.

14 The decision was made a couple of years  
15 ago that it's prudent management practice for us to pre-  
16 fund them and we do that but certainly the ownership of  
17 those assets is not ever und -- a question.

18 MR. WALTER SARANCHUK: All right. Thank  
19 you, Mr. Palmer. You might have some additional  
20 questions to answer later on on that topic but --

21 THE CHAIRPERSON: Mr. Saranchuk, if I may  
22 --

23 MR. WALTER SARANCHUK: Sorry?

24 THE CHAIRPERSON: On this, is there any  
25 implications coming with the IFRS with respect to the



1 pension accounting?

2 MR. DON PALMER: There -- there could be.  
3 This is an obligation that we -- we have so from my  
4 understanding and we're still early in the game with all  
5 the implications of IFRS, but the -- the funding of those  
6 obligations would be on the basis that we currently have  
7 them. So -- so even though there could be implications  
8 if we didn't pre-fund them, we do so there's not.

9

10 (BRIEF PAUSE)

11

12 CONTINUED BY MR. WALTER SARANCHUK:

13 MR. WALTER SARANCHUK: And just for the  
14 record, the acronym IFRS refers to the International  
15 Financial Reporting Standards to be implemented effective  
16 January 2011.

17 MR. DON PALMER: That's correct.

18 MR. WALTER SARANCHUK: That is for the  
19 year commencing 2011.

20 MR. DON PALMER: For MPI, since our  
21 fiscal period commences March 1st, we will be fully  
22 compliant with IFRS March 1st of 2011.

23 MR. WALTER SARANCHUK: Thank you, Mr.  
24 Palmer. And finally, with regard to the recommendations,  
25 there's one -- the last one being at SM-8.10.8 and

1 Selling Securities is the topic where the recommendation  
2 was that the Corporation review the approach of selling  
3 securities to generate investment gains only to  
4 repurchase the identical securities and the Corporation's  
5 response is there for all to read.

6 But can you elaborate on it, Mr. Palmer?

7 MR. DON PALMER: If we get to the point  
8 that we want to recognize gains in our -- in our income  
9 statement, then we have sell the securities. So that has  
10 been the best practice.

11 MR. WALTER SARANCHUK: Well, what are  
12 some of the criteria that are applied to that?

13 MR. DON PALMER: In -- in past years, if  
14 there is a requirement to take income within the income  
15 statement, the investment managers were approached and --  
16 and we would give the -- say, we need to take \$10 million  
17 in gains. And they on -- in turn would sell securities  
18 in order to realize those \$10 million of gains.

19 Generally what happens, it's a stock that  
20 they like and there is no reason them -- for them to have  
21 a different stock, so they buy it and then they -- or  
22 they sell it and then they buy it right back.

23 MR. WALTER SARANCHUK: I appreciate that,  
24 sir. What I'm getting at is, though, what drives this  
25 request for this action to be taken? What are the

1 criteria that apply to allow the Corporation to come to a  
2 decision to speak to its investment managers on that  
3 score?

4

5

(BRIEF PAUSE)

6

7 MR. DON PALMER: There is a couple of  
8 things. There is a -- a trigger within the Investment  
9 Policy Statement that says if we have unrealized capital  
10 gains in excess of 105 percent, then they -- we would  
11 consider taking those gains. And -- and prior to this  
12 current year, those gains really wouldn't appear anywhere  
13 on our actual financial statements. They'd be in the  
14 notes. Now with the comprehensive income statements,  
15 there's less need to recognize that because they're there  
16 anyway.

17

18 MR. WALTER SARANCHUK: Okay, that's one  
19 (1) of the reasons. But what -- what are the other  
20 reasons that you would take into account or triggering  
21 gains?

22

23 MR. DON PALMER: It -- it's part of our  
24 investment income, and we have an assumption with future  
25 investment income that we would expect some gains and  
this is the way -- the way that we would realize those --  
those gains, just as a part of taking them into income.

1                   MR. WALTER SARANCHUK:     But what are the  
2 criteria that apply? I mean, you don't just say, well, I  
3 don't think you do, and correct me if I'm wrong, but you  
4 wouldn't say, Well, it's now May or June and so therefore  
5 we should do something. I mean, there has to be, I would  
6 think, some circumstances that would warrant the  
7 Corporation's triggering these gains. Now, what -- I  
8 guess what I'm looking at is what are some of those  
9 circumstances?

10                   MR. DON PALMER:     The -- the trigger  
11 itself would be the 105 percent and if there is a  
12 requirement on the income statement to -- to realize  
13 those gains, and -- and I'll -- I will also say that we  
14 haven't actually taken any of those gains on a requested  
15 basis since June of 2007.

16                   MS. MARILYN MCLAREN:     Just another couple  
17 of comments, Mr. Saranchuk. Clearly, the criteria would  
18 have been a couple of things in addition to what Mr.  
19 Palmer has said. One (1) of them would be a perceived  
20 advantage on the part of management to strengthen the  
21 Corporation's net income. That's the only way to get the  
22 -- the gain into net income was through this process, but  
23 it was also only in the circumstances that we believed  
24 the enhanced value of the portfolio overall was likely to  
25 last.

1                   It's not something that we would do if we  
2 thought that this had been a temporary upswing in the  
3 market, if we believed the enhanced value there in that -  
4 - the gains available to be taken needed to be perceived  
5 as best we could as -- as lasting, as the value would be  
6 lasting over the long term.

7                   But as Mr. Palmer said you know he -- he  
8 was not the CFO when those gains were taken.  
9 Conversations in this regard I believe are on the public  
10 record from that time. It's not something that we've  
11 done for well over a year.

12                   MR. WALTER SARANCHUK:    Is the claims  
13 experience at a particular time a factor?

14

15   (BRIEF PAUSE)

16

17                   MR. DON PALMER:    I would say that your --  
18 many circumstances within the income statement could be a  
19 factor. I don't think particular claims has been a  
20 factor in terms of taking gains.

21                   MR. WALTER SARANCHUK:    What are some of  
22 the circumstances that you're alluding -- that you're  
23 alluding to?

24                   MR. DON PALMER:    As Ms. McLaren has  
25 stated, we have talked about this on the public record

1 before. It wasn't me doing that testimony. I would like  
2 to go check the -- the public record in the past.

3 MR. WALTER SARANCHUK: Okay. I think  
4 that there will be additional questions being asked in  
5 cross-examination later in regard -- relative to this  
6 particular topic and then so perhaps you can do some of  
7 that homework and be prepared to answer those later, if  
8 not today, then tomorrow?

9 MR. DON PALMER: Thank you for that.

10 MR. WALTER SARANCHUK: Thank you.

11 THE CHAIRPERSON: Mr. Saranchuk, for Mr.  
12 Palmer, just one (1) question.

13 Does it work the other way? Could you  
14 direct the investment firm to sell to create a loss to  
15 have them re-buy it afterwards?

16

17 (BRIEF PAUSE)

18

19 MR. DON PALMER: The -- the policy  
20 statement does say that we could consider gains if market  
21 value is in excess of 105 percent of book.

22 THE CHAIRPERSON: So it doesn't work the  
23 other way?

24 MR. DON PALMER: Not within the policy  
25 statement, no.

1 THE CHAIRPERSON: Just one (1) other  
2 question for now. When you buy a stock or when you sell  
3 a stock and then re-buy it, you do incur transaction fees  
4 both ways, don't you?

5 MR. DON PALMER: Yes.

6 THE CHAIRPERSON: You haven't changed the  
7 cash net position of the Corporation one (1) iota, have  
8 you?

9 MR. DON PALMER: No.

10 THE CHAIRPERSON: Thank you. Mr.  
11 Saranchuk...?

12

13 CONTINUED BY MR. WALTER SARANCHUK:

14 MR. WALTER SARANCHUK: Thank you, Mr.  
15 Chairman. Those are all the questions that I have  
16 relative to the Board Order last year so that I'll now be  
17 proceeding with the revenue requirement and net income of  
18 the Corporation generally.

19 And firstly, I would ask that the  
20 witnesses turn and the panel turn to Tab 3 in the book of  
21 documents being the Statement of Operations for the last  
22 fiscal year, that's 2007/'08 and at February 2000 -- I'm  
23 sorry, February 29th, 2008.

24 And just in terms of reviewing the  
25 financial performance actually incurred with that

1 forecast, I see where in the pre-filed testimony this was  
2 dealt with by Mr. Kramer at page 1 and 2 of his pre-filed  
3 testimony. So again, very quickly by way of review, I  
4 note that the total earned revenues amounted to \$1  
5 million more than forecast.

6 Is that correct?

7 MR. OTTMAR KRAMER: Are you referring to  
8 the nine hundred and sixty thousand (960,000)?

9 MR. WALTER SARANCHUK: Yes.

10 MR. OTTMAR KRAMER: Yes, it's nine  
11 hundred and sixty thousand (960,000).

12 MR. WALTER SARANCHUK: And that the motor  
13 vehicle premiums earned was \$2.9 million more as was the  
14 driver's premiums earned was some \$.9 million dollars  
15 more.

16 Is that correct?

17 MR. OTTMAR KRAMER: Yes, that's correct.

18 MR. WALTER SARANCHUK: And there was  
19 offset -- there was an offset by reinsurance ceded in  
20 the sum of \$3.6 billion more than forecast, you -- is  
21 that correct, Mr. Kramer?

22 MR. OTTMAR KRAMER: Yes, that is correct.

23 MR. WALTER SARANCHUK: And as I  
24 understand it, the hailstorm in Dauphin came into play in  
25 this regard with the result that there was an increase in



1 reinsurance as a result of that.

2 Is that correct?

3 MR. OTTMAR KRAMER: Yes, that is correct.

4 There was a -- what was called a reinstatement fee to  
5 ensure that we do have reinsurance coverage after that  
6 one (1) time event.

7 MR. WALTER SARANCHUK: And as I  
8 understand it, according to the evidence by the  
9 Corporation in the interrogatory process, the claims  
10 costs for the hailstorm amounted to \$52.1 million with  
11 the ultimate cost to MPI after reinsurance being \$10  
12 million.

13 Is that correct?

14 MR. OTTMAR KRAMER: The -- the 10 million  
15 is after recovery of reinsurance, but that 10 million  
16 does not include the reinstatement fee.

17 MR. WALTER SARANCHUK: And in rough  
18 figures, what would that amount have been?

19 MR. OTTMAR KRAMER: The reinstatement fee  
20 was approximately \$4 million.

21 MR. WALTER SARANCHUK: Thank you. And  
22 looking at Tab -- or sorry -- TI-11 which is at Tab 3 of  
23 the book of documents, we note that the net claims  
24 incurred are -- were lower by some \$64.2 million.

25 Is that correct?

1 MR. OTTMAR KRAMER: Yes, that is correct.

2 MR. WALTER SARANCHUK: And turning to  
3 Schedule 1 which is some three (3) -- two (2) pages over,  
4 forming part of this particular filing, we see that the  
5 PIPP experience for last year was some \$64 million, and  
6 that it was offset by increases in collision of some \$2.4  
7 million, and property damage of \$1.1 million, and  
8 comprehensive approximately \$1 million.

9 Is that correct?

10 MR. OTTMAR KRAMER: Yes, that is correct.

11 MR. WALTER SARANCHUK: Now this is not in  
12 the book of documents, but interrogatory number 26,  
13 served by the -- on behalf of the Board upon the  
14 Corporation in the first round gives an explanation for  
15 the variances. And so if you wouldn't mind just turning  
16 to that particular interrogatory, Mr. Kramer, and would  
17 you mind just reading in the answer to the question which  
18 was:

19 "With reference to the claims variance  
20 analysis in Schedule 1 of TI-11, please  
21 provide commentary on the causal  
22 factors by cover for the variances  
23 between forecasted and actual claims  
24 incurred."

25 MR. OTTMAR KRAMER: Could you repeat the

1 question again?

2 MR. WALTER SARANCHUK: The question is  
3 there to see. I'm just asking you to read in the  
4 Corporation's response.

5 MR. OTTMAR KRAMER: The -- the entire  
6 response?

7 MR. WALTER SARANCHUK: Yes.

8 MR. OTTMAR KRAMER: The response in  
9 PUB/MPI 1-26 is as follows:

10 "PIPP claims incurred decreased by 64.0  
11 million mainly due to the redundancy of  
12 claims of prior year losses. PIPP  
13 claims incurreds were reduced as more  
14 current information was received.  
15 Collision claims incurred increased by  
16 2.4 million mainly due to the 2.5  
17 percent increase in frequency.  
18 Comprehensive claims incurred increased  
19 by 0.9 million mainly due to number 1,  
20 8.9 million basic share increase  
21 resulting from the severe hailstorm  
22 that struck Dauphin and the surrounding  
23 communities August 9th and 10th 2007.  
24 And number 2, incre -- decrease of 6.8  
25 million due to reductions in total

1 theft, partial theft and attempt at  
2 theft claims. Property damage claims  
3 incurred increased by 1.1 million due  
4 mainly to the 2.9 percent rise in  
5 severity, bodily injury post March 1st,  
6 2004 claims incurred decreased by \$3.2  
7 million due to the 36.2 percent drop in  
8 severity and a 24 percent decline in  
9 frequency."

10 MR. WALTER SARANCHUK: Thank you, sir.

11 And also to be noted in TI-11 is that the investment  
12 income was some \$13.2 million less than forecast, and  
13 there's an explanation given on page 3 of the financial  
14 results explanation.

15 Could you just elaborate on that, where  
16 there is a reference to the lower than expected in --  
17 investment income, and there's an explanation there.

18 MR. OTTMAR KRAMER: Yes, the -- the  
19 investment income was \$13.2 million lower than the  
20 previous submission that we had. The actuals were lower,  
21 and that's due to a decrease in long term bond returns.

22 The -- the bond -- the long term bond  
23 interest rates, or the net returns, decreased throughout  
24 the year, and we had a slight increase in pension costs,  
25 and some of the -- the pension costs increase flows

1 through the investment income as a credit.

2 MR. WALTER SARANCHUK: Thank you, sir.

3 So that in the final analysis, the net income of some \$69  
4 million was a fifty-two (52) -- sorry, \$50.2 million  
5 improvement over the \$18.8 million forecast.

6 Would you agree with that?

7 MR. OTTMAR KRAMER: Yes, I would agree  
8 with that.

9 MR. WALTER SARANCHUK: Can you give just  
10 a general idea of when the forecast would have been  
11 prepared?

12 MR. OTTMAR KRAMER: The -- the forecast  
13 that was filed the previous year was prepared in the  
14 April time frame; April/May time frame of -- of 2007.

15 MR. WALTER SARANCHUK: Thank you, sir.  
16 Is there any comment that you can make in general terms  
17 about the significant improvement in the net income?

18 Is it strictly as a result of the PIPP  
19 experience?

20 MR. OTTMAR KRAMER: I -- I would  
21 characterize that as correct. Yes, the -- most of the --  
22 the increased net income is a result of the decrease in  
23 PIPP claims incurred expenses.

24 MR. WALTER SARANCHUK: And that  
25 essentially was caused by what?

1                   MR. OTTMAR KRAMER:     That was based on the  
2 actuarial review that is performed on an annual basis.

3                   MR. WALTER SARANCHUK:    Are we talking  
4 about IBNR, incurred but not improve -- not reported  
5 claims?

6                   MR. OTTMAR KRAMER:     We have an actuarial  
7 review that's done on -- on all our actuarial  
8 liabilities, and that would encompass the IBNR.

9                   MR. WALTER SARANCHUK:    Thank you, sir.  
10 Now moving onto TI-12, which appears in Tab 4 of the book  
11 of documents, and this deals with the projected, or at  
12 least the forecast results for the year with -- that we  
13 are in, namely 2008/'09, the year ending February 28th of  
14 next year. This is dealt with again by Mr. Kramer at  
15 page 2 of his pre-filed testimony.

16                   And we see that on looking at TI-12, and  
17 the net income line, that there's some \$19.5 million of a  
18 net loss forecast as compared to twelve point -- sorry,  
19 \$12 million projected last year, namely a \$7.5 million  
20 variance.

21                   Can you address that, sir, Mr. Kramer, and  
22 there's a reference there to SM-7.2 in the filing. Could  
23 you, with reference to that particular document, give us  
24 some idea of the explanation behind the difference?

25

1 (BRIEF PAUSE)

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MR. OTTMAR KRAMER: There are numerous fact -- numerous factors between the forecast for the '08/'09 year as we filed in the '08 GRA versus what we've currently filed.

The single largest factor is the decrease of investment income of almost \$13.3 million primarily due to a change in the investment market that -- that we see going forward.

Offsetting that, we've got an increase in motor vehicle earned revenue, and that is largely driven through the -- the '07/'08 motor vehicles premiums written.

We -- we saw some higher revenue, and that -- that higher revenue translates into increased earned revenue in the following year.

We've also have a reduction in -- in some claims expense of \$12.4 million due to the various factors that are mentioned there, and we've also increased our -- our road safety and loss prevention due to the -- the MAR 2 list, and -- and increased immobilizer expenses.

And -- and those are then recovered through the immobilizer incentive fund right at the

1 bottom of the page for ratemaking purposes.

2 MR. WALTER SARANCHUK: Now in terms of  
3 the claims expenses having increased by some \$6 million,  
4 in the explanation on page 3 there's reference to the  
5 fact that it's due mostly to the undertaking of several  
6 operational initiatives and there's a reference there to  
7 TI-7(B).

8 Could you just elaborate on those  
9 initiatives, sir, please.

10

11 (BRIEF PAUSE)

12

13 MR. OTTMAR KRAMER: Claims expense has  
14 increased primarily due to the -- the PIPP initiative.

15 MR. WALTER SARANCHUK: Which is...?

16 MR. DON PALMER: That would be the --  
17 we've called it a PIPP Infrastructure Study. The  
18 implementation and costs associated with FINEOS.

19 MR. WALTER SARANCHUK: So these expenses,  
20 of that type anyway, are being expensed in the current  
21 year and not in the future?

22 MR. OTTMAR KRAMER: There's some expenses  
23 that are expensed in the current year, some internal  
24 costs, et cetera, that we do have. Other expenses  
25 related to some systems development, et cetera, would be



1 deferred and amortized. But there are some expenses that  
2 we do incur that we are expensing in the current year.

3 MR. WALTER SARANCHUK: So that salaries  
4 of the individuals working on these initiatives are not  
5 taken over a series of -- or a period of times, it's --  
6 but for the current year?

7 MR. OTTMAR KRAMER: Yes, those are  
8 expensed as our office expenses, et cetera. They're  
9 expensed in the current year as incurred.

10 MR. WALTER SARANCHUK: And with reference  
11 to the decrease in investment income, again by some \$13  
12 million from that forecast the previous year, there's an  
13 explanation in -- on page 4 of TI-11.

14 I wonder if you would elaborate on that,  
15 please, sir.

16 MR. OTTMAR KRAMER: As the explanation  
17 indicates on -- on page 4 of TI -- I believe it's TI-12  
18 that we're talking about.

19 MR. WALTER SARANCHUK: Sorry, TI-12, yes.  
20 Yes.

21 MR. OTTMAR KRAMER: The -- the interest  
22 rate environment in the future rates, they -- they have  
23 decreased, and so based on our forecasting, we -- we've  
24 looked at the future interest rates and have reduced our  
25 forecast for investment income, both on the bond and the

1 equity side.

2 MR. WALTER SARANCHUK: And of course when  
3 you look at the change in the investment line, we're  
4 looking at some \$26 million over the last couple of  
5 years, \$13 million each year. I appreciate this is a  
6 forecast for the year that we're in, but the prior year  
7 was \$13 million actual.

8 MR. OTTMAR KRAMER: Yeah, but you can't -  
9 - those -- those things are -- aren't -- you can't add  
10 them together. This is -- this TI-12 is looking at the  
11 '08 versus -- the -- what we filed in the '08 GRA for  
12 that year versus the previous years, dealing with the  
13 previous years. They're -- they're thirteen (13) each --  
14 individually each year from that year's forecast, so it's  
15 basically thirteen (13) million drop. You cannot add  
16 those together.

17 MR. WALTER SARANCHUK: All right. Does  
18 this now reflect the TI-12 -- the Corporation's best  
19 estimate for the results for the current year?

20 MR. OTTMAR KRAMER: At this point in  
21 time, yes.

22 MR. WALTER SARANCHUK: Now moving on to  
23 TI-13, which is the Statement of Operations for the year  
24 with which we are concerned in this application, and  
25 comparing the 2008/'09 revised forecast to the 2009/'10

1 projection using the financial forecast method, I take  
2 it.

3 Is that correct, Mr. Kramer?

4 MR. OTTMAR KRAMER: Yes. The comparison  
5 is against the financial.

6 MR. WALTER SARANCHUK: And this appears  
7 in the book of documents at Tab 5. And this is also  
8 addressed by Mr. Kramer at page 2 of his pre-filed  
9 testimony.

10 In terms of the net premiums written,  
11 there's an increase there of some \$28.5 million.

12 Is that correct, Mr. Kramer?

13 MR. OTTMAR KRAMER: Yes, that is correct.

14 MR. WALTER SARANCHUK: And in reviewing  
15 the assumptions or at least the annual comparison,  
16 dealing with the premiums written for motor vehicles,  
17 there's reference there to an upgrade factor of some 2.75  
18 percent resulting in increase in premiums written of some  
19 \$19.7 million.

20 Is that correct?

21 MR. OTTMAR KRAMER: Yes, that is correct.

22 MR. WALTER SARANCHUK: And there's a  
23 reference to a volume increase chang -- charged at 2.25  
24 percent and the change of some \$15.7 million favorable,  
25 in other words an increase.

1 Is that correct?

2 MR. OTTMAR KRAMER: Yes, that 2.25  
3 percent results in 15.8 million.

4 MR. WALTER SARANCHUK: And there's  
5 reference there to \$7.429 million decrease in the premium  
6 written or 1.03 percent.

7 What -- what does that stem from?

8 MR. OTTMAR KRAMER: That is the proposed  
9 rate decrease of 1.0 -- I guess us finance guys were just  
10 a little bit more accurate and we got 1.03 percent, but  
11 that's the 1 percent rate decrease that's been proposed  
12 for this GRA application.

13 MR. WALTER SARANCHUK: And just looking  
14 at TI-13 and the total earned revenues, there's increase  
15 there projected of some -- forecast of some \$34 million.

16 Is that correct?

17 MR. OTTMAR KRAMER: The overall earned  
18 revenue is increasing year-over-year by a forecast of 34  
19 million, yes.

20 MR. WALTER SARANCHUK: And the service  
21 fees and other revenues are forecast to increase by \$1.5  
22 million?

23 MR. OTTMAR KRAMER: Yes, that's correct.

24 MR. WALTER SARANCHUK: And does that  
25 relate to higher transaction volume and higher interest

1 rates projected for '09/'10?

2 MR. OTTMAR KRAMER: Yes. As indicated on  
3 TI-13 on page 3, that's correct.

4 MR. WALTER SARANCHUK: And what interest  
5 rate change have you projected in terms of -- is there  
6 any movement from the historical lows?

7 MR. OTTMAR KRAMER: Off the top of my  
8 head, I don't know what the -- what the increase --  
9 increase in interest rate is but I can -- I can find out  
10 what that is.

11 MR. WALTER SARANCHUK: If you wouldn't  
12 mind, sir.

13 MR. OTTMAR KRAMER: Okay, I'll take that.

14 MR. WALTER SARANCHUK: As an undertaking?  
15 Thank you.

16 MR. OTTMAR KRAMER: Yes.

17

18 --- UNDERTAKING NO. 2: MPI will indicate for Board  
19 what interest rate change has  
20 been projected in terms of  
21 historical lows

22

23 CONTINUED BY MR. WALTER SARANCHUK:

24 MR. WALTER SARANCHUK: There's reference  
25 to the fact that claims expenses are increased in the

1 order some \$6 million. The explanation at page 3 has a  
2 couple of points noted there.

3 Namely a 2.25 percent consumer price index  
4 increase amounting to some \$1.8 million.

5 Is that correct?

6 MR. OTTMAR KRAMER: Yes, that is correct.

7 MR. WALTER SARANCHUK: And a \$4.3 million  
8 related to higher data processing costs and amortization  
9 from improvement initiatives.

10 Is that correct?

11 MR. OTTMAR KRAMER: Yes, that is correct.

12 MR. WALTER SARANCHUK: And those  
13 improvement initiatives, is that really an amortization  
14 then of the BPR, Business Process Review?

15 MR. OTTMAR KRAMER: The -- the -- it  
16 would include any initiatives that are related to the  
17 basic line of business. Not BPR in the sense of any of  
18 the DVL initiatives, but of -- of just other claims  
19 related initiatives that we've undertaken.

20 MR. WALTER SARANCHUK: Yes, and there's  
21 reference to TI-7(b) again. Is there something there  
22 that you can point out to us as giving rise to this  
23 particular answer?

24 This is in Volume 2, Part 1.

25 MR. OTTMAR KRAMER: TI-7(b) just shows --

1 it shows the claims expense by expense category, and  
2 there you see the increase in the data processing  
3 expenses and the amortization expenses.

4 MR. WALTER SARANCHUK: And I see where  
5 road safety expenses are reduced by \$7.9 million in TI-  
6 13.

7 Is that correct?

8 MR. OTTMAR KRAMER: Yes, that is correct.

9 MR. WALTER SARANCHUK: And what is  
10 driving that?

11 MR. OTTMAR KRAMER: As indicated in the  
12 answer to or on TR-13 on page 3, the decrease is due to  
13 the completion of the Auto Theft Suppression Strategy and  
14 a decrease in the Immobilizer Program, i.e., most of the  
15 MAR vehicles have been immobilized by that time.

16 MR. WALTER SARANCHUK: Does this in any  
17 way reflect the discontinuance of the WATSS program?

18

19 (BRIEF PAUSE)

20

21 MR. OTTMAR KRAMER: That decrease is --  
22 is primarily due to the -- the immobilizers, doing the  
23 immobilizers a bit more this year as opposed to what we  
24 had in the previous forecast and having most of the  
25 vehicles immobilized at that point in time already.

1 MR. WALTER SARANCHUK: So this has  
2 nothing to do with WATSS or the Winnipeg Police Service  
3 arrangement that you have?  
4

5 (BRIEF PAUSE)  
6

7 MR. OTTMAR KRAMER: I -- I believe it is  
8 the end of the -- the WATSS strategy in that year, but  
9 the -- the dollars for WATSS are -- are fairly small  
10 relative to the -- the \$27 million.

11 MR. WALTER SARANCHUK: And what about the  
12 funding of the WPS, Winnipeg Police Service?

13 MR. OTTMAR KRAMER: That -- that hasn't  
14 been taken out; that would be continued in -- in these  
15 numbers.

16 MR. WALTER SARANCHUK: All right. Thank  
17 you. And now, claims incurred. In that line I see  
18 there's to be a \$21.4 million increase and that is  
19 addressed in Schedule 1, one (1) page over.

20 And we see that there's to be an increase  
21 or at least an increase -- an increase as anticipated in  
22 PIPP by some \$10.5 million and you see that's 4.4  
23 percent.

24 Is that correct, sir?

25 MR. OTTMAR KRAMER: Yes, that is correct.



1 MR. WALTER SARANCHUK: And some \$12.9  
2 million in way of an increase or 5.1 percent in  
3 collision. Is that correct?

4 MR. OTTMAR KRAMER: Yes, that is correct.

5 MR. WALTER SARANCHUK: What is driving  
6 that particular forecast?

7

8 (BRIEF PAUSE)

9

10 MR. OTTMAR KRAMER: The collisions costs  
11 increase would be driven primarily by the volume and  
12 upgrade factors, those increases, newer vehicles, and  
13 more vehicles on the road. Therefore, our collision  
14 costs would increase.

15

16 (BRIEF PAUSE)

17

18 MR. WALTER SARANCHUK: And I see that  
19 there's to be a reduction in comprehensive claims of some  
20 \$2.8 million.

21 Is that correct, sir?

22 MR. OTTMAR KRAMER: Yes, that's the  
23 current forecast.

24 MR. WALTER SARANCHUK: And this follows a  
25 \$9.8 million reduction in 2008/'09, the forecast versus

1 the projected.

2 Is that correct?

3 MR. OTTMAR KRAMER: Yes, that is -- those  
4 -- those numbers are both correct.

5 MR. WALTER SARANCHUK: So that overall  
6 \$12.6 million improvement over two (2) years, is that a  
7 result of the anti-theft initiative?

8

9 (BRIEF PAUSE)

10

11 MR. OTTMAR KRAMER: Yes, that would be  
12 correct.

13 MR. WALTER SARANCHUK: Thank you, sir.

14

15 (BRIEF PAUSE)

16

17 MR. WALTER SARANCHUK: In terms of the  
18 projected spending on immobilizer installation for  
19 2009/'10, as I understand it, that was addressed in the  
20 Corporation's response to question 35 asked of it by --  
21 on behalf of the Board in the first round. And in  
22 particular, I'm looking at the attachment to 35(a)  
23 dealing with road safety and loss prevention programs  
24 where there is reference to the fact that there will be  
25 something in the order of \$9.6 -- or \$9.7 million spent

1     namely \$9.3 million for the immobilizer and the auto  
2     theft suppression program of some three hundred and  
3     thirty-four thousand dollars (\$334,000).

4                     Is that correct?

5                     MR. OTTMAR KRAMER:     Yes, that is correct.

6                     MR. WALTER SARANCHUK:     Now again looking  
7     at TI-15 and the bottomline, if you will, in terms of the  
8     net income. There's a loss of some 5.1 that's projected.

9                     Notwithstanding that -- notwithstanding  
10    that projected result, MPI's proposing a 1 percent rate  
11    reduction.

12                    Is that correct?

13                    MR. OTTMAR KRAMER:     The -- the 5.1  
14    million is for -- the net income for '09/'10 before the  
15    recovery from the immobilizer incentive fund.

16                    MR. WALTER SARANCHUK:     Yes, I appreciate  
17    that, but I'm talking in terms of the fact that the  
18    Corporation is notwithstanding that projection or  
19    forecast it's looking for the Board to approve a 1  
20    percent rate reduction.

21                    What I'm looking for is the rationale  
22    behind that.

23                    MR. DON PALMER:     This is the projection  
24    that we've currently got after the application of the 1  
25    percent decrease. That's what's included in the

1 projected '09/'10.

2 Now for rate setting purposes really it's  
3 the bottomline of -- loss of \$4.2 million, it's the first  
4 step because we've already got the money in the  
5 immobilizer incentive fund that's funded, and that's the  
6 transfer of the eight hundred and ninety-three thousand  
7 dollars (\$893,000) that you see.

8 For rate setting purposes though, we are  
9 talking in terms of the '09/'10 written premium or a --  
10 policies written using the 2009/'10 rates which are  
11 earned both in the 2009/'10 year and the 2010/'11 year.

12 So when you talk about breaking even in  
13 rate setting terms, really what you're looking at is not  
14 only the net income for rate setting purposes in the  
15 '09/'10 year of the loss of \$4.2 million, you also have  
16 to look at the amount that would be earned in the  
17 following year, the 2010/'11 year which shows a gain of  
18 \$6.6 -- \$6 million bottomline positive income. Really  
19 the breakeven point is essentially, not exactly but very  
20 close, to the average of those two (2) years.

21 So when we say that minus one (-1) is a  
22 breakeven basis and you look at a loss of \$4.2 million  
23 with a net positive income of \$6.5 million the following  
24 year, those two (2) for rate setting purposes are the  
25 breakeven that we're talking about.

1 MR. WALTER SARANCHUK: Thank you, Mr.  
2 Palmer. Still referring to TI-13 in Tab 5, I note that  
3 the investment income of some \$91.9 million reduces the  
4 \$97.1 million underwriting loss to a net loss of \$5.1  
5 million.

6 Is that correct?

7 MR. OTTMAR KRAMER: Yes, that is correct.

8 MR. WALTER SARANCHUK: Now is it fair to  
9 conclude that this budgeting for an underwriting loss is  
10 a standard practice at MPI?

11 MR. OTTMAR KRAMER: I would say that it's  
12 not only a standard practice for MPI, I would say that  
13 almost all insurance companies would operate on an  
14 underwriting loss.

15 MR. WALTER SARANCHUK: But dealing  
16 specifically with MPI, the reason why I ask the question  
17 is that eventually investment income is usually greater  
18 than the underwriting loss so that the result usually is  
19 net income as opposed to net loss.

20 Am I correct?

21 MR. OTTMAR KRAMER: Yes.

22

23 (BRIEF PAUSE)

24

25 MR. WALTER SARANCHUK: So just to

1 summarize, would you agree that the underwriting loss  
2 indicated for the period in question is that -- is on the  
3 basis that all claims incurred and operating expenses are  
4 greater than all projected revenues other than investment  
5 income?

6 MR. OTTMAR KRAMER: Yes, that is correct,  
7 and shown on the income statement.

8 MR. WALTER SARANCHUK: Now I -- I direct  
9 you to Tab 7 in the book of documents, and in particular  
10 the third page over, which is actually TI-15(a). It's  
11 the third page over.

12 In reviewing TI-15(a) for 2009/'10 through  
13 to 2012/'13, can you confirm that the scheduled reflects  
14 no rate increases in any of the years?

15 MR. OTTMAR KRAMER: Yes, that is correct,  
16 and shown on page 3 of that document.

17 MR. WALTER SARANCHUK: Now last year's  
18 analysis in the outlook period indicated a 2 percent rate  
19 decrease in 2011/2012.

20 I take it that there are no rate  
21 reductions currently built into the outlook period in  
22 this TI-15.

23 Is that correct?

24 MR. OTTMAR KRAMER: Yes, that is correct.

25 MR. WALTER SARANCHUK: And just looking

1 at the increases in premium revenue in each of the years,  
2 what are the factors behind those? What's driving those  
3 increases?

4 MR. OTTMAR KRAMER: Those increases are  
5 as a result -- the -- the increases in the -- that  
6 revenue is due to upgrade factors as indicated on page 3,  
7 and volume factor increases.

8 MR. WALTER SARANCHUK: And I note, sir,  
9 that the total claims costs are increasing in each of the  
10 years from \$730.7 million in 2009/'10 to \$815.3 million  
11 in 2012/'13.

12 Do you see that, sir?

13 MR. OTTMAR KRAMER: Yes, I do.

14 MR. WALTER SARANCHUK: Is there any  
15 pattern, or any particular criteria that are applied in  
16 those projections, driving those forecasts and claims  
17 cost increases?

18

19 (BRIEF PAUSE)

20

21 MR. OTTMAR KRAMER: The -- the main  
22 number that you're -- you're -- we're looking at is on  
23 the claims incurred side, and that's the largest piece of  
24 the total claims costs, and that's based on our claims  
25 forecast committee looking at past trends, looking into

1 the future, and also looking at the -- the volume and  
2 upgrade factor increases which would drive increased  
3 costs -- claims costs.

4

5

(BRIEF PAUSE)

6

7 MR. WALTER SARANCHUK: Given that there  
8 was this 2 percent rate reduction built into the outlook  
9 period for 2011/'12 last year, has there been a change in  
10 the forecast of the outlook period this year so that  
11 there isn't some inclusion of a rate reduction?

12 And in particular -- in particular, just  
13 to assist, I'm looking at years 2010/'11 through to  
14 2012/'13, where the forecasted premium growth is  
15 apparently sufficient to offset the growth and claims  
16 costs.

17 MR. DON PALMER: There's a couple of  
18 things interplaying difference between this year and  
19 last year. Last year part of our application was built  
20 around a multi-rate -- multi-year rate application. We  
21 did want to demonstrate on a going-forward basis what  
22 that -- how that would look like in terms of if there  
23 were changes in the future so that -- that was part of  
24 it.

25

We're -- we're not applying for rate



1 changes in 2011/'12 or '12/'13 so we've -- we've left it  
2 alone in status quo. Once we get there, you'll see very  
3 significant bottom lines in both of those years. Our  
4 assumption had been no rate change. If we come to the  
5 rate hearing this -- next year and the year after and  
6 these forecasts we think are still holding, you likely  
7 will see rate decreases over the next rating period.

8 We're not talking about rates for 2010/'11  
9 or '11/'12 at this rate hearing so we've just left them  
10 alone as status quo, but if it holds, a rate decrease  
11 will likely be presented to the PUB next year and the  
12 year after.

13 MR. WALTER SARANCHUK: And is it correct  
14 that essentially theft claims reduction is driving the  
15 operating profits anticipated for the years 2010/'11  
16 through to 2012/'13 and if not, what other factors?

17 MR. DON PALMER: That's part of it.  
18 We've also seen some decrease in underlying years in PIPP.  
19 As we release reserves, that brings down our current  
20 estimate of current year's PIPP which will go forward too  
21 so it would be both the combination of -- of theft  
22 reductions and also ongoing experience with PIPP.

23 MR. WALTER SARANCHUK: Could  
24 consideration of the IFRS change that bottomline, the  
25 estimate for 2011/'12, 2012/'13?

1                   MR. DON PALMER:     I'm going to be very  
2 cautious here. Our belief is that IRF -- IFRS will not  
3 have a significant impact on our bottomline, but stay  
4 tuned.

5                   MR. WALTER SARANCHUK:    Can you give us an  
6 idea what you're basing that view on?

7                   MR. DON PALMER:     Our understanding of the  
8 work that we've done so far on IFRS and some of the  
9 practices, for instance classification of financial  
10 instruments, our understanding is that will not change  
11 under IFRS. Our funding of our pension obligations, we  
12 have them currently funded. We don't see that will  
13 change.

14                   There are some other unknowns with regard  
15 to IFRS right now. The -- the whole question of -- of  
16 treatment of insurance contracts, not only are they  
17 unknown or not fully known by us, I don't think they're  
18 known by anybody. There is significant work being done  
19 and in fact I believe the IFRS conversion will not likely  
20 be one (1) conversion but probably two (2) because I  
21 don't think the insurance rules will be done for  
22 2011/'12.

23                   But I guess everything we know right now  
24 and -- and all the changes that we have to make, I don't  
25 think there's any significant financial impact on the

1 bottomline.

2 MR. WALTER SARANCHUK: But wouldn't the  
3 re-evaluation of a plant and equipment to fair market  
4 value for example cost you part of the transition  
5 adjustment?

6 MR. DON PALMER: Sure, but that's not a  
7 significant cost to MPI as it would be to a manufacturing  
8 sector or -- or Hydro, for instance.

9 MR. WALTER SARANCHUK: In looking at TI-  
10 15(a) in Tab 7, to what extent is the forecast saving  
11 related to the business process review reflected in the  
12 outlook period? The productivity factor, for example.

13 MR. DON PALMER: The -- the major one  
14 would be savings due to the PIPP infrastructure project.  
15 A lot of the other BPR initiatives, cost-saving  
16 initiatives, will be on the DVL side of the business, not  
17 -- not necessarily reflected on basic. But the cost  
18 savings that we do have and know about, especially on  
19 PIPP infrastructure, are built -- are built into these  
20 projections.

21 MR. WALTER SARANCHUK: And if the profits  
22 materialize as forecast in this outlook period, what  
23 strategy would the Corporation consider for dealing with  
24 the largesse?

25 MR. DON PALMER: I think I said we would

1 reduce rates.

2 MR. WALTER SARANCHUK: So we're talking  
3 about rebates or additional rate reductions?

4 MR. DON PALMER: Rebates to -- to the  
5 extent that our bottom line is greater than we  
6 anticipate. But for -- on a going-forward basis if we  
7 see that we otherwise would have future profits then that  
8 would relate into rate reductions.

9 MS. MARILYN MCLAREN: Maybe just another  
10 way to say the same thing: If we came forward with  
11 different forecasts -- if we came forward with break-even  
12 forecasts and then somehow ended up with -- with income,  
13 net income, as reflected here, of 27 million and \$41.8  
14 million in '11/'12 and '12/'13, in all likelihood we  
15 would be looking at a rebate situation.

16 And I think the question is, is: What  
17 would you intend to do if the forecasts hold? If the  
18 forecasts hold we wouldn't have this kind of bottom line  
19 net income because we would be looking at rate  
20 reductions.

21 MR. WALTER SARANCHUK: Thank you, Ms.  
22 McLaren.

23 Mr. Chairman, I intend now to move on to a  
24 couple of other areas and I am wondering whether this  
25 might not be a convenient spot to break for lunch?

1 THE CHAIRPERSON: Okay, sir. Now, we  
2 have the presenters coming at, is it at 1:15?

3 MR. WALTER SARANCHUK: Yes, sir.

4 THE CHAIRPERSON: Very good. We will see  
5 you all back at 1:15.

6

7 (MPI PANEL RETIRES)

8

9 --- Upon recessing at 11:55 a.m.

10 --- Upon resuming at 1:16 p.m.

11

12 THE CHAIRPERSON: Okay, welcome back  
13 everyone. We have the presenters that are now present  
14 with us. I just want to make a note to them.

15 First of all, we're the Public Utilities  
16 Board, and we're hearing a rate application from Manitoba  
17 Public Insurance. Our jurisdiction is somewhat  
18 circumscribed. Our practices here are the presenters,  
19 you can make your presentation to the Board and it'll be  
20 put into the record of the hearing.

21 It's not our practice generally to ask  
22 questions or questions come from the parties. Following  
23 on occasion or generally, MPI often times addresses a  
24 letter to a presenter making a particular complaint or  
25 concern.

1                   So that -- that could potentially happen  
2 out of the process, I'm not sure. We ask each presenter  
3 if they wouldn't mind if they could hold their remarks to  
4 no more than fifteen (15) minutes if possible.

5                   And if you have it in writing, that's  
6 fine. If not, the -- we'll have it on the written record  
7 in any case, and subsequently, you'll be able to find on  
8 our website a transcript of -- of today's process -- oh  
9 okay -- well, you can get it from the library. But --  
10 and you can see your presentation will be on there.

11                   To begin with we have two (2) presenters  
12 that aren't present that have left written presentations.  
13 Ms. Bowden, Anita Bowden and a Hugh Arklie. And I think  
14 what we'll do is we'll have them put them directly onto  
15 the record and then the other parties can -- can see it  
16 when it comes out if they haven't already been  
17 distributed.

18                   So we have six (6) presenters that are  
19 either here or will be here in person. So we'll begin  
20 with Ms. Adams. Ms. Ruth Adams, you can begin at any  
21 time.

22  
23 PRESENTATION BY MS. RUTH ADAMS:

24                   MS. RUTH ADAMS: Thank you very much for  
25 having this hearing where we can present our concerns and

1 stuff and information and which I personally have  
2 continually, continually, continually been addressing  
3 individuals that I know for a fact are responsible in  
4 determining, you know, and not only determining but also  
5 responsible for overseeing that these Corporations and  
6 whatever, that they are being held accountable to the  
7 statutes and acts that they are supposed to abide by, and  
8 to no avail.

9           And I realize that this Board also, you  
10 have a duty only -- and a jurisdiction only in a certain  
11 area and stuff and beyond that you can't very well do too  
12 much, except one (1) thing that you can do is definitely,  
13 definitely refer or else the Criminal Code states that if  
14 it is an offence of any type and stuff, then the person  
15 and, specifically you as a Board, if you don't at least  
16 get it out into the media, make it known to the public  
17 and refer it to the proper Board or whatever that does  
18 have the jurisdiction to handle it, then the Criminal  
19 Code states very, very clearly that then you yourself are  
20 becoming a party to the offence because you're not  
21 speaking out and getting that out on behalf of the  
22 public, and stuff.

23           So anyway I realize that this hearing is  
24 in regarding to MPIC. And just to make a statement here,  
25 MPIC is definitely responsible in using their full, full

1 registered business name in any correspondence or  
2 anything, and especially, like, for this hearing  
3 application and stuff, and they need to make sure that  
4 the public is aware that they are a corporation compared  
5 to private business company and stuff. And they have  
6 seriously, seriously violated that -- that rule and  
7 statute over and over and over again.

8 My reply to MPIC asking the Public  
9 Utilities Board that rates for licences and insurance be  
10 increased, my reply to that is no and stuff, and I have  
11 very, very good reasons.

12 First of all, MPIC is responsible to make  
13 very, very sure that any victims from a motor vehicle  
14 accident such as myself, for instance, that we do get all  
15 of the benefits paid to us that they guaranteed. And  
16 they used that word over and over and over again that we  
17 are guaranteed that MPIC is going to be paying out, for  
18 instance, loss of wages already within seven (7) days;  
19 they're not supposed to wait any more than seven (7)  
20 days.

21 In my case, when my accident happened, Lou  
22 Ritchot (phonetic), the adjuster for MPIC, he was in  
23 Emerson and he was, by law, supposed to be there; he was  
24 getting paid for being there from 9:00 in the morning on  
25 -- on Tuesday until twelve o'clock noon. He had no



1 business leaving that office until twelve o'clock noon  
2 came along.

3 I was involved in a motor vehicle accident  
4 where this woman, she crossed the -- the four (4) lane  
5 highway, 75 Highway, at Letellier, which is only no more  
6 than eleven (11) miles away from Emerson, and stuff. She  
7 crossed the four (4) lane highway, refusing to stop at  
8 either of the stop signs and she smashed into me  
9 broadside, and that was at 9:30 in the morning.

10 I was totally, totally doing absolutely  
11 everything according to the Traffic Act and everything.  
12 Lou Ritchot, when he found out that I had been in that  
13 accident, he took off to Steinbach and he had just --  
14 this was 9:30 in the morning, he had just, just barely  
15 arrived at Emerson. MPIC did nothing to discipline him  
16 or anything.

17 And then when I went to try and file a  
18 claim yet that day, because my brother was off work that  
19 day and he could borrow me his car or he himself could  
20 take me to Steinbach, which was the head office, and  
21 stuff, so that I could file a claim, and I phoned  
22 Steinbach to say that I was coming in, they said they're  
23 not going to let me file on that day. I was supposed to  
24 wait until the next week when the adjuster arrived again  
25 in Emerson.



1 therapy appointments a week which was okayed by MPIC, and  
2 they were paying it directly -- or they were billing MPIC  
3 directly, so I asked for a receipt from the physiotherapy  
4 clinic when I -- and they did.

5 They gave me the -- the statement of how  
6 many physiotherapy's I had attended, and et cetera, et  
7 cetera, et cetera.

8 Then I noticed that they had -- MPIC had  
9 given the physiotherapy clinic the other filed claim  
10 number. They didn't give the claim number where -- the  
11 computer generated file number.

12 Now anybody when they want to -- even the  
13 Minister of Justice, when he wants to check how is this  
14 claim going, well, there's nothing.

15 It doesn't even show that I even went for  
16 one (1) physiotherapy appointment because they've got it  
17 on the paper file, hidden in the office and stuff.

18 And then over and over and over again, I -  
19 - and I'm going to leave you a copy of this package, that  
20 you have it for yourselves and stuff.

21 Even -- September the 12th, and this is  
22 stamped dated by a Minister of Justice's office and  
23 stuff, and I again asked him, File my case in Appeal  
24 Court.

25 Hugh McFadyen will be in your face even

1 with the Taman Inquiry, and I wanted to go and testify at  
2 the Taman Inquiry because I have applicable information,  
3 and -- that is like very applicable to that hearing.

4 Well, the lawyers even -- they refused.  
5 Jay Prober himself refused to let me testify at that  
6 inquiry. Well, that's not an accurate inquiry. That  
7 Commissioner can't make a justifiable decision based on  
8 what, a selected information?

9 What the lawyers -- they have already  
10 determined that they are going to give the -- to the  
11 Commissioner, and anything else -- beyond that, they're  
12 going to refuse to give to the Commissioner?

13 MPIC is very highly involved in that Taman  
14 case and stuff. And the -- a page from the Canada's  
15 Court system which the Law Courts gave to each person who  
16 went to the public -- public open house at the Law  
17 Courts, I think it was April the 13th.

18 But anyway, so they passed out this  
19 brochure or this booklet to explain like what the Court  
20 system and everything is. And even in there, it says  
21 that:

22 "The Courts of Appeal also hear  
23 constitutional questions that may be  
24 raised in appeals involving not only  
25 individuals, but also governments, or

1                   governmental agencies."

2                   And that's why, before I forget, I would  
3 encourage this Board to at least bring a referral to the  
4 Appeals Court for your own benefits as a government --  
5 governmental agency and stuff, you know, to have a judge  
6 clarify, you know, everything for you, you know, what was  
7 there, if anything, that you could have done, or -- or  
8 might be doing and stuff, in order to not only hold these  
9 corporations that you are obviously responsible and  
10 deciding, you know, whether they should decrease rates,  
11 whether should -- they should be sending out a refund, as  
12 they did -- was it last year or the year before -- and  
13 stuff, or should they be increasing rates.

14                   If you don't have the information and  
15 stuff, how are you going to make a -- you know, a  
16 reasonable decision, even for the public's benefit.

17                   And Kelvin Goertzen, now he is supposed to  
18 be the conservative's justice critic, and he is totally  
19 deluding the public because in regarding to the Taman  
20 Inquiry, he states here that:

21                   In Paul Rutherford's editorial, he  
22 states that the Minister of Justice in  
23 Manitoba had no ability to reject a  
24 recommendation from an independent  
25 prosecutor for a house arrest, et



1 where and I also wrote letters that that forum panel was  
2 totally, totally out of -- way out of their jurisdiction.

3           They had absolutely no business coming to  
4 Manitoba because those three (3) panel members they were  
5 all just from different police departments in the US and  
6 they came to Winnipeg to hear complaints from the public  
7 about the Winnipeg Police Department and whether they  
8 should accredit the Winnipeg Police Department or not.

9           There again, we were so restricted. The  
10 public was so restricted as to even finding out when this  
11 meeting is going to be, where do we go to register and  
12 stuff, that there was in total -- even including Lorne  
13 Shenkel who was there -- in total there were twenty-five  
14 (25) people maybe sitting at that forum. But I did write  
15 to certain people that that -- those three (3) police  
16 officers from the US had absolutely, absolutely no  
17 jurisdiction to come into Manitoba and start ask -- even  
18 asking questions about the Winnipeg Police Department,  
19 never mind giving their advice or accrediting or not  
20 accrediting.

21           They had absolutely no jurisdiction. But  
22 in the meantime, I wrote out -- filled out an informant  
23 form myself and handed it to them and one (1) of the  
24 things that is in this package again and I gave them  
25 copies of what the Canadian law states especially

1 obstructing justice.

2                   Everyone -- that doesn't matter if you  
3 yourself might be a judge -- everyone who willfully  
4 attempts in any manner to obstruct, pervert or defeat the  
5 course of justice in a judicial proceeding or everyone  
6 who willfully attempts in any manner other than a manner  
7 described in Subsection 1 to obstruct, pervert or defeat  
8 the course of justice is guilty of an indictable offence  
9 and liable to imprisonment for a term not exceeding ten  
10 (10) years.

11                   But believe me, ten (10) years is going to  
12 shape your head into reality and stuff, and that's what  
13 the Criminal Code is all about, never mind this, Oh well,  
14 we're just going to make a deal or Oh, we're just going  
15 to give a house arrest or whatever and stuff.

16                   And one (1) of the things that is an  
17 example for what your Board can do is, there's a case  
18 about an arbitrator, police -- Regina Police Board going  
19 to the Police Commissioners or both Boards being in  
20 conflict with each other.

21                   Anyway that whole case, whoever the lawyer  
22 was, they brought be -- just before an arbitrator. And  
23 it says that the arbitrator, she referred it to a court  
24 and the judge in that court said the arbitrator was  
25 correct in finding that she did not have jurisdiction to



1 hear that -- that dispute and stuff.

2                   And that's the same way that anything --  
3 if you have even a hint that that case or any case might  
4 be of criminal nature and stuff, it is your business and  
5 your responsibility to make sure that you bring it before  
6 a proper judge then who has the proper jurisdiction to  
7 deal with it and stuff because if the police and  
8 everybody refuse to lay charges, that doesn't matter.

9                   The judge can lay charges which are  
10 indictable offences, so the judge hears the case. He  
11 determines is this really a criminal offence and then he  
12 sets a date for sentencing. He doesn't need to hear from  
13 the police or the -- the Minister of Justice and that  
14 kind of stuff.

15                   One of the things that is of the most  
16 serious criminal offence is, I personally tried and tried  
17 and tried and tried and tried and tried and tried to take  
18 it to Court numerous times. The Court, a Justice of the  
19 Peace even, would -- refused to let me file a case in  
20 Court to present my -- represent myself. Finally,  
21 finally, finally when Judge -- Justice Oliphant, he did  
22 the preliminaries, he said yes, he said, go set a date  
23 and stuff, together with a Crown attorney and he will  
24 hear the case.

25                   When I came to case -- to -- to the Court,

1 there was a woman sitting on the Bench. Right there, I  
2 had the right to say, This is not Judge -- Justice  
3 Oliphant, so, therefore, I'm not going to allow you to  
4 hear the case. But then they were getting what they  
5 wanted all along. They wanted me to change the Court  
6 date and so I thought to myself, no way, I'm not  
7 cancelling the Court date. I made her hear the case.

8                   When she sent her document, which was  
9 supposed to be Justice Greenberg, no signature, no  
10 signature of Greenberg anywhere on that document and  
11 stuff. If that isn't the most serious criminal offence  
12 that you could ever, ever, ever, ever think of, then you  
13 guys, I'm sorry to say, but you are brain dead.

14                   And that needs -- this needs to go to  
15 Court, this needs to have the Attorney General and the  
16 police department to lay charges.

17                   THE CHAIRPERSON: Ms. Adams, I am going  
18 to have to ask you, if you would not mind, summarizing  
19 your perspective so that we can move on to the next  
20 presenter.

21                   MS. RUTH ADAMS: I gave kind of a cover  
22 letter which I again said, I'm going to give it to you  
23 and stuff and I also brought along a copy of an x-ray and  
24 if you want to come up and see it for -- for real,  
25 there's my name on there from the day of the accident,

1 Ruth Adams, Emerson, Manitoba, my birth date and stuff,  
2 June 7th, 1994.

3 That healthcare number is not my  
4 healthcare number. After I fought with Health Canada to  
5 get those records and stuff, I find out it's my ex-  
6 husband's health care number, who Dr. Chambers in  
7 Emerson, she never even met, much less had treated him or  
8 any information and stuff. Nobody wants to do anything  
9 about that.

10 In the meantime, MPIC is saying there --  
11 there is no records of any x-rays or anything taken on  
12 June the 7th. That's the kind of stuff that MPIC is  
13 involved in.

14 MPIC is giving away our money. They gave  
15 away \$3 million to the Manitoba Truckers Association a  
16 couple of years ago; they gave away again just recently  
17 \$6 million to the Human Rights museum and stuff. And now  
18 they're going to come before the Board and say, Oh, we  
19 need money, we're in the hole. No, you're going to get  
20 MPIC to give back that money so that I can get my loss of  
21 wages, my injuries paid for, everything up to date and  
22 whatever and stuff.

23 And, like I say, I'm going to give this  
24 package to you but I want you to stamp or sign my copy  
25 that I have proof that you did get this.

1 THE CHAIRPERSON: Thank you. Thank you  
2 very much.

3 Mr. Gaudreau, you can perhaps assist Ms.  
4 Adams in receiving her brief? Thank you.

5 Next up is Mr. Mike Law, Past President,  
6 Manitoba Bar Association. Mr. Law, are you here?

7 MR. MIKE LAW: I am.

8

9 (BRIEF PAUSE)

10

11 PRESENTATION BY MR. MIKE LAW:

12 Good afternoon. Mr. Chairman and Members  
13 of the Board, my name is Mike Law. I'm the past  
14 president of the Manitoba Bar Association, also known as  
15 the MBA.

16 Our association is grateful to the Board  
17 for granting this year intervener status to the MBA,  
18 allowing it to advance interests that benefit all  
19 Manitobans that go well beyond the immediate interests of  
20 our members.

21 The Manitoba Bar Association represents  
22 over one thousand two hundred and fifty (1,250) Manitoba  
23 lawyers, judges, law students and law professors. The  
24 MBA is the voice of the legal profession in the province  
25 and, as a branch of the National Canadian Bar

1 Association, it joins in a cross-country effort to serve  
2 not only the legal profession but to benefit the public  
3 as a whole.

4 The MBA is committed to improving the  
5 administration of justice, and the promotion of access to  
6 justice, as our appearances before this Board over the  
7 years have demonstrated.

8 Apart from such interventions as the  
9 present matter, over which the Bar Association's lawyer,  
10 Mr. Robert Dawson, has had conduct over the past several  
11 years, the MBA also appears before our legislative  
12 committees to urge changes and improvements to the laws  
13 of Manitoba, and meets regularly with the Minister of  
14 Justice.

15 Before this Board, the MBA has pressed the  
16 applicant MPI over its handling of claims by victims of  
17 personal injury arising out of the operation of motor  
18 vehicles.

19 For the most part, many of these claimants  
20 would benefit from the help of a lawyer, or another  
21 trained advisor, as they do not necessarily understand  
22 the requirements of filing a claim, the way in which to  
23 discharge the burden of proof, or even what questions  
24 they should ask.

25 The change to no-fault coverage has made

1 more compelling the need to test MPI's fulfilment of its  
2 statutory obligations to pay out promptly and fully those  
3 claims to which insured Manitobans are entitled.

4           The Manitoba Bar Association continues to  
5 submit that no-fault insurance simply is no good. The  
6 effect of the legislative scheme is to deny the citizens  
7 of Manitoba a means by which to access legal advice  
8 crucial to the informed and effective settlement of  
9 injury claims.

10           Given the importance of testing MPI and  
11 its handling of such claims, the MBA is especially  
12 concerned to see that the applicant MPI continues to fail  
13 to comply with several orders that this Board has made  
14 over the years, including last year regarding PIPP  
15 claims.

16           The Manitoba Bar Association appreciates  
17 the Board's willingness to allow the MBA to participate  
18 in these hearings.

19           On behalf of our members, thank you for  
20 granting the MBA status to intervene, and thanks to you,  
21 panel members, for your attention to the presentation.

22           THE CHAIRPERSON: Thank you, Mr. Law.  
23 The next presenter is Mr. McNaught from Vespa Winnipeg.  
24 Is Mr. McNaught here?

25           Okay, we will move on and we will return

1 if he is in the audience before we are finished here.

2 Mr. Houghton...?

3 Oh, there you are.

4

5 (BRIEF PAUSE)

6

7 THE CHAIRPERSON: Mr. Houghton, so that  
8 you do not have to go rapid fire like I remember last  
9 year, we are prepared just to put this directly in the  
10 record as it is, and so you can, you know, summarize it  
11 as you go through if it is easier for you.

12

13 PRESENTATION BY MR. DOUG HOUGHTON:

14 MR. DOUG HOUGHTON: Probably easier if I  
15 try to read it. I made it a little shorter than last  
16 year. I made the print smaller, so it would look  
17 shorter. It is shorter. I'll -- I'll try to proceed  
18 quickly.

19 Good afternoon, Mr. Chairman, Board  
20 members, MPI staff, and legal -- legal counsel, and other  
21 presenters.

22 I would like to thank you for this  
23 opportunity to speak before the Board to this year's  
24 general rate application and its effects on Manitoba  
25 motorcyclists.

1                   While some of this will be repetitive from  
2 other years, sometimes I think you've got to plow the  
3 field in a different direction to get results, so I  
4 apologize for going over old issues.

5                   I'm the current president of the Coalition  
6 of Manitoba Motorcycle Groups, the CMMG, but today I'm  
7 speaking on my own behalf, and some of the views  
8 expressed may be my own and not necessarily those of  
9 CMMG.

10                   The CMMG solicitor, Mr. Raymond Oakes, as  
11 you've already met, will represent CMMG.

12                   I've been a motorcyclist for more than  
13 forty (40) years and, as a pensioner, motorcycle premiums  
14 have become a much greater financial burden with each  
15 yearly increase.

16                   In the -- in the past, I've told you as a  
17 group that Manitoba motorcyclists are very typical  
18 members of their communities and reflect a general cross-  
19 section of the Manitoba population.

20                   Recently, however, I found that not to be  
21 true as according to Manitoba public insurance, Manitoba  
22 motorcyclists appear to be above average drivers.

23                   Apparently 81.8 percent of motorcycles  
24 receive the maximum premium discount, whereas only 77.8  
25 percent of the private passenger class do. So there's a



1 -- it destroys your stereotypical image of the hard  
2 riding, high drinking, bikers.

3 Dealing with the premium, 2009 premium  
4 increases for motorcycles, as a Manitoba citizen and tax  
5 payer, I want to ensure that motorcycling remains a major  
6 billion dollar industry, and that it's not threatened by  
7 escalating insurance rates.

8 Now since 2000, motorcycle premiums have  
9 increased from a seasonally adjusted rate of four forty  
10 one (441) per, to a proposed rate of one thousand and  
11 forty-six dollars (\$1,046), almost two and a half (2 1/2)  
12 times, and averaging about 11 percent annually.

13 In spite of last year's implementation of  
14 a new methodology for the allocation of PIPP and this  
15 year's new methodology for assigning collision costs,  
16 Manitoba Public Insurance still proposes an average 7.2  
17 percent increase.

18 Although this new method appears to have  
19 stabilized rates for some rate groups, primarily in  
20 Territory 1, the basic average premium will still  
21 increase from last year's ten thousand eighteen (10,018)  
22 to an average of ten thousand and forty-six (10,046).

23 Considering this is a seasonally adjusted  
24 rated based on a five (5) month riding season, the year  
25 round rate equates to two thousand five hundred and ten

1 (2,510). This does not include an additional twenty  
2 dollars (\$20) to three hundred and fifty dollars (\$350)  
3 premium for fire, theft and vandalism.

4 For example, currently a Winnipeg  
5 motorcyclist with full merit discount, 2 million in  
6 liability and two hundred (200) deductible comprehensive  
7 on a 2005 Harley Davidson valued at twenty-two thousand  
8 dollars (\$22,000) pays a premium of two thousand two  
9 hundred and thirty dollars (\$2,230) for a five (5) month  
10 season, or the automobile equivalent of five thousand  
11 three hundred and fifty-two dollars (\$5,352) per -- per  
12 year.

13 Now the good news this year is that many  
14 motorcyclists -- sorry, motorcycles exceeding four  
15 thousand dollars (\$4,000) in value and located in  
16 Territory 1 may actually experience little or no increase  
17 and in some cases may have a very minor decrease.

18 The bad news is that the stated 7.2  
19 percent is misleading as rates vary substantially by  
20 territory, rate group or classification and where  
21 increases do occur they are often much higher than 7.2  
22 percent.

23 If one examines premiums within each  
24 territory, the resulting changes are quite varied and  
25 substantial. Lower value motorcycles, mopeds and sport

1 bikes will likely endure substantial increases regardless  
2 of location.

3 As well motorcycles located in Territories  
4 2, 3 and 4 will likely receive increases regardless of  
5 value or class. For example, a twenty-five thousand  
6 dollar (\$25,000) motorcycle in Territory 2 will endure a  
7 12.4 percent increase, whereas a 1985 Yamaha of only one  
8 thousand dollar (\$1,000) value will get a whopping 20  
9 percent increase.

10 My own eight (8) year old Harley touring  
11 motorcycle will increase by another hundred and twenty-  
12 seven dollars (\$127), a similar amount as last year but  
13 probably far less than preceding years.

14 The following examples are some of the  
15 rate changes for pleasure motorcycles with full merit  
16 discounts. Increases for scooters and mopeds generally  
17 rate from 20 to 25 percent throughout all territories and  
18 rate groups.

19 In Territory 1, a one hundred (100) cc  
20 motorcycle increases 15.46 percent for rate group 1 but  
21 enjoys a decrease of minus three point eight (-3.8) for  
22 rate group 4.

23 Similarly a five hundred (500) cc  
24 motorcycle will see corresponding rate changes of 15.21  
25 percent and a decrease of -3.74 percent. For bikes over

1 five hundred (500) cc's these rates would be ten point  
2 zero five (10.05) and minus four point zero five (-4.05)  
3 respectively.

4 Territory 1, again which is the Winnipeg  
5 area, the full discounted sport bike rate increases by  
6 17.86 percent for rate group zero while rate group seven  
7 (7) actually shows a decrease of -.58 percent, the  
8 average being only 2.2 percent.

9 Territory 2 however is a different story.  
10 And this is generally agro Manitoba which includes the  
11 City of Brandon and basically south of Dauphin and south.

12 As with the last two (2) years, Territory  
13 2 has been hit with some of the greatest increases. Five  
14 hundred (500) cc motorcycles in rate groups 0 to 4 will  
15 experience rate hikes ranging from 19.97 percent to 11.13  
16 percent.

17 For bikes greater than five (500) cc's the  
18 corresponding rate increases will range from 19.97 to 11  
19 percent, almost the same throughout all classes.

20 Sport bikes over five hundred (500) cc's  
21 will average 13.86 percent but will endure increases of  
22 up to 20 percent. Territories 3 and 4 also experienced  
23 increases but not as severe as Territory 2.

24 One can conclude from the above that  
25 motorcycle rates except the sport motorcycle and -- or

1 sorry, except sport, moped and scooter, appear to have  
2 stabilized in Territory 1 but continue to rise in  
3 Territories 2, 3 and 4.

4 Historically, as I understand it,  
5 motorcycles in these areas were involved in fewer, less  
6 costly accidents and posed a lesser risk. A little  
7 spelling error there, pose. Expose works too.

8 It seems unusual that accident rates in  
9 Territory 2 could be increasing at a much greater rate  
10 than in Territory 1 so as to justify such  
11 disproportionate rate increases.

12 I don't wish higher premiums on any other  
13 motorcyclists but I'd like to be assured that the  
14 premiums are fairly applied in all territories and  
15 classes and, as well, reflect actual loss experience.

16 Although the data may be contained within  
17 the volumes of documentation comprising the GRA, I would  
18 request that the Board ask MPI to document in tabular  
19 format, possibly on future GRA's, on an average  
20 territory, rate group and classification basis where  
21 motorcycle sit in relation to the target or break even  
22 point on premiums.

23 In other words, where is it going to end?  
24 If the target is 100 percent, are we sitting at  
25 80 percent or 90 percent, et cetera?

1                   As with previous years I'd like to know if  
2 MPI has initiated any -- any measures to ensure that  
3 motorcycles are insured and registered in the correct  
4 territory. Although the percentage of motorcycles  
5 ownership could be higher in rural Manitoba, it seems odd  
6 that Territory 1, with about 56 1/2 percent of Manitoba's  
7 population, has a lower percentage of Manitoba's motor --  
8 registered motorcycles and mopeds than the other  
9 territories which only have 43.5 percent of the  
10 population but with greater percentage of registered  
11 motorcycles and mopeds.

12                   Should this inverse ratio -- should this  
13 inverse ratio be as high and could it be unfairly  
14 impacting rates?

15                   Now there's still difference among  
16 motorcycle classes. Without considering mopeds, why are  
17 there such extreme premium differentials between  
18 motorcycles with a scooter body style and those of a  
19 standard touring body style of the same displacement?

20                   For example, a fully discounted, all  
21 purpose premium in Territory 1 for a two hundred and  
22 fifty (250) cc scooter, valued at three thousand dollars  
23 (\$3,000), is only two hundred and seventy-one dollars  
24 (\$271) a year, whereas the two hundred and fifty (250) cc  
25 motorcycle of the same value pays fourteen hundred and

1 sixty-one (1,461), nearly five and a half (5 1/2) times  
2 the rate.

3 It is difficult to comprehend,  
4 particularly in the latter example, that the risk is so  
5 much lower for the scooter with the same power and driven  
6 under the same driving conditions as the motorcycle.

7 And dealing with motorcycle  
8 classification, I am pleased to note that MPI has removed  
9 additional older sport bikes from the sport bike category  
10 and has seen fit to introduce another sport touring  
11 category. I'm sure that the experience -- that  
12 experience will demonstrate those touring models to be  
13 involved in fewer accidents than the pure sport models  
14 and eventually resulting in more favourable premiums. I  
15 am disappointed, however, that only new models are to be  
16 included and not prior year models.

17 As with the previous decision to remove  
18 older sport bikes from the sport bike category I would  
19 suggest that MPI meet with CMMG and the Manitoba Road  
20 Racing Association and possibly motorcycle dealers to  
21 develop a list of sport touring motorcycles from other  
22 prior year models.

23 The Driver Rating Program: I am pleased  
24 that MPI has introduced its new driver safety rating  
25 program and will entertain public input via the internet

1 and public meetings. As I understand it, these meetings  
2 will deal with the methodology and proposed legislation  
3 only and that this Board will deal -- only deal with the  
4 subsequent rate changes.

5 My concern is that once entrenched in  
6 legislation and regulation, it is very difficult to  
7 backtrack should it result in unfavourable and unforeseen  
8 premium shifts and license penalty redistribution.  
9 Perhaps this Board could recommend to the MPI and the  
10 Government of Manitoba to provide monetary examples of  
11 how this new program -- of this new program, both on a  
12 vehicle and driver's licence basis. In other words, how  
13 does it affect the -- the dollar amount on each licence  
14 and vehicle?

15 Extension and Special Risk Extension: As  
16 mentioned at previous hearings, it is noted that  
17 motorcyclists must purchase comprehensive insurance  
18 separate from the basic Autopac package. Theoretically,  
19 comprehensive motorcycle insurance is open to  
20 competition; however, there is no known insurer willing  
21 to provide this coverage to motorcyclists in Manitoba.

22 Although there has been some product  
23 improvement and significant cost reductions in this  
24 coverage, MPI still has an exclusive monopoly in this  
25 regard and there is no process for public scrutiny.



1 I would like to indicate my personal  
2 support of the Coalition of Manitoba Motorcycle Group's  
3 decision to support maintaining comprehensive insurance  
4 coverage for motorcycles as optional extension coverage  
5 offered by Manitoba Public Insurance.

6 I also agree with my -- with CMMG's intent  
7 to pursue changes to the Manitoba Public Insurance  
8 Corporation Act and/or other provincial legislation to  
9 permit the future inclusion of comprehensive motorcycle  
10 insurance as optional Autopac coverage but subject to  
11 review by the Public Utilities Board.

12 It appears that motorcyclists still want  
13 the choice of extension coverage but would not object to  
14 MPI being the exclusive provider, provided that it is  
15 still optional and subject to public review.

16 Recovering PIPP and Vehicle Collision  
17 Costs From Other Insurers: Although I understand that  
18 MPI seeks to recover costs from -- from at fault, out of  
19 province and motorists, I am still not convinced that it  
20 is diligent in this matter.

21 Collisions and Livestock: In recent years  
22 there have been serious accidents involving collisions  
23 with livestock and many of these livestock owners have  
24 liability insurance. It is requested that the Board and  
25 MPI recommend that the Government of Manitoba amend

1 legislation to permit MPI to recover PIPP costs from  
2 other insurers, even if the insured is a resident of  
3 Manitoba.

4           Collisions with Wildlife: And I hope I  
5 scratched -- made a correction on this page. According  
6 to MPI, total motorcycle claims involving wildlife have  
7 increased from a low of nineteen thousand nine hundred  
8 and ninety-eight (19,998) back in 1999 to \$1,233,281 in  
9 2007. I don't know why these collisions are increasing  
10 at such an alarming rate but I assume that most of these  
11 claims relate to collisions with deer.

12           In such actions the motorcyclist is more  
13 likely to sustain bodily injury than the driver of a car  
14 or a light truck and it is my understanding that the PIPP  
15 costs associated with these single-vehicle accidents are  
16 allocated to the motorcycle premiums.

17           Since wildlife is under provincial  
18 jurisdiction and owned by all Manitobans, perhaps then  
19 there is a fairness or philosophical case for allocating  
20 wildlife PIPP costs across all vehicle rating categories.  
21 I'm disappointed that MPI has not seen fit to entertain  
22 this methodology.

23           Senior's discounts, which in recent years  
24 have become more apparent to me: Many motorcyclists --  
25 motorists think there should be -- and not just

1 motorcyclists -- there should be discounts for seniors as  
2 they tend to be better drivers with fewer accidents.

3           Personally, I'm opposed to premium  
4 differentials based solely on age, but anticipate that a  
5 new driver safety rating program could indirectly address  
6 this issue with additional merit discounts for long term  
7 drivers with good records.

8           The only exception to this is the case of  
9 PIPP premiums. Person -- persons relying solely on  
10 pension income without any other employment income, as I  
11 understand it, are not eligible to receive income  
12 replacement, and should not be paying for benefits which  
13 they can never -- can never receive.

14           Since income replacement comprises a  
15 considerable portion of MPI -- sorry, of PIPP benefits,  
16 perhaps there can be a discount to reflect that portion  
17 of the PIPP premium normally associated with that cost.

18           I'll deal next with protective clothing.  
19 Motorcyclists must purchase a lower collision deductible  
20 to be reimbursed for protective clothing, such as leather  
21 jackets, traps, chaps, and riding boots, et cetera. I  
22 should point out that helmets are covered.

23           Since PIPP costs account for 80 percent of  
24 motorcycle claims, perhaps MPI could review the cost  
25 benefit of including reimbursement for protective riding

1 gear as part of its basic coverage.

2                   It may encourage riders to purchase and  
3 wear better protective gear, and the -- and in the end,  
4 reduce minor injuries and claim costs, and positively  
5 affect PIPP outcomes.

6                   There's still some inequities, and some of  
7 these aren't part of the rate application, but basically  
8 they do affect premiums, or affect the value we're  
9 getting for premiums.

10                   Motorcyclists don't enjoy some of the  
11 products available to passenger vehicles, such as rental  
12 insurance when renting a motorcycle in another province  
13 or country. Appropriate lay-up insurance is not  
14 available for motorcycles either.

15                   With seasonally adjusted rate, annual fees  
16 are paid over the five (5) summer months; however, if one  
17 choses not to ride during the summer months, they must  
18 maintain comprehensive coverage for fire, theft and  
19 vandalism coverage.

20                   The latter, however, does not include any  
21 liability protection, which requires full Autopac  
22 coverage. Nobody wants to pay three hundred (300) to  
23 five hundred dollars (\$500) a month when the vehicle is  
24 in storage and not in use.

25                   There are no discounts for anti-theft

1 devices, such as GPS locating systems. The new vehicle  
2 protection option, which gives automobile and light truck  
3 owners guaranteed original cost replacement for two (2)  
4 years, is not available, as well.

5 To summarize, I hope I haven't taken up  
6 too much of your time this year, but have provided you  
7 with some of the insight as to the concerns of  
8 motorcyclists who, like myself, are prepared to pay their  
9 fair share but wish to ensure an equitable rate setting  
10 methodology and, in return, receive value for premiums  
11 paid.

12 I thank you for giving me this opportunity  
13 to speak to you, and your -- and for your attention to  
14 this matter.

15 THE CHAIRPERSON: Thank you, Mr.  
16 Houghton. Quite a comprehensive brief. I am sure people  
17 will pay attention to it. Thank you.

18 Next up is Mr. Ramos. Is Mr. Ramos here?  
19 I hope I pronounce this properly; is Mr. Chimko here?

20 MR. ANDREW CHIMKO: Yes.

21 THE CHAIRPERSON: Very good, sir.

22

23 PRESENTATION BY MR. ANDREW CHIMKO:

24 MR. ANDREW CHIMKO: Good afternoon, Board  
25 members. I'm here just to ask you that you have all the

1 relevant facts before you make your decision. Is public  
2 regulation of MPI rates a myth, or a reality?

3           Every year, MPI, in my mind, they get --  
4 they get two (2) increases. They set new rates for new  
5 model years, and they -- they have a general premium  
6 adjustment application at the Public Utilities Board, but  
7 does the Public Utilities Board regulate the new rates?

8           Because after ten (10) years, they just  
9 set new rates, and the average premium is -- is increased  
10 substantially because of it -- of the new model year  
11 rates.

12           So they do -- but they really do get two  
13 (2) increases, and this is why I -- in my mind, the  
14 reserve is a significant issue.

15           There have been several trends over the  
16 years. The number of collisions has been going down. I  
17 contacted the traffic engineers at City of Winnipeg, and  
18 they said in the last ten (10) years, the number of  
19 collisions has -- has gone down more than 25 percent.

20           I know there are non-collision claims that  
21 may go up or down. This reduction collision, I think, is  
22 based on more experienced drivers, and aging population,  
23 and graduated licences, and things that have lead to --  
24 to fewer collisions.

25           Another factor that should be considered

1 is that the compensation for pain and suffering is capped  
2 in Manitoba. The -- the factors that have to be taken  
3 into account in terms of is the reserve fund at a  
4 realistic level, MPI is always afraid the sky is going to  
5 fall and they want to have a nice big buffer there, but  
6 there is a concept inter -- inter generational equity and  
7 that one (1) generation shouldn't take a holiday from  
8 making contributions to the reserve fund and another  
9 generation shouldn't be making excessive contributions to  
10 the reserve fund. It should be fairly stable over time.

11 MPI has been issuing annual rebates at the  
12 end of the year and this is just a recognition that the  
13 rates are -- are too high and that it should be reduced  
14 more than just 1 percent. In my mind it should be closer  
15 to 10 percent and eliminate the -- the cost of the annual  
16 -- mailing out annual rebates.

17 So you just -- I want -- the Board should  
18 make sure that it has all the relevant facts before they  
19 make their decision. Thank you very much.

20 THE CHAIRPERSON: Thank you, sir. I'll  
21 make one (1) more call for Mr. McNaught. He's not  
22 present so, very good. Thank you for the presenters.  
23 Thank you for taking the time to come down and provide a  
24 presentation -- presentations to be shared with all  
25 parties.

1 Back to you, Mr. Saranchuk.

2 MR. WALTER SARANCHUK: There are three  
3 (3) presentations that are to be read into the record,  
4 Mr. Chairman, and I have that dubious responsibility.

5 The first one (1) is from a Mr. Hugh  
6 Arklie, A-R-K-L-I-E.

7

8 (WRITTEN PRESENTATION OF MR. HUGH ARKLIE)

9

10 MR. WALTER SARANCHUK: He says:

11 Dear Mr. Lane,

12 The annual review of MPIC rates is upon  
13 us. Should another refund be recommended I expect given  
14 changing public opinion and the current electioneering  
15 that the PUB will resist the urge to waste natural  
16 resources by requiring the mailing of rebate cheques.

17 All MPIC customers have electronic  
18 accounts to which refunds can be sent and applied to  
19 subsequent billings. It is time that the PUB caught up  
20 both technologically and environmentally.

21 If we can impose the immobilizers on the  
22 public for the greater good, surely we can use technology  
23 for environmental good. It's, again, an appreciation of  
24 the lengths to which MPIC went last year and the waste of  
25 resources involved.



1 Visit:

2 [www.mpi.mb.ca/english/newsroom/newreleases\\_old.html](http://www.mpi.mb.ca/english/newsroom/newreleases_old.html).

3 Scroll down to May 1st, 2007 and click on  
4 "The Making of Your Premium Rebate". The reference to  
5 "Trucks" plural is especially intriguing. Please  
6 consider this email as my formal presentation and have it  
7 read into the record on September 22nd."

8

9 (WRITTEN PRESENTATION OF MR. VIRGILIO RAMOS)

10

11 MR. WALTER SARANCHUK: The next written  
12 presentation is from a Virgilio, V-I-R-G-I-L-I-O, C.  
13 Ramos, R-A-M-O-S, and this is entitled, "Earning  
14 Resources To Reduce Premium Rate and Sharing Dividends."

15 1. Immobilizer. The mandatory use of  
16 immobilizer by the MPIC. If the owner of the vehicle  
17 (the MPIC customer) refuses to install the immobilizer,  
18 MPIC refuses to insure his car. This is removing from  
19 the customer the right to choose. I think the provincial  
20 government should do is to allow the privatization of  
21 auto insurance and allow other private insurance  
22 companies to get into the auto insurance business.

23 2. GPS: The use of GPS-based bracelet to  
24 monitor high risk car theft. If this method successfully  
25 control car thefts, reduced car insurance rates would be

1 possible.

2                   3. Equipment to track down stolen  
3 vehicles: The use of equipment to track down stolen  
4 vehicles should be put in place. This will result in  
5 reduced car insurance rates.

6                   4. Claims denial: The MPIC company  
7 augments its revenue by denying as many claims as they  
8 can so they do not pay the claimant/customer who deserves  
9 to be paid.

10                   The MPIC wants to avoid its  
11 responsibilities by searching for the possible reasons  
12 not to pay the claimant/customer even if this results in  
13 more pain and suffering for the customer.

14                   The MPIC saves a lot from this system.

15                   5. Too much advertising: It is involved  
16 in too much advertising such TV, public service shows on  
17 how to drive safely or the 60 Second Driving. How much  
18 money do they spend on billboards, reflectorized vest et  
19 cetera? It should remove these things to save more.

20                   6. New cars-vehicles: New car models  
21 should have reduced premium rates because they are not  
22 worn and less likely to break down. It will less likely  
23 be involved in an accident because its owner is more  
24 likely to drive carefully compared to an owner of an old  
25 used car who will not care if his car gets damaged

1 because then Autopac will write it off and pay him for a  
2 replacement.

3 7. No plate number car: It should impose  
4 a restricted penalty fee to cars running with no plate  
5 number or only one (1) plate number. A lot of cars are  
6 like this. This is dangerous on the road. The plate  
7 number cannot be checked immediately in case of an  
8 accident.

9 8. It should award no claim bonus: People  
10 with good driving records should be given bonuses as  
11 incentives for keeping a good driving record and for the  
12 vehicles.

13 9. Ministry of Infrastructure and  
14 Transportation: Does the Ministry of Infrastructure and  
15 Transportation still have an authority regarding business  
16 and procedures of registration, licensing, et cetera? Is  
17 the MPIC the new administrator in the dissemination of  
18 these services? If so, this must be the reason for the  
19 cocky attitude of the people running it.

20 10. Rolling coffin [C-O-F-F-I-N]  
21 vehicles: These vehicles should be prohibited from our  
22 streets because they are dangerous. They are looking for  
23 opportunities to cause an accident in order to make a  
24 claim and get their cars written off and replaced by  
25 Autopac. In the process they involve other people. If

1 they see an opportunity to smash into you, they will.  
2 Otherwise, these vehicle tend to breakdown on the road  
3 and cause traffic.

4                   11 Field/adjuster/investigator: There  
5 should be field adjusters and investigators to  
6 investigate accidents on the spot, investigators who will  
7 go to the location of the collision and write report that  
8 are fair and truthful there are no longer honest  
9 motorists nowadays. They might admit their fault to you  
10 but they change their stories and lie on their report to  
11 the case manager.

12                   12. Eliminate double function in the  
13 Corporation: Claims should be settled properly and  
14 promptly when reported to the case managers. MPIC should  
15 hire qualified professional for this job to reduced the  
16 need for the following agencies: MPIC Internal Review,  
17 Internal Review-Independent, Automobile Injury  
18 Compensation Commission, Claim Advisor Office, Century  
19 Health Services (Claudette Dupont) [D-U-P-O-N-T], PAR  
20 Services (physio/physical therapist), Ombudsman, Law  
21 Court, especially lawyers [since] they milk  
22 claimant/customer like a cow, they receives payment  
23 without doing their job...

24                   13. Premiums: Premium are invested in  
25 trust to accumulate interest and reinsures the surplus to

1   lessen losses by the MPIC. The company earns money from  
2   our premiums so they ought to pay out dividends or lower  
3   the premium rate of us customers. From the interest  
4   earnings on the premiums alone, the MPIC have enough to  
5   pay out the accident claims and their employees.

6                   14. Hospital/doctor bills: When the MPIC  
7   claimant/customer consults a doctor, they bill the  
8   patient which in turn gets paid by Manitoba Health. The  
9   medical benefit that is supposed to come from our  
10   contribution to the Employment Insurance seem  
11   forthcoming.

12                   15. VIM [V-I-M as in Michael] number: All  
13   vehicles should undergo a body integrity check up every  
14   three (3) years. The VIM number should then be used [on]  
15   basis for the registration or insurance of the vehicle.  
16   If it is still broken, then it will not be re-registered.

17                   16. How to claim: The MPIC should  
18   establish a centre to educate the public on how to make a  
19   claim and the legalities involved. For example, the  
20   public should be notified about the fine print included  
21   with every MPIC document limiting a claimant's time  
22   allowance to appeal a decision to sixty (60) days. The  
23   ordinary citizen does not know this. Even lawyers do not  
24   know this or whether they should be the ones submitting  
25   the appeal.

1                   17. Monopoly: The MPIC has a monopoly on  
2 car insurance. Car insurance should be privatized. The  
3 drivers have nowhere to go once Autopac denies their  
4 claims. And the customers who refuses to install  
5 immobilizer no where to move. This like getting a  
6 checkmate/stalemate in the game of chess.

7                   18. Mandatory decision: The case  
8 manager's decision is final and cannot be contested  
9 explaining their cocky behaviour. MPIC rarely allows an  
10 internal reviewer to audit their decisions to save  
11 themselves from embarrassment should the decision happen  
12 to be erroneous. No more access or assist policy for  
13 them.

14                   19. Autopac centre: There is no need for  
15 additional Autopac Collision Centres if MPIC is really  
16 intent or reducing car accidents and thefts. If  
17 anything, adding collision centres will only necessitate  
18 the hiring of additional employees and building and  
19 construction costs, bloating MPIC expenses which they  
20 will unload in turn to the claimants and customers.

21                   So says Mr. Virgilio C. Ramos.

22

23                   (WRITTEN PRESENTATION OF MS. ANITA BOWDEN)

24

25                   MR. WALTER SARANCHUK: Next one (1) is

1 from one (1) Anita, A-N-I-T-A, Bowden, B-O-W-D-E-N.

2 MPIC should not be allowed to increase  
3 motorists premium. MPI has a bloated personnel -- seven  
4 (7) vice-presidents, not counting department heads,  
5 supervisors. MPI shafts seniors -- no income replacement  
6 yet while injured need outside help, yet pay the same.  
7 Motorists pay liability coverage yet no one collects.

8 MPI says it won't refund overpaid premium,  
9 (The Sun, July 30/08). MPI sponsoring "Law Day" at the  
10 Law Courts while breaking the law, selling private  
11 information from motorist file, tapped into tax records  
12 without authorization (Free Press Feb 23/98).

13 MPI -- long new list for immobilizers have  
14 by far become silly at \$300 per vehicle. MPI donated a  
15 million dollars to the Museum of Human Rights, illegally.  
16 MPI is not a private business to spend at whim.

17 MPI hiring outside lawyers to not follow  
18 MPI policy. Law firms representing MPI denounced its  
19 birth, yet MPI appeal to their sense of greed to deni  
20 legitimate victims compensation.

21 MPI has overlooked the fact that it's the  
22 motorists that are their most essential resource.

23 MPI has never operated at a loss.

24 MPI have cold heartedly destroyed my life,  
25 and many others, and that of my family by not following

1 policy.

2 A) an ineffective adjuster, removed from  
3 public due to numerous errors, yet did nothing to correct  
4 this.

5 Two (2) MPI lawyers have been terminated  
6 with cause, both handled my file. I have been treated  
7 with unbelievable rudeness, disrespect by lawyers on my  
8 file, while they have falsified court papers,  
9 mislead/lied to a court room judge.

10 Numerous people have made themselves a job  
11 from my dilemma, and continues still. I now belong to  
12 the Society of Manitobans with Disabilities. I am  
13 enrolled in a lip reading class from the society called  
14 Living with Loss of Hearing. I pay for both by  
15 membership.

16 Do we need another inquiry? There are  
17 systemic problems that need to be addressed."

18 So writes Anita Bowden. And those are the  
19 presentations, Mr. Chairman.

20 THE CHAIRPERSON: Thank you, Mr.  
21 Saranchuk. So we will move back then to your cross-  
22 examination of the panel.

23 MR. KEVIN MCCULLOCH: Mr. Chairman,  
24 before Mr. Saranchuk gets into his cross-examination  
25 again, there was an undertaking this morning given with



1 respect to what reduction in fees charged by the  
2 Department of Finance occurred as a result of an  
3 independent study that the department had conducted.

4 That information was actually contained in  
5 an information request and Mr. Palmer would like to refer  
6 to that now.

7 MR. DON PALMER: Questions very similar  
8 to that posed by Mr. Saranchuk this morning were answered  
9 in CAC/MSOS/MPI-1-27, and I can either refer now or I can  
10 read it right in.

11 THE CHAIRPERSON: Just read it in.

12 MR. DON PALMER: Question A was:

13 "Does MPI know when the external study  
14 was commissioned by the Department of  
15 Finance? If so, please provide the  
16 details."

17 The response was:

18 "The external study was received by the  
19 Department of Finance in June of 2006.  
20 The Corporation does not have a copy of  
21 the report."

22 Part B:

23 "Please indicate when the management  
24 fees charged to MPI were changed, and  
25 provide the quantum of the change."

1 Response was:

2 "The management fee charged to MPI was  
3 reduced in the 2009/9 fiscal year,"

4 I'll refer to that in a second:

5 "...by \$84,291."

6 It's our belief right now that that should  
7 read 2007/08 fiscal year. We're just double checking  
8 that right now.

9 Part C was:

10 "Please provide the Department of  
11 Finance's rationale for charging any  
12 management fees for MPI's investment in  
13 the province of Manitoba treasury bills  
14 and bonds."

15 The response was:

16 "The Department of Finance charges a  
17 reasonable fee to manage the  
18 Corporation's assets. The Corporation  
19 concurs with the Department of Finance  
20 that all fixed income securities should  
21 be treated consistently."

22 MR. OTTMAR KRAMER: Thanks.

23 THE CHAIRPERSON: Thanks, Mr. Palmer.

24 MR. OTTMAR KRAMER: I've also got a  
25 response to a question that was asked earlier this

1 morning. And it was with regards to interest rates on --  
2 on some of the financing of -- of the premiums and that  
3 is contained in what we filed under TI-18 and the  
4 question specifically was: What did the rates change  
5 from '08/'09 to '09/'10?

6 And that's on -- on page 25 of TI-18 and  
7 the average financing rates in '08/'09 were -- are  
8 projected to be 6.75 percent and in '09/'10 they're  
9 projected to be 7.75 percent, so a 1 percent increase.

10

11 (MPI Panel - Resumed)

12

13 CONTINUED CROSS-EXAMINATION BY MR. WALTER SARANCHUK:

14 MR. WALTER SARANCHUK: Thank you, sir.

15 And Mr. Kramer or Mr. Palmer, you'll  
16 recall, perhaps both of you, that I had some summary --  
17 summary questions dealing with the classed allocations as  
18 between basic and extension and that was in the context  
19 of DVL, et cetera. And you can appreciate that the Board  
20 is looking for evidence in terms of what the cost  
21 allocations entail and whether they are appropriate, so  
22 that if they are too high or too low, rates and/or  
23 rebates could be affected.

24 So I, therefore, have some questions to  
25 deal with cost allocation methodology and this is with

1 reference to the basic annual report, in effect, to  
2 determine whether the application and this process will  
3 suffice in satisfying the Board as to the cost allocation  
4 methodology or whether, indeed, there will be the need to  
5 call KPMG, your auditor, as a witness.

6 So with those introductory remarks, let me  
7 ask you questions as follows: Firstly, as I understand  
8 it, the financial statements of MPI are audited by KPMG,  
9 is that correct?

10 MR. OTTMAR KRAMER: Yes, that is correct.

11 MR. WALTER SARANCHUK: And is it true  
12 that the auditors interact with MPI's management and, in  
13 particular, the audit committee?

14 MR. OTTMAR KRAMER: Yes, that is correct.

15 MR. WALTER SARANCHUK: Can you give us an  
16 idea of who comprises the audit committee?

17 MR. OTTMAR KRAMER: The audit committee  
18 is comprised of several Board members.

19 MR. WALTER SARANCHUK: Anybody from the  
20 Corporation's executive?

21 MR. KEVIN MCCULLOCH: No. Mr. Chairman,  
22 I know it's unusual for Counsel to step in and -- and  
23 provide some clarification but if it's acceptable to the  
24 Panel, I can indicate that Ms. McLaren sits as an  
25 unofficial -- or, sorry, an ex-officio member of all

1 Board committees and that includes the audit committee  
2 and I'm really providing this information as corporate  
3 secretary to the -- the Board of MPI.

4 The audit committee is -- is made up of  
5 five (5) members from the currently nine (9) member  
6 Board. Mr. Kerry Bittner (phonetic) is the chair of the  
7 audit committee, he's also the vice-chair of MPI's Board.  
8 Off the top of my head I can't name the other four (4)  
9 committee members.

10 The external auditor attends all of the  
11 audit committee meetings, as does the internal auditor of  
12 MPI, and at the conclusion of every audit committee  
13 meeting the audit committee goes in-camera, all  
14 management leave for that in-camera session. So myself  
15 and Ms. McLaren and -- and Mr. Palmer, who attends the  
16 audit committee meetings, we leave the room, they have an  
17 in-camera session with the audit committee members with  
18 the external auditor and with MPI's internal auditor.

19

20 CONTINUED BY MR. WALTER SARANCHUK:

21 MR. WALTER SARANCHUK: So what that  
22 information is is a background. Can I ask Mr. Kramer or  
23 Mr. Palmer, who has the primary contact with the external  
24 auditors; would that be management or would that be the  
25 board of directors of MPI?

1                   MR. DON PALMER:     That would be management  
2 if you're talking primary from a day-to-day perspective,  
3 but certainly the -- the auditors do report to the audit  
4 committee as well so, but day-to-day would be probably  
5 myself or -- or Mr. Kramer, depending on the issue.

6                   MR. WALTER SARANCHUK:   And have the  
7 external auditors provided a management letter on the  
8 results of the external audit with the audit committee  
9 and management?

10                  MR. DON PALMER:     Yes.

11                  MR. WALTER SARANCHUK:   Is that something  
12 that is confidential or are you prepared to disclose that  
13 by way of an undertaking?

14                  MR. KEVIN MCCULLOCH:   We'll take that  
15 under advisement, if that's acceptable?

16                  MR. WALTER SARANCHUK:   At this juncture I  
17 think that's acceptable, Mr. Chairman.

18

19     --- UNDERTAKING NO. 3:           MPI to advise Board if the  
20                                       external auditors provided a  
21                                       management letter on the  
22                                       results of the external audit  
23                                       with the audit committee and  
24                                       management

25

1 CONTINUED BY MR. WALTER SARANCHUK:

2 MR. WALTER SARANCHUK: Can you indicate  
3 to the Board, Mr. Palmer, whether there were any issues  
4 or unusual circumstances that were raised related -- or  
5 that is raised by the auditors relative to MPI's  
6 accounting process relative to the cost allocation  
7 methodology?

8 MR. DON PALMER: No.

9 MR. WALTER SARANCHUK: That is, there  
10 were none?

11 MR. DON PALMER: There were none. I  
12 think there might have been one (1) minor issue in the  
13 way that we were declaring one (1) of our bonds, but that  
14 was the only thing that was even brought forward.

15 MR. WALTER SARANCHUK: Are changes made  
16 from time to time by the Corporation relative to the cost  
17 allocation methodology or is it pretty consistent?

18 MR. OTTMAR KRAMER: It is consistent, but  
19 you know for the past several years, at least the two (2)  
20 years that I've been here, we've been asked to -- to file  
21 what the changes were which we've -- which we've done and  
22 the -- the Board -- or the audit committee does review  
23 any changes if there are any to the cost allocation.

24 MR. WALTER SARANCHUK: Are there any that  
25 come to mind that you can share just by way of an

1 example, just very generally?

2 MR. DON PALMER: Anything like a  
3 departmental reorganization where there's new departments  
4 that are created, that would mean that there would be a  
5 requirement for a -- a change to the allocation, but from  
6 a philosophy or an overall allocation perspective there's  
7 been no change.

8 MR. WALTER SARANCHUK: And generally is  
9 the advice of the external auditors requested in regards  
10 to these changes before they are implemented or is it a  
11 question of they're being made and then you're looking  
12 for the approval of the auditors?

13

14 (BRIEF PAUSE)

15

16 MR. DON PALMER: We would always be  
17 looking if there was any substantive change, that we  
18 would seek the input of the external auditor and  
19 depending on how -- how substantive it was, we may be  
20 talking to the provincial auditor as well.

21 So -- so it would depend on what the  
22 change was. If it's something like just adding a new  
23 department, we wouldn't necessarily ask for the input on  
24 -- on that type of change from the auditor, but certainly  
25 all accounting policies and allocation policies are --



1 have the approval of the audit committee and as Mr.  
2 McCulloch stated, the external auditors are in attendance  
3 at the audit committee and -- and go in-camera, so, I  
4 don't know for sure, but I would say that any -- if there  
5 were any concerns that they would be raised at that point  
6 in time.

7 MR. WALTER SARANCHUK: And when was the  
8 last cost allocation methodology review undertaken? And  
9 if you're not aware of that at this time, perhaps you can  
10 just provide that information by way of an undertaking  
11 later, but if you can tell us that, please do so.

12 MR. DON PALMER: The -- the policies are  
13 reviewed on an annual basis by the audit committee and  
14 that's done in the January audit committee meeting every  
15 year. The last substantive cost allocat -- or expense  
16 allocation report that we -- we got, I will take that as  
17 an undertaking to give you an exact date of that.

18 I -- I think it was in the 1990's by  
19 Arthur Andersen but I will double-check that.

20

21 --- UNDERTAKING NO. 4: MPI to advise Board when the  
22 last cost allocation  
23 methodology review was  
24 undertaken

25

1 THE CHAIRPERSON: When the annual review  
2 is done with the audit committee, is there a briefing  
3 document provided to them?

4 MR. DON PALMER: There is a Board  
5 submission that's included that outlines all the  
6 policies, yes.

7 THE CHAIRPERSON: Dose that submission  
8 outline the -- the effect of the cost allocation change  
9 or --

10 MR. DON PALMER: There's always -- any  
11 effect will be disclosed to them. I would say that that  
12 policy looks an awful lot like the allocation that we  
13 file with this Board.

14

15 CONTINUED BY MR. WALTER SARANCHUK:

16 MR. WALTER SARANCHUK: And are the  
17 external auditors involved in the testing of change, say,  
18 in any cost allocation methodology?

19 MR. DON PALMER: And when the last  
20 allocation methodology was -- was done back in the late  
21 1990's, there has been a lot of change regarding advice  
22 that can be given from external auditors regarding  
23 consulting reports and whatnot.

24 So I would say now that it's likely that  
25 for our next cost allocation study there would be some

1 question whether our auditor could even do that and  
2 provide us different advice and recommendations on that.

3 But certainly once the new policies were  
4 adopted, they would test those for sure.

5 MR. WALTER SARANCHUK: Can you give us an  
6 --

7 MS. MARILYN MCLAREN: Mr. Saranchuk,  
8 maybe just to elaborate a little bit in terms of the  
9 context of Mr. Palmer's comment.

10 The consensus view of what is legitimate  
11 additional work for an external auditor is changing  
12 significantly. That's the context of -- of his comment.

13 What may have been appropriate for the  
14 external auditor to do as additional work ten (10) or  
15 more years ago, would not be considered appropriate  
16 today. There -- there's much greater limitations on what  
17 else the auditor can do; that was the context of those  
18 comments.

19 I believe when we did that study around  
20 ten (10) years ago or so, the -- and it wasn't Arthur  
21 Andersen that did it at that time, did comment on the --  
22 the potential impact of the various alternatives that  
23 were considered.

24 Nothing substantive enough has changed  
25 with respect to the Corporation's use of that same

1 methodology in the intervening years to -- to cause us to  
2 even look for such a -- such an opinion.

3           Our understanding is what the auditors do  
4 and -- and Mr. Kramer may be able to speak more  
5 specifically about this is they are obligated to make  
6 sure, as part of their review and sign-off of the basic  
7 insurance annual report, is that the approved cost  
8 allocation, expense allocation methodologies were to  
9 adhered to; that the cost attributed and the revenue  
10 attributed to the basic compulsory line of business is  
11 true and -- and also appropriate.

12           If they saw something very undefendable in  
13 the allocation policy that had been used to allocate cost  
14 to basic, they would be obligated to speak up about that.

15           But that was the context of the comments  
16 within the study that we did about ten (10) years ago and  
17 the extent to which there's been virtually no substantive  
18 change to that in the intervening years.

19           MR. WALTER SARANCHUK: Can you give us an  
20 idea when there will be the next study undertaken?

21           MR. DON PALMER: We have already this  
22 morning committed to providing a cost allocation study to  
23 this Board next GRA.

24           MR. WALTER SARANCHUK: Thank you. In  
25 terms of the testing of the cost allocation methodology

1 from time to time, how was that undertaken and who does  
2 that?

3 MR. OTTMAR KRAMER: We apply the cost  
4 allocation cost methodology as we've got documented. We  
5 would check the system to make sure that it is working as  
6 we -- we've laid it out to be.

7 The auditors would be the ones who would -  
8 - would be reviewing the reasonableness and the accuracy  
9 of that also. So it's management and the auditors.

10 MR. WALTER SARANCHUK: Thank you, sir.  
11 And in response to question number 40 asked of the MPI by  
12 the Board in the first round of interrogatories, there  
13 was mention made in some detail of the reorganization of  
14 DVL and the departments within the Corporation as having  
15 been undertaken in the past year.

16 Have the processes in terms of the cost  
17 allocation methodology changed as a result of that?

18 For example, there was an integration of a  
19 number of the employees, and what we're looking for is  
20 some idea as to the extent to which the processes have  
21 changed, if you can give us some examples, as a result of  
22 the integration.

23 MR. OTTMAR KRAMER: The -- the process of  
24 allocation would not have changed. We would still be  
25 examining what the departments do, and -- and what --

1 what level of effort they -- they provide for each line  
2 of business.

3 So the process itself wouldn't change.  
4 What gets allocated would change as -- as various  
5 different amounts of costs go into that department, but  
6 the process itself -- itself is -- is as documented in  
7 the policy.

8 MR. WALTER SARANCHUK: So for example,  
9 are there some DVL staff who work on claims?

10 MR. DON PALMER: You -- you've used a  
11 terminology that doesn't really exist, or is -- is -- and  
12 that's DVL staff.

13 We don't really have DVL staff anymore.  
14 For example, our call centre would take inquiries on all  
15 parts of MPI business, including what traditionally would  
16 have been registration questions.

17 So there might be some departments that  
18 are more likely to -- to almost be the same as they  
19 formerly were under DVL. For instance, something like  
20 medical records, for instance, would have been a --  
21 exclusively a DVL function, and -- and there still is a  
22 department -- a stand-alone department of medical  
23 records, that would be pretty much unchanged.

24 But then I look at a department like  
25 vehicle standards, for instance, that they're doing more

1 and more work with our claims function in terms of -- of  
2 estimating, and -- and things of that nature.

3 So -- so the -- the lines are becoming  
4 more blurred than -- than just saying DVL staff. So --  
5 so that -- and -- and I know we had some questions regard  
6 -- from the CAC regarding, you know, how many people are  
7 DVL staff and that is the difficulty.

8 We can allocate salaries, and we do  
9 allocate salaries, on the basis of function, but we don't  
10 allocate -- allocate FTEs per se on the basis of  
11 function.

12 MS. MARILYN MCLAREN: Again, some  
13 clarification. To my knowledge, we don't have any  
14 vehicle standard staff doing anything at all to do with  
15 estimating damage claims on vehicles.

16 That's -- that has not happened, so in  
17 effect if you think of the functions that came to MPI as  
18 DVL functions, driver testing, vehicle standards, medical  
19 records, driver licencing records, the people still doing  
20 that work have nothing to do with claims, no.

21 However, I can tell you one (1) of the  
22 things that we learned since the functions came to be  
23 administered by MPI is that as -- as long as I have been  
24 aware of it, we have had staff on our physical damage  
25 side of the business working in claims responsible to

1 assess the ongoing quality of the work done by body shops  
2 that MPI pays for. And sometimes there are valid  
3 complaints received about those body shops that need to  
4 be investigated by our quality assurance claims staff.

5           What we've learned is that often those  
6 same complaints are made to the Vehicle Standards Board,  
7 which is a DVL department, and almost always when these  
8 complaints come forward, an MPI claims employee goes to  
9 investigate the body shop in question, along with a  
10 Vehicle Standards, formerly DVL, employee goes to make  
11 exactly the same investigation.

12           At some point in the future, we -- we may  
13 very well be able to send one (1) person. That may be  
14 something where we could -- the two (2) sides of the  
15 business, the two (2) arms of the business could share  
16 the resource, share the information. There may be some  
17 reasons where that would not be appropriate; maybe they  
18 need to stay apart. I don't know, but that's the kind of  
19 thing that we're looking at. It has not been done yet.

20           We don't have people from Vehicle  
21 Standards dealing at all with claims, no. So the short  
22 answer to your question was: Do we have Vehicle  
23 Standards people doing claims work? No, but there  
24 certainly are continued opportunities for efficiencies in  
25 the future some of which may be barred to us for either



1 regulatory or -- or legal reasons, but where they're not  
2 barred, we plan to take advantage of them.

3 THE CHAIRPERSON: Not to interrupt Mr.  
4 Saranchuk's line of questions, but just something before  
5 we leave this one (1) point.

6 Before DVL was merged into MPI, DVL cost  
7 was incurred by the government itself, department. Now,  
8 the DVL functions have been merged into MPI and the  
9 functions have been presumably classified as an Extension  
10 line of business, but the government's paying \$21 million  
11 a year, right, on this function.

12 If DVL functions are integrated into  
13 Basic, is the 21 million divided up and allocated as  
14 well?

15 MS. MARILYN MCLAREN: The functions, I  
16 don't think it's -- it's a fair characterization to say  
17 the functions are integrated with the Basic.

18 In the scenario that I just talked to you  
19 about where someone will go out and investigate the  
20 quality of an MPI claim repair done in a body shop,  
21 chances are some of that claim was paid by Basic and some  
22 of it was paid by Extension and we already have methods  
23 that allow for the allocation of the cost of that quality  
24 assurance process to be borne -- to be paid by whichever  
25 line of business is appropriate.

1                   So it's not that the functions have been  
2 amalgamated with Basic; that's not what's happened.  
3 Everything we do at MPI, the vast majority of what we do  
4 at MPI has an effect on -- and always has had an effect  
5 on potentially vehicle registration and -- and always,  
6 almost always, Basic and Extension.

7                   SRE tends to be the most separate  
8 probably, but many DVL functions are the most separate as  
9 well.

10                   One (1) of the things that we need to  
11 think about as things become more seamlessly delivered  
12 from a customer perspective is how should we allocate  
13 those costs in a new delivery model, but -- but we are  
14 not there yet, we have not amalgamated anything, and  
15 that's what we have to get through over the next while  
16 yet before we do the new study.

17                   THE CHAIRPERSON:     Just to give us a  
18 background view of it, sort of an overview, there's one  
19 (1) thing that we are aware of because in past Hearings  
20 you've put it on the table and we've talked about it.

21                   The government is paying \$21 million for  
22 the for the functions that MPI's doing for the  
23 government. Does the 21 million that come in, does it  
24 rest with Extension or is some portion of it hived off to  
25 Basic?

1 MS. MARILYN MCLAREN: As I believe,  
2 again, I think we've talked about in these proceedings  
3 the -- Extension and DVL have not been amalgamated into  
4 one (1) line of business; they're separate lines of  
5 business. We know exactly what revenue we have for  
6 Extension costs, income, but at the end of the day, and  
7 again, we've had this conversation. You've commented on  
8 it in previous Orders the fact that the \$21 million does  
9 not fully cover the costs of delivering those functions.  
10 So Extension is picking up that slack.

11 THE CHAIRPERSON: So --

12 MS. MARILYN MCLAREN: Extension is  
13 picking that up.

14 THE CHAIRPERSON: The 21 million is  
15 sitting in Extension though?

16 MS. MARILYN MCLAREN: It doesn't sit in  
17 Extension. It doesn't cover the costs of delivering DVL  
18 yet to this point.

19 THE CHAIRPERSON: No, all I mean is, it's  
20 a very simple question actually. I'm just asking: Is  
21 the 21 million offsetting expenses incurred by Extension  
22 then right now? It has to be allocated somewhere?

23 MR. DON PALMER: I'll try to take a stab  
24 at this. The \$21 million is all revenue in the DVL line  
25 of business.

1 THE CHAIRPERSON: DVL is in the  
2 Extension?

3 MR. DON PALMER: No. No. DVL is its own  
4 line of business. We essentially have four (4) -- four  
5 (4) lines, in fact, we have five (5) lines of business.  
6 We have -- that we have separate statements for. We have  
7 the Basic, we have Extension, we have SRE, we have DVL,  
8 and then we have discontinued operations.

9 THE CHAIRPERSON: So on your financial  
10 statements DVL and Extension are amalgamated for retained  
11 earning purposes?

12 MR. DON PALMER: For retained earning  
13 purposes they are.

14 THE CHAIRPERSON: The revenue and expense  
15 for extension includes DVL line?

16 MR. DON PALMER: No. The revenue and  
17 expense are separated and then at the bottom -- bottom  
18 line since DVL the revenue is less than the expenditures  
19 then the --

20 THE CHAIRPERSON: You're just using the  
21 21 million to offset the costs?

22 MR. DON PALMER: Of DVL, yes. But that  
23 has nothing to do with the extension line of business.

24 THE CHAIRPERSON: Right. But the net --  
25 the net is included in extension then?

1 MR. DON PALMER: The shortfall comes from  
2 extension.

3 THE CHAIRPERSON: Thank you.

4

5 CONTINUED BY MR. WALTER SARANCHUK:

6 MR. WALTER SARANCHUK: Are the full  
7 payroll costs of DVL employees recovered from the  
8 Province in the form of the \$21 million?

9 MR. DON PALMER: The total cost of  
10 administering the DVL programs is not covered fully by  
11 the \$21 million.

12 MR. WALTER SARANCHUK: Does it cover the  
13 payroll costs?

14 MR. DON PALMER: It covers the allocated  
15 payroll costs.

16 MR. WALTER SARANCHUK: How many DVL staff  
17 have been integrated into MPI?

18

19 (BRIEF PAUSE)

20

21 MR. DON PALMER: We do have the  
22 Information Request that I know itemized a lot of these -  
23 - these questions if you can -- either we'll take than as  
24 an undertaking and -- and take it -- find it at the break  
25 or we can -- I'll -- I'll leave that up to you.

1 MR. WALTER SARANCHUK: Yeah, that'll be  
2 fine, if we could just go by way of an undertaking.

3

4 --- UNDERTAKING NO. 5: MPI to advise Board how many  
5 DVL staff have been  
6 integrated into MPI and  
7 indicate how many of that  
8 group of DVL staff, how many  
9 are still doing pure DVL  
10 functions.

11

12 CONTINUED BY MR. WALTER SARANCHUK:

13 MR. WALTER SARANCHUK: Can you indicate  
14 how many of that group of DVL staff, how many are still  
15 doing pure DVL functions?

16

17 (BRIEF PAUSE)

18

19 MR. DON PALMER: We'll -- we'll wait and  
20 read our Information Request.

21 MR. WALTER SARANCHUK: All right. Thank  
22 you very much. And of some of the employees, can you  
23 advise if some of those employees are working on basic  
24 projects?

25

MS. MARILYN MCLAREN: Some of which

1 employees, Mr. Saranchuk?

2 MR. WALTER SARANCHUK: How many of the  
3 original DVL staff, if any, are operating or working on  
4 strictly basic projects or doing basic operations?

5 MR. DON PALMER: Again, the employees  
6 that we have are -- would not be designated as one (1)  
7 line of business.

8 And -- and for example, the pricing and  
9 economics department, I'll use that as an example since  
10 I've spent most of my career there, works on not only the  
11 basic Autopac rates but also does some rate setting for  
12 the extension line of business.

13 Also does some consulting almost with the  
14 special risk extension line of business so to -- to  
15 designate one (1) of those employees as being basic or  
16 extension or SRA would be inaccurate.

17 So -- so there would be some of the -- the  
18 merged employees who would work on basic but they may --  
19 they may be working on other lines of business as well.

20 MR. WALTER SARANCHUK: And if some of  
21 those former DVL people are now working on basic issues  
22 or basic tasks, shouldn't some of that \$21 million be  
23 allocated to the benefit of basic?

24 MR. DON PALMER: No, because they're not  
25 doing the DVL tasks anymore.

1 MS. MARILYN MCLAREN: What we can tell  
2 you is that we have processes in place and outside  
3 expertise in the form of our external auditor brought to  
4 bear to provide assurance that every MPI employee's time  
5 is properly allocated to the line of business that  
6 they're working on according to the existing cost  
7 allocation policies and methodology. So that's what we  
8 need to be able to assure ourselves of and that's what we  
9 need to be able to assure you of and we have processes in  
10 place to do that.

11 If someone used to work in driver testing  
12 but now is working in the call centre, I suppose, you  
13 know, we could spend the time and resources to go through  
14 the names of people and what they were doing on the first  
15 of October of '04 and track and find out what they're  
16 doing now, but it -- it doesn't really matter in terms of  
17 the Corporation's financial policies.

18 What we can assure you of, because we've  
19 had to assure ourselves of, is that every employee's time  
20 and salaries are properly allocated to the line of  
21 business based on what they're doing according to the  
22 methodology and the policies.

23 MR. WALTER SARANCHUK: Can you give some  
24 idea as to what procedures the external auditor undertook  
25 to gain an understanding of these operational changes and



1    how they might have impacted the cost allocation  
2    methodology?

3                   MR. OTTMAR KRAMER:    I can't tell you  
4    exactly what they would be doing but at a high level I  
5    know they would be reviewing the policy as approved by  
6    the audit committee, so that -- that's the first thing,  
7    and that's before the -- before the start of the year,  
8    they would take a look at the policy and any recommended  
9    changes to that policy.  That's the first thing.

10                   They would then -- during their audit,  
11   look at the financial results of that allocation and --  
12   and the financial results of the basic line of business  
13   and assess the -- the applications of that policy.  
14   Specifically in detail, I do not know that the work that  
15   they had done around that but I know they look at the  
16   policy and then they look at the outcome of the  
17   allocations.

18                   MR. WALTER SARANCHUK:   Do you recall that  
19   they spoke to any of your staff, Mr. Kramer?

20                   MR. OTTMAR KRAMER:    They did not speak to  
21   me about this but I know that in past years when I was a  
22   manager of budgeting and planning, they did come talk to  
23   me about the allocation and the allocation policy.

24                   MR. WALTER SARANCHUK:    And to your  
25   recollection on the last go around, were there any

1 concerns raised internally that the cost allocation  
2 methodology might need to change?

3 MR. OTTMAR KRAMER: As we've indicated,  
4 we are looking at -- at doing a review of our allocation  
5 policy so, yes, we -- we do have some concerns in the  
6 future about the allocation based on -- based on the  
7 initiatives that are underway right now, so we will be  
8 reviewing that policy.

9 MR. DON PALMER: Just in clarification,  
10 that the auditor expressed no concerns.

11 MR. OTTMAR KRAMER: But management is --  
12 is looking at it and will be looking at in the future.  
13 The auditors have not in -- in my tenure at MPI, have not  
14 raised any concerns with regards to allocation policy or  
15 had any issues with it.

16 THE CHAIRPERSON: Let us take our mid-  
17 afternoon break now if you do not mind. We will come  
18 back at 3:00 and then we will finish for the day. Thank  
19 you.

20

21 --- Upon recessing at 2:47 p.m.

22 --- Upon resuming at 3:05 p.m.

23

24 THE CHAIRPERSON: Okay, Mr. Saranchuk.

25 MR. WALTER SARANCHUK: Thank you, sir.

1 MR. KEVIN MCCULLOCH: Mr. Chairman,  
2 perhaps before we continue. There was a discussion  
3 before the break with respect to the auditor and the work  
4 that the auditor did in relation to preparation of the  
5 Basic audited statement and Mr. Palmer has some comments  
6 that he would like to put on the record related to the  
7 auditor's report that appears as part of the audited  
8 Basic financial statement which is in, I believe, AI-6.

9 THE CHAIRPERSON: Mr. Palmer?

10 MR. DON PALMER: AI-6 and third page in  
11 is -- is the auditor's report. And I would direct the  
12 attention of the Board to the middle paragraph about  
13 halfway through where it states:

14 "An audit includes examining on a test  
15 basis evidence supporting the amounts  
16 and disclosures in the financial  
17 statement. An audit also includes  
18 assessing the accounting principles  
19 used and significant estimates made by  
20 management as well as evaluating the  
21 overall financial statement  
22 presentation."

23 Now, this is specifically to the Basic  
24 universal compulsory line of business, so that itself  
25 entails examining all the numbers that go in there, all

1 the expenses that go in there, which are on -- on an  
2 allocated basis.

3 So really, I think that particular  
4 statement does provide the assurance that they've looked  
5 at it, they've tested it, and the amounts represented in  
6 the Basic compulsory are fair.

7 THE CHAIRPERSON: I would agree that it  
8 appears the auditor's taking on some responsibility  
9 there, yes. Mr. Saranchuk...?

10 MR. WALTER SARANCHUK: Thank you, sir.

11

12 CONTINUED BY MR. WALTER SARANCHUK:

13 MR. WALTER SARANCHUK: I have one (1)  
14 final question relative to the cost allocation that I  
15 wish to pose and the answer will I think, at least I'm  
16 advised, will benefit the Board in its deliberations.

17 And the questions is: Is there any risk  
18 that when the cost allocation review is completed that  
19 the result will be a material increase in Basic's annual  
20 costs and a corresponding deterioration in Basic net  
21 income forecasts for the future?

22

23 (BRIEF PAUSE)

24

25 THE CHAIRPERSON: You could take that as

1 an undertaking if you wanted to think on it, Mr. Palmer.

2 MR. DON PALMER: I think I'll take that  
3 opportunity. Thank you.

4

5 --- UNDERTAKING NO. 6: MPI to provide Board list of  
6 risks regarding material  
7 increase in Basic's annual  
8 costs and deterioration in  
9 net income forecasts for the  
10 future

11

12 CONTINUED BY MR. WALTER SARANCHUK:

13 MR. WALTER SARANCHUK: Thank you, Mr.  
14 Palmer.

15 Now, I have some questions to ask  
16 relative to the vehicle upgrade factor. And this topic  
17 is addressed or item is addressed in the TI-15  
18 assumptions on page 3 which appears in the book of  
19 documents Tab 7, as well as it being addressed in the  
20 Interrogatory Number 3 asked of the Corporation on behalf  
21 of the Board in the first round. And that answer, or  
22 that Interrogatory, is addressed or appears rather in the  
23 book of documents at Tab 10.

24 So dealing firstly with the upgrade factor  
25 background can you confirm, Mr. Kramer, that there have

1 been no changes in the methodology used to determine the  
2 vehicle upgrade factor from the previous year?

3 MR. OTTMAR KRAMER: Yes, I can confirm  
4 that.

5 MR. WALTER SARANCHUK: And while no  
6 increase or no rate increase is projected over the  
7 outlook period, there is reference to inclusion of an  
8 upgrade factor and a volume factor in the premiums  
9 written; is that correct?

10 MR. OTTMAR KRAMER: Yes, that is correct.

11 MR. WALTER SARANCHUK: And can you  
12 confirm that the positive vehicle upgrade factor  
13 contributes to an overall premium revenue of the  
14 Corporation regardless of whether the application seeks a  
15 rate increase, decrease, or status quo be maintained?

16 MR. OTTMAR KRAMER: Yes, the upgrade  
17 factor does contribute to increased revenues.

18 MR. WALTER SARANCHUK: And would you  
19 please advise just what the vehicle upgrade factor  
20 represents? What aspects are captured by it?

21 MR. DON PALMER: The vehicle upgrade  
22 factor is almost exclusively people getting rid of old  
23 cars and replacing them with new cars that have higher  
24 rates. That's -- that's the bulk of it.

25 There are some other classification

1 changes that could occur as well. For instance, if you  
2 were going from a depressed economic or a depressed  
3 economic cycle to a -- an increased economic cycle, more  
4 were working and more people were classifying their  
5 vehicles from pleasure to all purpose, that could also be  
6 considered an upgrade factor.

7 If you had an influx of population into --  
8 into Winnipeg, into an urban centre with a higher average  
9 rate, that could also contribute to upgrade. But  
10 generally in the Manitoba experience it's -- it's  
11 virtually all getting newer vehicles.

12 MR. WALTER SARANCHUK: Yes. And on that  
13 score you did refer to the economic factors, so that  
14 would you agree that in that regard economic growth would  
15 be a factor as would wage and disposable income growth?

16 MR. DON PALMER: Could be wage and  
17 disposable income. If -- if that means that more people  
18 are buying new cars, that could absolutely have an  
19 impact, yes.

20 MR. WALTER SARANCHUK: And in addition  
21 there would be the new vehicle sales trend and the motor  
22 vehicle prices as being factors?

23 MR. DON PALMER: Yes. And -- and we do  
24 the -- include all of those considerations in our  
25 deliberations, yes.

1 MR. WALTER SARANCHUK: Now, as you may  
2 recall, Mr. Palmer, last year the Corporation, I think,  
3 indicated that the economy was expected to remain strong  
4 for the next five (5) years. Now, given the latest  
5 economic climate, has there been any change in the  
6 outlook of the Corporation?

7 MR. DON PALMER: It almost seems to be  
8 changing on a daily basis these days. There could be  
9 some -- some fluctuations in that, I would acknowledge  
10 that. I guess in terms of both upgrade and -- and volume  
11 factors from a financial statement, rate setting  
12 perspective, they're somewhat self-correcting.

13 If you don't have more expensive vehicles  
14 coming into the fleet you will not get the revenue, but  
15 on the other hand you won't get the claims that are  
16 associated with those vehicles either. The same as the  
17 volume factor. If we expect to have a thousand new  
18 vehicles come into the fleet and -- and they don't, those  
19 thousand vehicles also don't have claims.

20 So -- so there is an offset on both the  
21 upgrade and the volume factors that we're incorporating  
22 into our projections.

23 MR. WALTER SARANCHUK: Thank you, sir.  
24 Now, given the historical experience, at least based on  
25 the data indicated in the last page of Tab 10, this is



1 part of the Corporation's response to PUB/MPI-1-3  
2 Interrogatory, does the 2.75 percent upgrade factor  
3 proposed relative to the year with which we are  
4 concerned, namely 2009/2010, how does that compare -- how  
5 does that compare with what I'm advised is the historical  
6 trend of 3.9 percent according to this attachment to  
7 PUB/MPI-1-3(c), noting that the lower actual upgrade  
8 factor for 2007/08 was 2.25 percent?

9 MR. DON PALMER: There is two (2) figures  
10 in there. I can confirm that two point seven five (2.75)  
11 is less than the historical 3.9 percent and greater than  
12 the last year's upgrade of two point -- actual upgrade of  
13 two point two five (2.25).

14 MR. WALTER SARANCHUK: And so can you  
15 comment on the validity of the basis, if you will, for  
16 selection of 2.75 percent?

17 MR. DON PALMER: A couple of things: The  
18 average of the last four (4) years is 2.79 percent, which  
19 is very close to the two point seven five (2.75).  
20 Certainly we have seen some -- a bit of cyclicalality, if  
21 that's such a word, in the actual upgrade. I think  
22 before 1998/99 if my memory serves correctly we were down  
23 in the point, point and a half range. That did increase  
24 to a high of an actual of 5.6 percent and then has sort  
25 of gradually been coming down over time.

1                   There's a couple of other reasons for  
2 that, one (1) of which we talked about this morning was  
3 the rate line. As we have changed the rate line of  
4 private passenger vehicles over time, we have essentially  
5 flattened out the top which means there isn't as much  
6 differential in new vehicles coming in as there used to  
7 be, so that in fact will serve to depress the upgrade  
8 somewhat. And that would be one (1) of the reasons why  
9 it is sort of gone -- decreased from its high of 5.6  
10 percent and 5.5 percent in 2001 and 01/02.

11                   So certainly the two point seven five  
12 (2.75) is an estimate. It's close to the four (4) year  
13 average and that's on the -- the basis on which we  
14 selected it.

15                   MR. WALTER SARANCHUK: Thank you, sir.  
16 Just to compare the effect of change in the upgrade  
17 factor, I'd ask you to note the operating results under a  
18 2.5 percent upgrade factor which is reflected on page 4  
19 of Table 10 in response to the Interrogatory that I  
20 referred to and compare the results with the 2.75 percent  
21 used in the application which appears on the third page  
22 into Tab 7.

23                   And again, looking at the bottom line so  
24 to speak would you agree that there's not a significant  
25 change in the net income as a result of the .25 percent

1 upgrade factor reduction?

2 MR. DON PALMER: Yes, I would agree with  
3 that and the reason for that is the claims offset that I  
4 talked about previously.

5 MR. WALTER SARANCHUK: Now, last year you  
6 provided an analysis in which a .25 percent increase --  
7 that was 3 percent versus 2.75 percent -- reflected a  
8 significant change in revenue and an increase in the RSR  
9 by \$20 million.

10 Why is there not a corresponding change  
11 downward in the results from an analysis with a .25  
12 percent decrease this year?

13 MR. DON PALMER: Because there's a new  
14 CFO. And -- and I -- there's a decision to be made with  
15 assumptions with any set of pro formas. And in the past,  
16 we did not offset volume increases or upgrade increases  
17 with an offsetting increase in claims. We said looking  
18 only at the volume increase, change that, don't change  
19 anything else; this is what happens to the pro formas.

20 This year we -- we revisited that  
21 assumption and said really, claims volume and upgrade is  
22 an inherent part of all forecasts, so we ran that through  
23 not only on just the revenue line, but also the claims  
24 line.

25 MR. WALTER SARANCHUK: Now, given that

1 this reflects a replacement of vehicles of a higher  
2 replacement value, that is the upgrade factor, and not an  
3 increase in the number of vehicles on the road, are you  
4 suggesting that there's a higher level of claim severity  
5 versus a proportional increase in frequency?

6 MR. DON PALMER: There could be both.  
7 People who have new cars have a tendency to get them  
8 fixed for everything so the minor -- the more minor  
9 crashes that -- that happen they're probably more likely  
10 to get them fixed on a new car than a -- than on an older  
11 car, that would affect frequency.

12 And then, of course, there's the severity  
13 as well with new vehicles and new construction of  
14 vehicles. Repairs are often more expensive on -- on  
15 newer vehicles as well on -- in the times where there has  
16 been written -- vehicles written off. Of course, new  
17 higher value vehicles have higher write-off values than -  
18 - than older vehicles.

19 So there would be an impact on repair  
20 costs, on write-off costs and on frequency as well.

21 MR. WALTER SARANCHUK: Thank you, sir.  
22 Just with reference to the attachment being the last page  
23 in Tab 10, showing the historical experience for the  
24 factors upgrade and volume, the historical trend does not  
25 show much experience below 3 percent for the upgrade

1 factor other than in 2007/08. Was that taken into  
2 account in your arriving at the upgrade factor of 2.75  
3 percent for the year with which we're concerned?

4 MR. DON PALMER: I would always say when  
5 doing a forecast and looking at historical data, that  
6 probably your most recent data is more credible than your  
7 older data.

8 MR. WALTER SARANCHUK: Can you give me an  
9 idea as to what extent the assumption was influenced by  
10 the change in the value of the Canadian dollar? Just in  
11 general terms.

12 MR. DON PALMER: I don't know that that  
13 would have had a direct impact on vehicle sales, and  
14 average vehicles sales are included so the -- the dollar  
15 would have had an impact over the last year or so. I  
16 don't know that we would have included that directly in  
17 our forecast.

18 MR. WALTER SARANCHUK: And as you may  
19 know, in the recent past, there's been some indication  
20 that new car sales in Manitoba have been very good,  
21 perhaps in comparison even to the rest of the country.  
22 And if new car sales are enjoying some success in recent  
23 months, what effect would this be -- expected to have on  
24 the actual -- the vehicle upgrade factor?

25

1 (BRIEF PAUSE)

2

3 MR. DON PALMER: New vehicle sales can be  
4 a bit of a double-edged sword. That in -- in some --  
5 some cases, we've seen people abandoning SUVs and trucks  
6 for smaller, compact cars that may not necessarily have  
7 higher -- higher rates associated with them. So I -- I  
8 think the -- the new vehicle sales figures, while being  
9 part of the consideration, that's only one of the factors  
10 that we look at.

11 So there may be some increases in the  
12 upgrade but -- but again, I would -- I would say that as  
13 long as we have our individual rates right, and it's  
14 certainly my belief that they are right, that whether you  
15 have the upgrade estimated exactly precisely -- if you  
16 miss -- if the actual comes out somewhat different than  
17 what your projection was, then there's a self-correct --  
18 correction on your pro-forma operating statements because  
19 your claims will be less. Or -- or more, depending on  
20 how you mis-estimated it.

21 MR. WALTER SARANCHUK: Thank you, sir.  
22 Moving on to the volume factor, could you explain what it  
23 represents, Mr. Palmer?

24 MR. DON PALMER: Volume factor is simply  
25 the number of net new vehicles coming into the fleet.

1 MR. WALTER SARANCHUK: And can -- can you  
2 confirm that the positive volume factor contributes to  
3 the overall premium revenue regardless of whether the  
4 application seeks a rate increase, decrease or no change?

5 MR. DON PALMER: I can confirm that.

6 MR. WALTER SARANCHUK: And can you  
7 confirm that the volume factor assumptions made in this  
8 General Rate Application uses a 2 percent per annum for  
9 2008/09 and 2.25 percent for 2009/10 and 2 percent for  
10 the outlook period. And I'm looking at the assumptions  
11 to TI-15 being the fourth page into Tab 7.

12 MR. DON PALMER: Yes, I can confirm that.

13 MR. WALTER SARANCHUK: And last year you  
14 were forecasting 1.75 percent in the outlook period. Why  
15 did you increase the volume factor to 2.25 percent for  
16 the forecast last year for 2009/10?

17 MR. DON PALMER: We have seen great  
18 growth in part of our vehicle population, specifically  
19 growth in the number of trailers and the number of off-  
20 road vehicles. So that, strictly speaking on the volume  
21 side, does increase the number of vehicles that -- that  
22 we have.

23 There is a slight change in our  
24 methodology to relate that to increasing claims costs;  
25 certainly off-road vehicles and trailers don't have the

1 same claims experience as private passenger vehicles  
2 would have. So we have had to change our -- our claims  
3 volume assumption a little bit when we have a much higher  
4 volume, but that -- that volume specifically relates to  
5 much higher numbers of ORVs and -- and trailers.

6 MR. WALTER SARANCHUK: So is that the key  
7 factor that resulted in the assumed increase and volume  
8 factors for 2009/10 and beyond?

9 MR. DON PALMER: Yes.

10 MR. WALTER SARANCHUK: And of course with  
11 reference to the historical experience for the volume  
12 factor, again appearing in the last page of Tab 10, I'm  
13 advised that the historical schedule indicates a 4  
14 percent volume factor for 2007/08. And in light of your  
15 past experience, are you still satisfied that 2.25  
16 percent for 2009/10 is appropriate?

17 MR. DON PALMER: Yes. Again, if we look  
18 at a four (4) year average, two point three seven five  
19 (2.375) is the four (4) year average which is very close  
20 to that volume of two twenty-five (225).

21 MR. WALTER SARANCHUK: Although I thought  
22 I heard you say that when you're looking at the upgrade  
23 factor you're influenced heavily by the last year and I'm  
24 wondering why that wouldn't apply in this case.

25



1 (BRIEF PAUSE)

2

3 MR. WALTER SARANCHUK: In other words,  
4 shouldn't you be using a weighted average?

5 MR. DON PALMER: A couple of things. The  
6 -- the information that shows in the attachment is  
7 actually a policy count, not a unit count. There are a  
8 number of ways in which to -- to count things. When  
9 we're talking insurance rating perspective, it's really  
10 insurance units and I think all of those would be  
11 included in TI-19.

12 In answer to your question about most  
13 recent experience, absolutely that would be true, but  
14 that's weighted with the amount of volatility in -- in  
15 the last year as well. We've seen a -- a rather dramatic  
16 growth in the past year from -- or two (2) years from 1  
17 1/2 percent two (2) years ago to four (4) in the number  
18 of policies.

19 That's fairly significant and certainly we  
20 have to temper that with what kind of one (1) time spikes  
21 there might be.

22 MR. WALTER SARANCHUK: Thank you, sir.  
23 Mr. Chairman and panel members, I'll now proceed with the  
24 rate stabilization reserve and I would draw everyone's  
25 attention that this is addressed in Tab 9, and in

1 particular the response by the Corporation to question  
2 number 2 asked on behalf of the Board in the first round  
3 where there is a statement to the Corporation's retained  
4 earnings produced.

5                   Could you confirm, Mr. Palmer, that the  
6 Board has not been provided with retained earnings for  
7 competitive lines for their outlook period?

8                   MR. OTTMAR KRAMER:    Yes, we can confirm  
9 that.

10                   MR. WALTER SARANCHUK:    Thank you, Mr.  
11 Kramer.   And I realize that this is something that  
12 appears in the annual report this year, for example page  
13 58, but for the record could you indicate what is the  
14 stated purpose of the RSR or the Rate Stabilization  
15 Reserve?

16

17   (BRIEF PAUSE)

18

19                   MR. WALTER SARANCHUK:    Perhaps I can  
20 assist you.   I am advised that it is as follows:

21   "The basic insurance rate stabilization  
22 reserve relates to basic universal  
23 compulsory automobile insurance and is  
24 intended to protect motorists from rate  
25 increases made necessary by unexpected

1 events and losses arising from  
2 nonrecurring events or factors."

3 Is that correct?

4 MR. OTTMAR KRAMER: Yes, that's correct.  
5 We found the reference on page 58 of annual report.

6 MR. WALTER SARANCHUK: All right. And  
7 can you confirm that that has not changed from previous  
8 years?

9 MR. OTTMAR KRAMER: Yes, I can confirm  
10 that it hasn't changed.

11 MR. WALTER SARANCHUK: And now just very  
12 quickly, looking at TI-14 as revised, and this is shown  
13 in the Corporation's response to the Interrogatory that I  
14 mentioned, namely number 2 in the first round, number 2  
15 of the questions asked by MPI -- by the Board, appears in  
16 book of documents at Tab 9.

17 And looking at the second page in that  
18 tab, can you confirm that the rate stabilization reserve  
19 for the basic insurance operations was \$173,134,000 for  
20 the insurance year '05, 2005/06?

21 MR. OTTMAR KRAMER: No, that is the  
22 retained earnings number. The rate stabilization reserve  
23 number that is -- is \$136 million --

24 MR. WALTER SARANCHUK: Right --

25 MR. OTTMAR KRAMER: -- about halfway up.

1 MR. WALTER SARANCHUK: -- I'm sorry. I  
2 meant -- I meant retained earnings. Can you confirm that  
3 that is indeed the case?

4 MR. OTTMAR KRAMER: Yes, the retained  
5 earnings of the -- the basic is -- was 173 million in  
6 04/05.

7 MR. WALTER SARANCHUK: And that takes  
8 into account the transactions with regard to the IIF, or  
9 the Immobilizer Incentive Fund, is that correct?

10 MR. OTTMAR KRAMER: Yes, the Immobilizer  
11 Incentive Fund was 37 million. And I just should correct  
12 that, I said 04/05, that's actually 05/06.

13 MR. WALTER SARANCHUK: Yes. And that the  
14 actual results insofar as retained earnings for the  
15 following year, namely 2006/07, taking everything into  
16 account, namely the IIF, amounted to \$161,265,000, do you  
17 see that?

18 MR. OTTMAR KRAMER: Yes, that's the  
19 amount including the 33 million IIF.

20 MR. WALTER SARANCHUK: And for last year,  
21 the bottom line if you will, total retained earnings  
22 amounted to a hundred and forty-five thousand -- sorry,  
23 \$145,047,000?

24 MR. OTTMAR KRAMER: Yes, again, that's  
25 correct.

1 MR. WALTER SARANCHUK: Now, as indicated,  
2 I believe, by the Corporation in the statements -- the --  
3 it agrees that the Board has established a target range  
4 of \$69 million to \$106 million for 2007/08. That's the  
5 Board's target.

6 MR. OTTMAR KRAMER: Yes, that's correct.

7 MR. WALTER SARANCHUK: And at the same  
8 time I'm advised that Corporation proposed a range for  
9 the basic RSR of \$107 million -- \$107 million to  
10 \$214 million; is that correct? That's the Corporation's  
11 position.

12 MR. OTTMAR KRAMER: That was in the 06/07  
13 was the 107 to 214 million as was submitted in -- in that  
14 general rate application.

15 MR. WALTER SARANCHUK: Yes. And that the  
16 Board's target reflected an adjustment for inflation as  
17 applied to a 50 million to \$80 million range approved in  
18 2001; is that correct?

19 MR. DON PALMER: Mr. Kramer's  
20 recollection of MPI doesn't go quite -- back quite that  
21 far. Mine does, and I will confirm that.

22 MR. WALTER SARANCHUK: Thank you. And of  
23 course the Corporation's proposed range of \$107 million  
24 to \$214 million was based on the selection of 50 percent  
25 to 100 percent of capital required under what is known as

1 the Minimum Capital Test or MCT as indicated in the  
2 annual report on page 35. Is that correct?

3 MR. OTTMAR KRAMER: Yes, that's correct.

4 MR. WALTER SARANCHUK: And in that annual  
5 report which appears in AI-6, in Volume 3, Part I, and in  
6 particular at page 35, is it correct to say that, at the  
7 very least, the Corporation had some concern about the  
8 financial strength of the Corporation as a result of the  
9 orders of the Public Utilities Board -- with respect to  
10 the RSR target?

11 MR. DON PALMER: Yes, I can confirm that.  
12 That statement on page 35 of the -- of the annual report  
13 also is the same as the statement that appeared in the  
14 annual report of the previous year.

15 MR. WALTER SARANCHUK: Yes, and I don't  
16 need to remind you, I don't think, of the results looking  
17 at the RSR for the past three (3) years indicating that  
18 after the rebates, the target or the RSR of the  
19 Corporation has exceeded the target prescribed by the  
20 Board. You can see that?

21 MR. DON PALMER: I can see that and I  
22 would agree with that.

23

24

(BRIEF PAUSE)

25

1 MR. WALTER SARANCHUK: Yes, and, of  
2 course, it's quite apparent from the reading of the  
3 second last paragraph in the lower right-hand side of  
4 page 35 as to just what the Corporation -- Corporation's  
5 position is relative the PUB's actions with respect to  
6 the RSR target of late. And I wonder, given what the  
7 message from the President is, on page 7 of your annual  
8 report on the lefthand side, lower part of that column,  
9 where it says, quote:

10 "We entered our tenth year of holding  
11 the line on rates for most policy  
12 holders, something unheard of in the  
13 private system. And further, we  
14 provided our third rebate in six (6)  
15 years, this one (1) totalling \$60  
16 million with the promise of a fourth  
17 rebate in 2008; together these rebates  
18 will total \$263 million."

19 So while you're criticizing the -- the  
20 Board's actions with respect to the RSR target, are you  
21 now taking credit for the rebates?

22 MS. MARILYN MCLAREN: No.

23 MR. WALTER SARANCHUK: You could have  
24 fooled me. I'm sorry. Moving on to the risk profile of  
25 the Corporation. Would the auto theft claims reductions

1 forecast and the changes to come with the driver safety  
2 rating and a new investment portfolio mix, would that  
3 represent a char -- a change in the risk profile for the  
4 corporation?

5 MR. DON PALMER: Somewhat. Yes, I would  
6 agree that there might be a subtle change there. Yes.

7 MR. WALTER SARANCHUK: Yes, and that  
8 taking that together with the comment that the actions of  
9 the Board have put the Corporation at risk, should not an  
10 updated risk analysis be undertaken to assess whether the  
11 RSR range remains appropriate?

12 MR. DON PALMER: When we're talking the  
13 risk profile with the decrease in -- in immobilizer it  
14 decreases the expected cost of claims. I don't know that  
15 it necessarily decreases the volatility that could be  
16 associated with those claims.

17 I think the true -- the vast majority of  
18 our claims costs are within Collision and within Personal  
19 Injury Protection Plan; that hasn't changed. When we  
20 talk about the risk profile within the investment income,  
21 and we have some new targets with our investment policy  
22 but it's going to certainly take us a number of years to  
23 -- to get to those targets, I would agree that there has  
24 been some change in the -- the risk profile. Is it  
25 substantive to -- to shake our confidence in -- in our



1 required target or our -- our opinion, our target of 50  
2 percent of -- to 100 percent of MCT? I don't think so.

3 MR. WALTER SARANCHUK: Moving on to the  
4 last page of Tab 9, this is the statement of retained  
5 earnings with regard to basic insurance and historical  
6 relative to the Extension and SRE or Special Risk  
7 Extension retained earnings, is it correct that the  
8 2006/2000 -- I'm sorry, 2007 and 2008 -- sorry, insurance  
9 year 2007/08 that the basic insurance retained earnings  
10 amounted to \$145,047,000 and for the Extension and SRE  
11 retained earnings, it totalled \$139,128,000?

12 MR. OTTMAR KRAMER: Yes, that is correct  
13 for 07/08.

14 MR. WALTER SARANCHUK: And I'm advised  
15 that the two (2) combined amounts to \$284.1 million  
16 taking into account the Extension Development Fund; is  
17 that correct?

18 MR. OTTMAR KRAMER: Subject to check, I  
19 believe that's correct.

20

21 (BRIEF PAUSE)

22

23 MR. WALTER SARANCHUK: And excluding the  
24 \$35.4 million indicated to be in that fund, the retained  
25 earnings would still be in the order of almost a quarter

1 of a billion dollars; is that correct? In other words,  
2 \$248.7 million?

3 MR. OTTMAR KRAMER: Yes, that's correct,  
4 but if you're -- you should probably be deducting the  
5 Immobilizer Incentive Fund at the same time.

6 MR. WALTER SARANCHUK: Well, that's  
7 something that you might do, Mr. Kramer, but I don't know  
8 that that view's shared by everyone in this room. But  
9 taking that further, in the past we know that there have  
10 been transfers by SRE and Extension to Basic and that  
11 that process was discontinued two (2) years ago. Do you  
12 recall that?

13 MR. DON PALMER: I recall that, yes.

14

15 (BRIEF PAUSE)

16

17 MR. WALTER SARANCHUK: And with reference  
18 to the retained earnings in Extension and SRE as  
19 indicated in the annual report at page 29, that is AI-6,  
20 I'm looking at the dials shown there under Goal 5. Do  
21 you see at the top that for Goal 5 it's indicated that it  
22 is [quote]:

23 "Retained earnings and rate  
24 stabilization reserve will be  
25 maintained within established target

1                   levels. "[End of quote]

2                   MR. DON PALMER:     I see that, yes.

3                   MR. WALTER SARANCHUK:     And I'm looking  
4 now at the dials, if you will, for Extension retained  
5 earnings showing 145 percent with a target of \$35  
6 million, and for SRE retained earnings 143 percent  
7 relative to the target of \$37 million; is that correct?

8                   MR. DON PALMER:     That's correct. We have  
9 exceeded our goals, yes.

10                  MR. WALTER SARANCHUK:     Now, has any  
11 thought been given by the Corporation to retain --  
12 returning the excess to the competitive lines to have  
13 them benefit basic?

14                  MR. DON PALMER:     It hasn't been  
15 considered to have -- return them to benefit basic, no.

16                  MR. WALTER SARANCHUK:     That wouldn't been  
17 something out of the question, would it? After all, I  
18 think we're talking about principally the same customer  
19 base.

20                  MR. DON PALMER:     Not exclusively.  
21 Certainly there are considerable differences in the lines  
22 of business. One (1) is compulsory mandatory monopoly  
23 and one (1) is on a competitive basis. So we formerly  
24 did do transfers from those lines of business into the  
25 rate stabilization reserve when the basic was underfunded

1 and needed a source of funds.

2 The basic now no longer needs that source  
3 of funds so we wouldn't consider at this time  
4 transferring those monies, no.

5 MR. WALTER SARANCHUK: But if you use the  
6 Corporation's MCT target, it's underfunded.

7 MR. DON PALMER: Yes, but that's the  
8 target that we have -- have imposed, based on the orders  
9 of this Board, is -- is not the -- our MCT target but  
10 something different.

11 MR. WALTER SARANCHUK: So for the  
12 purposes of determining whether there can be  
13 justification for a transfer from SRE in extension, when  
14 you consider basic being underfunded, you're referring to  
15 the Board target of the RSR?

16 MR. DON PALMER: Absolutely.

17 MR. WALTER SARANCHUK: Why wouldn't you  
18 refer to the Corporation's target? \$214 million.

19 MR. DON PALMER: It certainly wouldn't  
20 serve the intended purpose if we did that and -- and I'm  
21 saying if we were using our target of \$214 million and  
22 funded on that basis and then the PUB ordered us to  
23 return that money based on the PUB's target, then there -  
24 - there's no point of doing that.

25 MR. WALTER SARANCHUK: But isn't your

1 goal to maintain retained earnings and the RSR within the  
2 established target levels? I guess what you're saying is  
3 that means PUB target level in respect of basic.

4 MR. DON PALMER: For basic, yes.

5 MR. WALTER SARANCHUK: But not for  
6 obvious the extension or SRE?

7 MR. DON PALMER: There is no PUB target  
8 level for extension or SRE.

9 MR. WALTER SARANCHUK: Right and you  
10 probably wouldn't want to hear it anyway. The --

11 MR. DON PALMER: I'll just leave that one  
12 (1).

13 MR. WALTER SARANCHUK: With a fund of --  
14 from SRE and extension, as I understand it, as a result  
15 of the business process review, the Corporation has  
16 established an extension development fund; is that  
17 correct?

18 MR. DON PALMER: Yes, that as stated in  
19 the annual report, yes.

20 MR. WALTER SARANCHUK: Right, and so this  
21 is basically historical information. The fund is a  
22 segregation of extension retained earnings?

23 MR. DON PALMER: Yes.

24 MR. WALTER SARANCHUK: And what is the  
25 purpose of the fund and the balance segregated to be used

1 for that purpose?

2 MR. OTTMAR KRAMER: On page 58 of our  
3 annual report:

4 "Extension development fund is an  
5 appropriation from the competitive  
6 retained lines retained earnings. The  
7 fund is used to defray the annual  
8 driver licencing project costs that  
9 flow through the extension line of  
10 business statement of operations."

11 MR. WALTER SARANCHUK: And I understand  
12 that in March 1, 2007, \$39 million was transferred to the  
13 fund and that at the end of fiscal 2008, the balance of  
14 the fund is now approximately \$35 million; is that  
15 correct?

16 MR. OTTMAR KRAMER: At the end of  
17 February, '08, yes.

18 MR. WALTER SARANCHUK: Can you give us an  
19 idea of the total cost of the business process review?  
20 For example, is the amount set aside sufficient to cover  
21 the expanded BPR initiatives or are there further  
22 transfers contemplated?

23 MS. MARILYN MCLAREN: There's likely to  
24 be further transfers.

25 MR. WALTER SARANCHUK: And it take it

1 that historically, other than that one (1) for \$39  
2 million, there haven't been any further transfers since?

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4 (BRIEF PAUSE)

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6 MR. DON PALMER: There was no transfer in  
7 the first quarter of the current fiscal year, which are  
8 our latest released financials. Our second quarter  
9 financials have not been released, will -- will be  
10 released about mid-October, forty-five (45) days after  
11 quarter end. So say, stay tuned.

12 MR. WALTER SARANCHUK: All right. We'll  
13 be watching for that with bated breath.

14 The time is now ten to 4:00, Mr. Chairman,  
15 and I am through with the cross-examination questions  
16 relative to the RSR, and unless the Panel had some  
17 additional questions, then we intend, as Board Counsel,  
18 to move on to another area.

19 THE CHAIRPERSON: That is fine for the  
20 day. Thank you, Mr. Saranchuk.

21 MR. WALTER SARANCHUK: Thank you.

22 THE CHAIRPERSON: Thank you everyone.  
23 See you all back tomorrow at 9:00.

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25 (MPI PANEL RETIRES)

1 --- Upon adjourning at 3:50 p.m.

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4 Certified correct,

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9 Cheryl Lavigne, Ms.

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