

MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)
GENERAL RATE APPLICATION FOR
2017-2018 INSURANCE YEAR
HEARING

Before Board Panel:

Robert Gabor, Q.C. - Board Chairperson
Karen Botting - Board Member
Anita Neville - Board Member
Alan Morin - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 13, 2016
Pages 1 to 270



“When You Talk - We Listen!”



APPEARANCES

- 1
- 2 Candace Grammond) Board Counsel
- 3 Kathleen McCandless
- 4
- 5 Matthew Ghikas) Manitoba Public
- 6 Michael Triggs) Insurance
- 7
- 8 Byron Williams) CAC (Manitoba)
- 9 Jared Wheeler (student-at-law))
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- 11 Raymond Oakes) CMMG
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- 13 Erika Miller) CAA
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- 15 Christian Monnin) Bike Winnipeg
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19	PUB-12-8	Public Utilities Board (PUB) to	
20		Consumers' Association of Canada	
21		(Manitoba) Inc. (CAC) - Information	
22		Requests. Investment - portfolio design	
23	MPI-1	MPI 2017 rate application	
24			
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2	NO.	DESCRIPTION	PAGE NO.
3	MPI-2	June 24, 2016 letter from MPI to	
4		PUB in response to the physical	
5		damage re-engineering re-evaluation	
6	MPI-3	Revised timetable featuring September	
7		22, 2016 for technical conference	
8	MPI-4	MPI collaboration timeline	
9	MPI-5	Clean and black-lined versions of	
10		omissions and updates to the 2017	
11		application material filed on	
12		August 5, 2016	
13	MPI-6	Interest rate forecasting risk factor -	
14		presentation - technical conference -	
15		August 16, 2017	
16	MPI-7	Interest rate forecast issues -	
17		presentation by Dr. Sean Cleary, FCA -	
18		August 16, 2016	
19	MPI-8	Interest rate forecast risk by Dr.	
20		Sean Cleary, CFA submitted on behalf	
21		on the Manitoba Public Insurance	
22		Corporation	
23	MPI-9	Options for the IRFRF - presentation -	
24		technical conference - August 16, 2016	
25			

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NO.	DESCRIPTION	PAGE NO.
1		
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3	MPI-10	Effect of flat interest rates on net
4		income (assuming 2 percent rate
5		increase - Match to Basic)
6	MPI-11	Affidavit in the matter of advertising
7		publications and notice of public
8		hearing
9	MPI-12	Affidavit in the matter of advertising
10		publications and reminder notice of
11		public hearing
12	MPI-13	Affidavit in the matter public notice
13		and confirmation of filing the 2017
14		General Rate Application
15	MPI-14	Presentation of the CFO and CEO
16	MPI-15	Further responses to Information
17		Request, BW (MPI) 2-1
18	MPI-16	Further responses to Information
19		Request, BW (MPI) 2-2
20	MPI-17	Alternate DCAT report and exhibits,
21		based on the 50/50 interest rate
22		forecast
23	MPI-18	Certain alternate ratemaking tables
24		from volume 2, Ratemaking, based on the
25		50/50 interest rate forecast

1	LIST OF EXHIBITS		
2	NO.	DESCRIPTION	PAGE NO.
3	MPI-19	Alternate volume III, A1.9, actuarial	
4		standards compliance, based on the	
5		50/50 interest rate forecast	
6	MPI-20	MPI's rebuttal to the evidence of Mr.	
7		Valter Viola, Dr. Wayne Simpson, Ms.	
8		Andrea Sherry and the joint Simpson-	
9		Sherry evidence	
10	MPI-21	Clean and black-lined versions of a	
11		correction to page 35 of volume 1 -	
12		Overview	
13	MPI-22	MPI motion brief response to CAC dated	
14		September 21, 2016	
15	MPI-22-1	Attachment A to motion brief	
16	MPI-22-2	Attachment B to motion brief	
17	BW-1	Intervenor application form	
18	BW-2-1	The Bike Winnipeg (BW) to Manitoba	
19		Public Insurance (MPI) 1st round	
20		Information Requests. Loss prevention -	
21		mature driver	
22	BW-2-2	The Bike Winnipeg (BW) to Manitoba	
23		Public Insurance (MPI) 1st round	
24		Information Requests. Loss prevention -	
25		traffic safety culture	

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2	NO.	DESCRIPTION	PAGE NO.
3	BW-2-3	The Bike Winnipeg (BW) to Manitoba	
4		Public Insurance (MPI) 1st round	
5		Information Requests. Loss prevention	
6		- failure to yield right-of-way	
7	BW-2-4	The Bike Winnipeg (BW) to Manitoba	
8		Public Insurance (MPI) 1st round	
9		Information Requests. Loss prevention	
10		- successful engagement activities	
11	BW-2-5	The Bike Winnipeg (BW) to Manitoba	
12		Public Insurance (MPI) 1st round	
13		Information Requests. Loss prevention	
14		- fatal trend analysis	
15	BW-2-6	The Bike Winnipeg (BW) to Manitoba	
16		Public Insurance (MPI) 1st round	
17		Information Requests. Accident maps -	
18		Collision-related fatalities at	
19		intersections - Winnipeg (pedestrians	
20		and bicycle)	
21	BW-2-7	The Bike Winnipeg (BW) to Manitoba	
22		Public Insurance (MPI) 1st round	
23		Information Requests. Loss prevention	
24		- road safety - reducing human toll	
25			

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2	BW-2-8 The Bike Winnipeg (BW) to Manitoba
3	Public Insurance (MPI) 1st round
4	Information Requests. Road safety -
5	optimal budget
6	BW-2-9 The Bike Winnipeg (BW) to Manitoba
7	Public Insurance (MPI) 1st round
8	Information Requests. Road safety -
9	optimal budget
10	BW-2-10 The Bike Winnipeg (BW) to Manitoba
11	Public Insurance (MPI) 1st round
12	Information Requests. Road safety -
13	legislative mandate
14	BW-2-11 The Bike Winnipeg (BW) to Manitoba
15	Public Insurance (MPI) 1st round
16	Information Requests. Road safety -
17	Sirius report
18	BW-2-12 The Bike Winnipeg (BW) to Manitoba
19	Public Insurance (MPI) 1st round
20	Information Requests. Road safety -
21	cost benefit
22	BW-2-13 The Bike Winnipeg (BW) to Manitoba
23	Public Insurance (MPI) 1st round
24	Information Requests. Road safety-
25	Sirius Report

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3	BW-3-1	The Bike Winnipeg (BW) to Manitoba
4		Public Insurance (MPI) 2nd round
5		Information Requests. Loss prevention
6		- fatal trend analysis
7	BW-3-2	The Bike Winnipeg (BW) to Manitoba
8		Public Insurance (MPI) 2nd round
9		Information Requests. Loss prevention
10		- road safety - reducing human toll
11	BW-3-3	The Bike Winnipeg (BW) to Manitoba
12		Public Insurance (MPI) 2nd round
13		Information Requests. Road safety -
14		optimal budget
15	BW-3-4	The Bike Winnipeg (BW) to Manitoba
16		Public Insurance (MPI) 2nd round
17		Information Requests. Road safety -
18		optimal budget
19	BW-3-5	The Bike Winnipeg (BW) to Manitoba
20		Public Insurance (MPI) 2nd round
21		Information Requests. Road safety in
22		other jurisdictions - costs
23	BW-4	Bike Winnipeg motion re Round 1 and
24		Round 2 IRs - September 16, 2016
25		

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3	BW-5	Bike Winnipeg motion re Round 1 and
4		Round 2 IRs - September 19, 2016
5	BW-6	Bike Winnipeg withdrawal of motion
6		filed - September 22, 2016
7	CCA-1	Intervenor application form
8	CAC-1	Intervenor application form
9	CAC-1-1	Attachment A to Intervenor application
10		- Preliminary issues list of CAC
11		Manitoba
12	CAC-1-2	Appendix B - brief over of potential
13		witnesses
14	CAC-1-3	Attachment C to Intervenor app to
15		Intervenor application
16	CAC-1-4	CV of Valter Viola
17	CAC-1-5	CV of Joel Alleyne
18	CAC-1-6	CV of John O'Brien
19	CAC-1-7	CV of Norman Dash
20	CAC-1-8	CV of Wallace Pitt
21	CAC-2-1	Consumers' Association of Canada
22		(Manitoba) CAC to Manitoba Public
23		Insurance Corporation (MPI) 1st round
24		Information Requests. Claims incurred
25		- General forecasting assumptions

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3	CAC-2-2	Consumers' Association of Canada
4		(Manitoba) CAC to Manitoba Public
5		Insurance Corporation (MPI) 1st round
6		Information Requests. Claims incurred
7		- weekly indemnity and ABO-indexed
8	CAC-2-3	Consumers' Association of Canada
9		(Manitoba) CAC to Manitoba Public
10		Insurance Corporation (MPI) 1st round
11		Information Requests. Claim liability
12		duration
13	CAC-2-4	Consumers' Association of Canada
14		(Manitoba) CAC to Manitoba Public
15		Insurance Corporation (MPI) 1st round
16		Information Requests. Indexed case
17		reserves
18	CAC-2-5	Consumers' Association of Canada
19		(Manitoba) CAC to Manitoba Public
20		Insurance Corporation (MPI) 1st round
21		Information Requests. PIPP
22		enhancements - claims incurred
23		
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2	NO.	DESCRIPTION	PAGE NO.
3	CAC-2-6	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Claims incurred - collision	
8	CAC-2-7	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Claims incurred - collision repair	
13	CAC-2-8	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Collision total losses	
18	CAC-2-9	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Collision ultimate severity growth forecasts	
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2	NO.	DESCRIPTION	PAGE NO.
3	CAC-2-10	Consumers' Association of Canada	
4		(Manitoba) CAC to Manitoba Public	
5		Insurance Corporation (MPI) 1st round	
6		Information Requests. Claims incurred	
7		- comprehensive Cl.6	
8	CAC-2-11	Consumers' Association of Canada	
9		(Manitoba) CAC to Manitoba Public	
10		Insurance Corporation (MPI) 1st round	
11		Information Requests. Claims incurred	
12		- fiscal year claims incurred forecast	
13	CAC-2-12	Consumers' Association of Canada	
14		(Manitoba) CAC to Manitoba Public	
15		Insurance Corporation (MPI) 1st round	
16		Information Requests. Claims incurred	
17		PIPP out of house counsel	
18	CAC-2-13	Consumers' Association of Canada	
19		(Manitoba) CAC to Manitoba Public	
20		Insurance Corporation (MPI) 1st round	
21		Information Requests. Accident	
22		benefits - weekly indemnity (PWC review	
23		letter)	
24			
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3	CAC-2-14	Consumers' Association of Canada
4		(Manitoba) CAC to Manitoba Public
5		Insurance Corporation (MPI) 1st round
6		Information Requests. BI3 - benefits
7		realization
8	CAC-2-15	Consumers' Association of Canada
9		(Manitoba) CAC to Manitoba Public
10		Insurance Corporation (MPI) 1st round
11		Information Requests. PUB Order 97/05
12		- allocation of losses to vehicle
13		rating categories
14	CAC-2-16	Consumers' Association of Canada
15		(Manitoba) CAC to Manitoba Public
16		Insurance Corporation (MPI) 1st round
17		Information Requests. Trending
18		methodologies
19	CAC-2-17	Consumers' Association of Canada
20		(Manitoba) CAC to Manitoba Public
21		Insurance Corporation (MPI) 1st round
22		Information Requests. Tail factors.
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3	CAC-2-18	Consumers' Association of Canada
4		(Manitoba) CAC to Manitoba Public
5		Insurance Corporation (MPI) 1st round
6		Information Requests. CLEAR rate group
7		table
8	CAC-2-19	Consumers' Association of Canada
9		(Manitoba) CAC to Manitoba Public
10		Insurance Corporation (MPI) 1st round
11		Information Requests. Ratemaking -
12		2016/17 average rate
13	CAC-2-20	Consumers' Association of Canada
14		(Manitoba) CAC to Manitoba Public
15		Insurance Corporation (MPI) 1st round
16		Information Requests. Trending
17		methodology
18	CAC-2-21	Consumers' Association of Canada
19		(Manitoba) CAC to Manitoba Public
20		Insurance Corporation (MPI) 1st round
21		Information Requests. Trend selection
22		- Rounding
23		
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3	CAC-2-22	Consumers' Association of Canada
4		(Manitoba) CAC to Manitoba Public
5		Insurance Corporation (MPI) 1st round
6		Information Requests. Accident year
7		weights
8	CAC-2-23	Consumers' Association of Canada
9		(Manitoba) CAC to Manitoba Public
10		Insurance Corporation (MPI) 1st round
11		Information Requests. PUB Order 128/15
12		- accepted actuarial practice
13	CAC-2-24	Consumers' Association of Canada
14		(Manitoba) CAC to Manitoba Public
15		Insurance Corporation (MPI) 1st round
16		Information Requests. PUB Order 128/15
17		- accepted actuarial practice
18	CAC-2-25	Consumers' Association of Canada
19		(Manitoba) CAC to Manitoba Public
20		Insurance Corporation (MPI) 1st round
21		Information Requests. Actuarially
22		indicated rates - treatment of
23		investment income
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3	CAC-2-26	Consumers' Association of Canada
4		(Manitoba) CAC to Manitoba Public
5		Insurance Corporation (MPI) 1st round
6		Information Requests. Rate indication
7		- accepted actuarial practice
8	CAC-2-27	Consumers' Association of Canada
9		(Manitoba) CAC to Manitoba Public
10		Insurance Corporation (MPI) 1st round
11		Information Requests. PWC actuary
12		report
13	CAC-2-28	Consumers' Association of Canada
14		(Manitoba) CAC to Manitoba Public
15		Insurance Corporation (MPI) 1st round
16		Information Requests. October 2015
17		actuarial report - Wll IBNR sensitivity
18	CAC-2-29	Consumers' Association of Canada
19		(Manitoba) CAC to Manitoba Public
20		Insurance Corporation (MPI) 1st round
21		Information Requests. October 2015
22		actuarial report - ABO - other
23		(indexed) IBNR
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3	CAC-2-30	Consumers' Association of Canada
4		(Manitoba) CAC to Manitoba Public
5		Insurance Corporation (MPI) 1st round
6		Information Requests. Minimum bias
7		procedure
8	CAC-2-31	Consumers' Association of Canada
9		(Manitoba) CAC to Manitoba Public
10		Insurance Corporation (MPI) 1st round
11		Information Requests. Basic insurance
12		statement of financial position
13	CAC-2-32	Consumers' Association of Canada
14		(Manitoba) CAC to Manitoba Public
15		Insurance Corporation (MPI) 1st round
16		Information Requests. Revenues -
17		volume factor
18	CAC-2-33	Consumers' Association of Canada
19		(Manitoba) CAC to Manitoba Public
20		Insurance Corporation (MPI) 1st round
21		Information Requests. Revenues -
22		drivers premium
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3	CAC-2-34	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Fleet loss experience and individual loss capping for rating	
9	CAC-2-35	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Total IT expenses, total deferred development costs	
15	CAC-2-36	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. IT investment - cost containment	
20	CAC-2-37	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Total IT expenses, total deferred development costs	

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3	CAC-2-38	Consumers' Association of Canada
4		(Manitoba) CAC to Manitoba Public
5		Insurance Corporation (MPI) 1st round
6		Information Requests. Tracking
7		performance of IT investment portfolio
8	CAC-2-39	Consumers' Association of Canada
9		(Manitoba) CAC to Manitoba Public
10		Insurance Corporation (MPI) 1st round
11		Information Requests. Tracking cost
12		recovery
13	CAC-2-40	Consumers' Association of Canada
14		(Manitoba) CAC to Manitoba Public
15		Insurance Corporation (MPI) 1st round
16		Information Requests. Tracking total
17		cost of ownership
18	CAC-2-41	Consumers' Association of Canada
19		(Manitoba) CAC to Manitoba Public
20		Insurance Corporation (MPI) 1st round
21		Information Requests. Cost savings -
22		external labour adjustments
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3	CAC-2-42	Consumers' Association of Canada
4		(Manitoba) CAC to Manitoba Public
5		Insurance Corporation (MPI) 1st round
6		Information Requests. Program
7		financials - technology modernization
8	CAC-2-43	Consumers' Association of Canada
9		(Manitoba) CAC to Manitoba Public
10		Insurance Corporation (MPI) 1st round
11		Information Requests. Program
12		financials - technology modernization
13	CAC-2-44	Consumers' Association of Canada
14		(Manitoba) CAC to Manitoba Public
15		Insurance Corporation (MPI) 1st round
16		Information Requests. IT operating
17		expenses
18	CAC-2-45	Consumers' Association of Canada
19		(Manitoba) CAC to Manitoba Public
20		Insurance Corporation (MPI) 1st round
21		Information Requests. IT costs -
22		corporate
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2	CAC-2-46 Consumers' Association of Canada
3	(Manitoba) CAC to Manitoba Public
4	Insurance Corporation (MPI) 1st round
5	Information Requests. Data processing
6	costs - IBM data centre
7	CAC-2-47 Consumers' Association of Canada
8	(Manitoba) CAC to Manitoba Public
9	Insurance Corporation (MPI) 1st round
10	Information Requests. Value
11	realization metrics
12	CAC-2-48 Consumers' Association of Canada
13	(Manitoba) CAC to Manitoba Public
14	Insurance Corporation (MPI) 1st round
15	Information Requests. Gartner maturity
16	model
17	CAC-2-49 Consumers' Association of Canada
18	(Manitoba) CAC to Manitoba Public
19	Insurance Corporation (MPI) 1st round
20	Information Requests. IT strategy
21	CAC-2-50 Consumers' Association of Canada
22	(Manitoba) CAC to Manitoba Public
23	Insurance Corporation (MPI) 1st round
24	Information Requests. Technology
25	portfolio/inventory

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3	CAC-2-51	Consumers' Association of Canada
4		(Manitoba) CAC to Manitoba Public
5		Insurance Corporation (MPI) 1st round
6		Information Requests. MPI
7		infrastructure and application
8		inventory
9	CAC-2-52	Consumers' Association of Canada
10		(Manitoba) CAC to Manitoba Public
11		Insurance Corporation (MPI) 1st round
12		Information Requests. Detailed
13		breakdown of IT finances/costs
14	CAC-2-53	Consumers' Association of Canada
15		(Manitoba) CAC to Manitoba Public
16		Insurance Corporation (MPI) 1st round
17		Information Requests. Comparative cost
18		savings achieved in 2015/16 and budget
19		for 2016/17
20	CAC-2-54	Consumers' Association of Canada
21		(Manitoba) CAC to Manitoba Public
22		Insurance Corporation (MPI) 1st round
23		Information Requests. DPAC/premium
24		deficiency adjustment
25		

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3	CAC-2-55	Consumers' Association of Canada
4		(Manitoba) CAC to Manitoba Public
5		Insurance Corporation (MPI) 1st round
6		Information Requests. Repurposing of
7		Pembina service centre
8	CAC-2-56	Consumers' Association of Canada
9		(Manitoba) CAC to Manitoba Public
10		Insurance Corporation (MPI) 1st round
11		Information Requests. 2015
12		compensation report
13	CAC-2-57	Consumers' Association of Canada
14		(Manitoba) CAC to Manitoba Public
15		Insurance Corporation (MPI) 1st round
16		Information Requests. External audit
17		and actuary fees
18	CAC-2-58	Consumers' Association of Canada
19		(Manitoba) CAC to Manitoba Public
20		Insurance Corporation (MPI) 1st round
21		Information Requests. External
22		consulting costs related to operational
23		initiatives/human resources division
24		customer services review report
25		

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	CAC-2-59	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Donations and scholarships for 2015/16	
	CAC-2-60	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Disposal of property and equipment	
	CAC-2-61	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. IT investment benefits realization	
	CAC-2-62	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Claims and operating expenses statistics	

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5	CAC-2-63	Consumers' Association of Canada	
6		(Manitoba) CAC to Manitoba Public	
7		Insurance Corporation (MPI) 1st round	
8		Information Requests. Financial re-	
9		engineering initiative	
10	CAC-2-64	Consumers' Association of Canada	
11		(Manitoba) CAC to Manitoba Public	
12		Insurance Corporation (MPI) 1st round	
13		Information Requests. Strategic	
14		objective for rate predictability and	
15		stability	
16	CAC-2-65	Consumers' Association of Canada	
17		(Manitoba) CAC to Manitoba Public	
18		Insurance Corporation (MPI) 1st round	
19		Information Requests. Corporate	
20		strategic plan - investment risk	
21	CAC-2-66	Consumers' Association of Canada	
22		(Manitoba) CAC to Manitoba Public	
23		Insurance Corporation (MPI) 1st round	
24		Information Requests. Corporate	
25		strategic plan - reconciling mission,	
		strategic strategy, goals, objectives	
		and focus	

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3	CAC-2-67	Consumers' Association of Canada	
4		(Manitoba) CAC to Manitoba Public	
5		Insurance Corporation (MPI) 1st round	
6		Information Requests. Terminology	
7	CAC-2-68	Consumers' Association of Canada	
8		(Manitoba) CAC to Manitoba Public	
9		Insurance Corporation (MPI) 1st round	
10		Information Requests. AON	
11		asset/liability study - pension and	
12		other benefit(s) modelling	
13	CAC-2-69	Consumers' Association of Canada	
14		(Manitoba) CAC to Manitoba Public	
15		Insurance Corporation (MPI) 1st round	
16		Information Requests. Asset liability	
17		studies (128/15, 157/08 and 148/04)	
18	CAC-2-70	Consumers' Association of Canada	
19		(Manitoba) CAC to Manitoba Public	
20		Insurance Corporation (MPI) 1st round	
21		Information Requests. Statement of	
22		operations PF.1. - Investment income -	
23		investment rate impact	
24			
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2	CAC-2-71 Consumers' Association of Canada
3	(Manitoba) CAC to Manitoba Public
4	Insurance Corporation (MPI) 1st round
5	Information Requests. Accounting
6	methodology - reconciling market values
7	and accounting values
8	CAC-2-72 Consumers' Association of Canada
9	(Manitoba) CAC to Manitoba Public
10	Insurance Corporation (MPI) 1st round
11	Information Requests. Accounting
12	methodology - reconciling market values
13	and accounting values
14	CAC-2-73 Consumers' Association of Canada
15	(Manitoba) CAC to Manitoba Public
16	Insurance Corporation (MPI) 1st round
17	Information Requests. Short-term
18	versus long term considerations in
19	asset mix
20	CAC-2-74 Consumers' Association of Canada
21	(Manitoba) CAC to Manitoba Public
22	Insurance Corporation (MPI) 1st round
23	Information Requests. Risk management
24	- enterprise-wide risk management
25	policy

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5	CAC-2-75	Consumers' Association of Canada	
6		(Manitoba) CAC to Manitoba Public	
7		Insurance Corporation (MPI) 1st round	
8		Information Requests. Risk types and	
9		tolerances: market versus liquidity	
10	CAC-2-76	Consumers' Association of Canada	
11		(Manitoba) CAC to Manitoba Public	
12		Insurance Corporation (MPI) 1st round	
13		Information Requests. Duration	
14		matching strategy	
15	CAC-2-77	Consumers' Association of Canada	
16		(Manitoba) CAC to Manitoba Public	
17		Insurance Corporation (MPI) 1st round	
18		Information Requests. Min/max	
19		constraints for asset classes in asset-	
20		liability study	
21	CAC-2-78	Consumers' Association of Canada	
22		(Manitoba) CAC to Manitoba Public	
23		Insurance Corporation (MPI) 1st round	
24		Information Requests. Other	
25		constraints in asset-liability study	

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5	CAC-2-79	Consumers' Association of Canada	
6		(Manitoba) CAC to Manitoba Public	
7		Insurance Corporation (MPI) 1st round	
8		Information Requests. Optimization	
9		steps	
10	CAC-2-80	Consumers' Association of Canada	
11		(Manitoba) CAC to Manitoba Public	
12		Insurance Corporation (MPI) 1st round	
13		Information Requests. Asset-only	
14		optimization	
15	CAC-2-81	Consumers' Association of Canada	
16		(Manitoba) CAC to Manitoba Public	
17		Insurance Corporation (MPI) 1st round	
18		Information Requests. Portfolio	
19		assumptions	
20	CAC-2-82	Consumers' Association of Canada	
21		(Manitoba) CAC to Manitoba Public	
22		Insurance Corporation (MPI) 1st round	
23		Information Requests. Rebalancing	
24		policy - market risk management and	
25		measurement	

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1	NO.	DESCRIPTION	PAGE NO.
2	CAC-2-83	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Investment portfolio mix - equity risk concentration	
3	CAC-2-84	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Operational ALM policy - fixed income duration reports	
4	CAC-2-85	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Classification of MUSH funds	
5	CAC-2-86	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. MUSH and other bonds' impact on liability values	
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3	CAC-2-87	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Infrastructure, real return bonds and inflation risk	
8	CAC-2-88	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Real estate and infrastructure diversification	
13	CAC-2-89	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Investment policy statement	
18	CAC-2-90	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Investment policy and rebalancing policy	
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5	CAC-2-91	Consumers' Association of Canada	
6		(Manitoba) CAC to Manitoba Public	
7		Insurance Corporation (MPI) 1st round	
8		Information Requests. Investment	
9		policy for pension/benefit plan(s)	
10	CAC-2-92	Consumers' Association of Canada	
11		(Manitoba) CAC to Manitoba Public	
12		Insurance Corporation (MPI) 1st round	
13		Information Requests. Actuarial	
14		valuation of benefit plans	
15	CAC-2-93	Consumers' Association of Canada	
16		(Manitoba) CAC to Manitoba Public	
17		Insurance Corporation (MPI) 1st round	
18		Information Requests. Interest rate	
19		forecast risk factor (IRFRF) - purpose	
20	CAC-2-94	Consumers' Association of Canada	
21		(Manitoba) CAC to Manitoba Public	
22		Insurance Corporation (MPI) 1st round	
23		Information Requests. Interest rate	
24		forecast risk factor (IRFRF)	
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3	CAC-2-95	Consumers' Association of Canada	
4		(Manitoba) CAC to Manitoba Public	
5		Insurance Corporation (MPI) 1st round	
6		Information Requests. Comparison of	
7		the WCB, TRAF, CSSB investment	
8		portfolios	
9	CAC-2-96	Consumers' Association of Canada	
10		(Manitoba) CAC to Manitoba Public	
11		Insurance Corporation (MPI) 1st round	
12		Information Requests. Ellement	
13		consulting full report relating to	
14		benchmarks and peer universe	
15		calculations	
16	CAC-2-97	Consumers' Association of Canada	
17		(Manitoba) CAC to Manitoba Public	
18		Insurance Corporation (MPI) 1st round	
19		Information Requests. Investment	
20		performance report	
21	CAC-2-98	Consumers' Association of Canada	
22		(Manitoba) CAC to Manitoba Public	
23		Insurance Corporation (MPI) 1st round	
24		Information Requests. Impaired	
25		investments	

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2	CAC-2-99 Consumers' Association of Canada
3	(Manitoba) CAC to Manitoba Public
4	Insurance Corporation (MPI) 1st round
5	Information Requests. Claims duration
6	by coverage
7	CAC-2-100 Consumers' Association of Canada
8	(Manitoba) CAC to Manitoba Public
9	Insurance Corporation (MPI) 1st round
10	Information Requests. Investment
11	organizational chart
12	CAC-2-101 Consumers' Association of Canada
13	(Manitoba) CAC to Manitoba Public
14	Insurance Corporation (MPI) 1st round
15	Information Requests. ALM policy
16	versus strategic plan
17	CAC-2-102 Consumers' Association of Canada
18	(Manitoba) CAC to Manitoba Public
19	Insurance Corporation (MPI) 1st round
20	Information Requests. Organizational
21	issues
22	CAC-2-103 Consumers' Association of Canada
23	(Manitoba) CAC to Manitoba Public
24	Insurance Corporation (MPI) 1st round
25	Information Requests. Financing fees.

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4		(Manitoba) CAC to Manitoba Public
5		Insurance Corporation (MPI) 1st round
6		Information Requests. Services fees and
7		other revenues
8	CAC-2-105	Consumers' Association of Canada
9		(Manitoba) CAC to Manitoba Public
10		Insurance Corporation (MPI) 1st round
11		Information Requests. Prevention
12		programs and loss-cost reduction
13		programs
14	CAC-2-106	Consumers' Association of Canada
15		(Manitoba) CAC to Manitoba Public
16		Insurance Corporation (MPI) 1st round
17		Information Requests. Loss prevention
18		strategy and implementation
19	CAC-2-107	Consumers' Association of Canada
20		(Manitoba) CAC to Manitoba Public
21		Insurance Corporation (MPI) 1st round
22		Information Requests. Engagement
23		forums on loss prevention.
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3	CAC-2-108	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Winter tire program	
8	CAC-2-109	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Loss prevention business cases	
13	CAC-2-110	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Predictive analytics and quantifiable data - loss prevention	
19	CAC-2-111	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. RSR-purpose	
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4		(Manitoba) CAC to Manitoba Public
5		Insurance Corporation (MPI) 1st round
6		Information Requests. DCAT - RSR
7		target.
8	CAC-2-113	Consumers' Association of Canada
9		(Manitoba) CAC to Manitoba Public
10		Insurance Corporation (MPI) 1st round
11		Information Requests. RSR - adequacy
12	CAC-2-114	Consumers' Association of Canada
13		(Manitoba) CAC to Manitoba Public
14		Insurance Corporation (MPI) 1st round
15		Information Requests. MCT
16	CAC-2-115	Consumers' Association of Canada
17		(Manitoba) CAC to Manitoba Public
18		Insurance Corporation (MPI) 1st round
19		Information Requests. Total equity and
20		capital available.
21	CAC-2-116	Consumers' Association of Canada
22		(Manitoba) CAC to Manitoba Public
23		Insurance Corporation (MPI) 1st round
24		Information Requests. Excess fund
25		transfer to and from competitive lines.

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	CAC-2-117		Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Excess fund transfer to and from competitive lines																					
	CAC-2-118		Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Peer review of DCAT																					
	CAC-2-119		Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Upper target of the RSR range																					
	CAC-2-120		Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. Interest rate floor																					

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3	CAC-2-121	Consumers' Association of Canada
4		(Manitoba) CAC to Manitoba Public
5		Insurance Corporation (MPI) 1st round
6		Information Requests. Market rebound
7		in combined scenario
8	CAC-2-122	Consumers' Association of Canada
9		(Manitoba) CAC to Manitoba Public
10		Insurance Corporation (MPI) 1st round
11		Information Requests. Risk management
12		and risk profile
13	CAC-2-123	Consumers' Association of Canada
14		(Manitoba) CAC to Manitoba Public
15		Insurance Corporation (MPI) 1st round
16		Information Requests. Excess retained
17		earnings
18	CAC-2-124	Consumers' Association of Canada
19		(Manitoba) CAC to Manitoba Public
20		Insurance Corporation (MPI) 1st round
21		Information Requests. Actuarial
22		evidence from 2016 GRA
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4		(Manitoba) CAC to Manitoba Public
5		Insurance Corporation (MPI) 1st round
6		Information Requests. PDR - expected
7		program outcomes
8	CAC-2-126	Consumers' Association of Canada
9		(Manitoba) CAC to Manitoba Public
10		Insurance Corporation (MPI) 1st round
11		Information Requests. Distributed
12		estimating - repair shops incentives
13	CAC-2-127	Consumers' Association of Canada
14		(Manitoba) CAC to Manitoba Public
15		Insurance Corporation (MPI) 1st round
16		Information Requests. Overall progress
17		of the PDR program
18	CAC-2-128	Consumers' Association of Canada
19		(Manitoba) CAC to Manitoba Public
20		Insurance Corporation (MPI) 1st round
21		Information Requests. First notice of
22		loss (FLOL) project risk
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3	CAC-2-129	Consumers' Association of Canada
4		(Manitoba) CAC to Manitoba Public
5		Insurance Corporation (MPI) 1st round
6		Information Requests. PDR program
7		evaluation - key risk area
8	CAC-2-130	Consumers' Association of Canada
9		(Manitoba) CAC to Manitoba Public
10		Insurance Corporation (MPI) 1st round
11		Information Requests. PDR program -
12		length of program
13	CAC-2-131	Consumers' Association of Canada
14		(Manitoba) CAC to Manitoba Public
15		Insurance Corporation (MPI) 1st round
16		Information Requests. PDR Gartner
17		report - program objectives
18	CAC-2-132	Consumers' Association of Canada
19		(Manitoba) CAC to Manitoba Public
20		Insurance Corporation (MPI) 1st round
21		Information Requests. PDR Gartner
22		report - decommissioning and/or
23		repurposing MPI service centres
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8	CAC-2-134	Consumers' Association of Canada (Manitoba) CAC to Manitoba Public Insurance Corporation (MPI) 1st round Information Requests. IT - Legacy Systems	
13	CAC-3-1	Consumers' Association of Canada (Manitoba) (CAC) to Manitoba Public Insurance Corporation (MPI) 2nd round Information Requests. Loss development factors (LDFs)	
18	CAC-3-2	Consumers' Association of Canada (Manitoba) (CAC) to Manitoba Public Insurance Corporation (MPI) 2nd round Information Requests. Weekly indemnity and ABO - indexed from 2018/19 to 2019/20	
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3	CAC-3-3	Consumers' Association of Canada	
4		(Manitoba) (CAC) to Manitoba Public	
5		Insurance Corporation (MPI) 2nd round	
6		Information Requests. Weekly indemnity	
7		and ABO - indexed from 2018/19 to	
8		2019/20	
9	CAC-3-4	Consumers' Association of Canada	
10		(Manitoba) (CAC) to Manitoba Public	
11		Insurance Corporation (MPI) 2nd round	
12		Information Requests. Assumed claim	
13		liability duration	
14	CAC-3-5	Consumers' Association of Canada	
15		(Manitoba) (CAC) to Manitoba Public	
16		Insurance Corporation (MPI) 2nd round	
17		Information Requests. Indexed case	
18		reserves	
19	CAC-3-6	Consumers' Association of Canada	
20		(Manitoba) (CAC) to Manitoba Public	
21		Insurance Corporation (MPI) 2nd round	
22		Information Requests. Collision -	
23		total lost count	
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2	CAC-3-7	Consumers' Association of Canada
3		(Manitoba) (CAC) to Manitoba Public
4		Insurance Corporation (MPI) 2nd round
5		Information Requests. Collision
6		repairs - parts per repair
7	CAC-3-8	Consumers' Association of Canada
8		(Manitoba) (CAC) to Manitoba Public
9		Insurance Corporation (MPI) 2nd round
10		Information Requests. De-strengthening
11		of case reserves
12	CAC-3-9	Consumers' Association of Canada
13		(Manitoba) (CAC) to Manitoba Public
14		Insurance Corporation (MPI) 2nd round
15		Information Requests. Trending
16		methodologies
17	CAC-3-10	Consumers' Association of Canada
18		(Manitoba) (CAC) to Manitoba Public
19		Insurance Corporation (MPI) 2nd round
20		Information Requests. Tail factors
21	CAC-3-11	Consumers' Association of Canada
22		(Manitoba) (CAC) to Manitoba Public
23		Insurance Corporation (MPI) 2nd round
24		Information Requests. Calculation of
25		required rate change

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3	CAC-3-12	Consumers' Association of Canada (Manitoba) (CAC) to Manitoba Public Insurance Corporation (MPI) 2nd round Information Requests. Trend selection - rounding	
8	CAC-3-13	Consumers' Association of Canada (Manitoba) (CAC) to Manitoba Public Insurance Corporation (MPI) 2nd round Information Requests. Accident year weights	
13	CAC-3-14	Consumers' Association of Canada (Manitoba) (CAC) to Manitoba Public Insurance Corporation (MPI) 2nd round Information Requests. investment income accounted for in the indication	
18	CAC-3-15	Consumers' Association of Canada (Manitoba) (CAC) to Manitoba Public Insurance Corporation (MPI) 2nd round Information Requests. impact of chosen loss development factors on the rate indication	
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3	CAC-3-16	Consumers' Association of Canada (Manitoba) (CAC) to Manitoba Public Insurance Corporation (MPI) 2nd round Information Requests. impact of chosen loss development factors on the rate indication	
9	CAC-3-17	Consumers' Association of Canada (Manitoba) (CAC) to Manitoba Public Insurance Corporation (MPI) 2nd round Information Requests. Loss development factors - ABO - Other (indexed)	
14	CAC-3-18	Consumers' Association of Canada (Manitoba) (CAC) to Manitoba Public Insurance Corporation (MPI) 2nd round Information Requests. Reducing volume factor to 1.45 percent.	
19	CAC-3-19	Consumers' Association of Canada (Manitoba) (CAC) to Manitoba Public Insurance Corporation (MPI) 2nd round Information Requests. Equitable rating for fleets	
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4		(Manitoba) (CAC) to Manitoba Public
5		Insurance Corporation (MPI) 2nd round
6		Information Requests. Business cases
7		for IT investments
8	CAC-3-21	Consumers' Association of Canada
9		(Manitoba) (CAC) to Manitoba Public
10		Insurance Corporation (MPI) 2nd round
11		Information Requests. IT investment
12		cost containment
13	CAC-3-22	Consumers' Association of Canada
14		(Manitoba) (CAC) to Manitoba Public
15		Insurance Corporation (MPI) 2nd round
16		Information Requests. IT
17		investment/project performance
18	CAC-3-23	Consumers' Association of Canada
19		(Manitoba) (CAC) to Manitoba Public
20		Insurance Corporation (MPI) 2nd round
21		Information Requests. Value management
22		process tool
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6		Information Requests. Enterprise	
7		portfolio management services (EPMS)	
8	CAC-3-25	Consumers' Association of Canada	
9		(Manitoba) (CAC) to Manitoba Public	
10		Insurance Corporation (MPI) 2nd round	
11		Information Requests. Capital master	
12		summary	
13	CAC-3-26	Consumers' Association of Canada	
14		(Manitoba) (CAC) to Manitoba Public	
15		Insurance Corporation (MPI) 2nd round	
16		Information Requests. IT investment	
17		portfolio	
18	CAC-3-27	Consumers' Association of Canada	
19		(Manitoba) (CAC) to Manitoba Public	
20		Insurance Corporation (MPI) 2nd round	
21		Information Requests. Total cost of	
22		ownership for IT investments	
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7		breakdown of program financials (ITO
8		program)
9	CAC-3-29	Consumers' Association of Canada
10		(Manitoba) (CAC) to Manitoba Public
11		Insurance Corporation (MPI) 2nd round
12		Information Requests. Detailed
13		breakdown of program financials (ITO
14		program)
15	CAC-3-30	Consumers' Association of Canada
16		(Manitoba) (CAC) to Manitoba Public
17		Insurance Corporation (MPI) 2nd round
18		Information Requests. Special advisor
19		positions
20	CAC-3-31	Consumers' Association of Canada
21		(Manitoba) (CAC) to Manitoba Public
22		Insurance Corporation (MPI) 2nd round
23		Information Requests. Investment
24		department staff salaries
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5		Insurance Corporation (MPI) 2nd round	
6		Information Requests. Disposals of	
7		property and equipment	
8	CAC-3-33	Consumers' Association of Canada	
9		(Manitoba) (CAC) to Manitoba Public	
10		Insurance Corporation (MPI) 2nd round	
11		Information Requests. Charter for the	
12		financial re-engineering initiative	
13	CAC-3-34	Consumers' Association of Canada	
14		(Manitoba) (CAC) to Manitoba Public	
15		Insurance Corporation (MPI) 2nd round	
16		Information Requests. Increasing	
17		revenue within acceptable investment	
18		risk profiles	
19	CAC-3-35	Consumers' Association of Canada	
20		(Manitoba) (CAC) to Manitoba Public	
21		Insurance Corporation (MPI) 2nd round	
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9	CAC-3-37	Consumers' Association of Canada (Manitoba) (CAC) to Manitoba Public Insurance Corporation (MPI) 2nd round Information Requests. Annual physical damage analysis report	
14	CAC-3-38	Consumers' Association of Canada (Manitoba) (CAC) to Manitoba Public Insurance Corporation (MPI) 2nd round Information Requests. Enterprise-wide risk management policy	
19	CAC-3-39	Consumers' Association of Canada (Manitoba) (CAC) to Manitoba Public Insurance Corporation (MPI) 2nd round Information Requests. Min/max constraints for asset classes in asset- liability study	
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4		(Manitoba) (CAC) to Manitoba Public	
5		Insurance Corporation (MPI) 2nd round	
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7		optimization	
8	CAC-3-41	Consumers' Association of Canada	
9		(Manitoba) (CAC) to Manitoba Public	
10		Insurance Corporation (MPI) 2nd round	
11		Information Requests. International	
12		equities	
13	CAC-3-42	Consumers' Association of Canada	
14		(Manitoba) (CAC) to Manitoba Public	
15		Insurance Corporation (MPI) 2nd round	
16		Information Requests. Interest rate	
17		forecasting risk factor (IRFRF)	
18	CAC-3-43	Consumers' Association of Canada	
19		(Manitoba) (CAC) to Manitoba Public	
20		Insurance Corporation (MPI) 2nd round	
21		Information Requests. RSR range using	
22		DCAT	
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6		(Manitoba) (CAC) to Manitoba Public	
7		Insurance Corporation (MPI) 2nd round	
8		Information Requests. RSR range	
9	CAC-3-45	Consumers' Association of Canada	
10		(Manitoba) (CAC) to Manitoba Public	
11		Insurance Corporation (MPI) 2nd round	
12		Information Requests. DCAT results	
13	CAC-3-46	Consumers' Association of Canada	
14		(Manitoba) (CAC) to Manitoba Public	
15		Insurance Corporation (MPI) 2nd round	
16		Information Requests. Combine scenario	
17		(DCAT)	
18	CAC-3-47	Consumers' Association of Canada	
19		(Manitoba) (CAC) to Manitoba Public	
20		Insurance Corporation (MPI) 2nd round	
21		Information Requests. DCAT base	
22		forecast does not follow Canadian	
23		Institute of Actuaries' standards of	
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	CAC-3-49		Consumers' Association of Canada (Manitoba) (CAC) to Manitoba Public Insurance Corporation (MPI) 2nd round Information Requests. Impaired investments - External auditor adjustments																					
	CAC-3-50		Consumers' Association of Canada (Manitoba) (CAC) to Manitoba Public Insurance Corporation (MPI) 2nd round Information Requests. PDR change request																					
	CAC-3-51		Consumers' Association of Canada (Manitoba) (CAC) to Manitoba Public Insurance Corporation (MPI) 2nd round Information Requests. PDR expenses																					

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4		(Manitoba) (CAC) to Manitoba Public	
5		Insurance Corporation (MPI) 2nd round	
6		Information Requests. PDR Gartner	
7		report	
8	CAC-4	Notice of motion of the Consumers'	
9		Association of Canada Inc. dated	
10		September 16, 2016	
11	CAC-4-1	Appendix A to CAC motion - new stories	
12	CAC-4-2	Appendix B - MPI options for the IRFrf	
13		- from August 16, 2016 technical	
14		conference	
15	CAC-5	Withdrawal of motion filed - dated	
16		September 23, 2016	
17	CAC-6	A note on an interest rate forecast	
18		risk factor (IRFRF) and the RSR target	
19		established by the Dynamic Capital	
20		Asset Test (DCAT) by Dr. Wayne Simpson	
21	CAC-7	A note on ratemaking in accordance with	
22		accepted actuarial practice in Canada	
23		and impact of investment discount rates	
24		by Ms. Andrea Sherry	
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4		RSR target range by Ms. Andrea Sherry
5		and Dr. Wayne Simpson
6	CAC-9	CV of Ms. Andrea Sherry
7	CAC-10	CV of Dr. Wayne Simpson
8	CAC-11	MPI's Investment Portfolio Risk, Return
9		and Good Practice by Valter Viola
10	CMMG-1	Intervener application form
11	CMMG-2-1	Coalition of Manitoba Motorcyclers
12		Groups (CMMG) to Manitoba Public
13		Insurance Corporation (MPI) 1st round
14		Information Requests. Comparison of
15		projected versus actual loss 2004 to
16		2016 for motorcycle major class
17	CMMG-2-2	Coalition of Manitoba Motorcyclers
18		Groups (CMMG) to Manitoba Public
19		Insurance Corporation (MPI) 1st round
20		Information Requests. Motorcycle
21		claims lost data by insurance year
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1	2 NO.	DESCRIPTION	PAGE NO.
3	CMMG-2-3	Coalition of Manitoba Motorcyclers	
4		Groups (CMMG) to Manitoba Public	
5		Insurance Corporation (MPI) 1st round	
6		Information Requests. Applied versus	
7		rates approved for motorcycle class	
8	CMMG-2-4	Coalition of Manitoba Motorcyclers	
9		Groups (CMMG) to Manitoba Public	
10		Insurance Corporation (MPI) 1st round	
11		Information Requests. Actuarial rate	
12		smoothing	
13	CMMG-2-5	Coalition of Manitoba Motorcyclers	
14		Groups (CMMG) to Manitoba Public	
15		Insurance Corporation (MPI) 1st round	
16		Information Requests. Road safety -	
17		wildlife collisions	
18	CMMG-2-6	Coalition of Manitoba Motorcyclers	
19		Groups (CMMG) to Manitoba Public	
20		Insurance Corporation (MPI) 1st round	
21		Information Requests. Road safety -	
22		cost recovery	
23			
24			
25			

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1	LIST OF EXHIBITS	
2	NO.	PAGE NO.
3	CMMG-2-7	Coalition of Manitoba Motorcyclers
4		Groups (CMMG) to Manitoba Public
5		Insurance Corporation (MPI) 1st round
6		Information Requests. Road safety -
7		wildlife collisions - Whiteshell
8	CMMG-2-8	Coalition of Manitoba Motorcyclers
9		Groups (CMMG) to Manitoba Public
10		Insurance Corporation (MPI) 1st round
11		Information Requests. Road safety -
12		average animal collision reduction
13		rates
14	CMMG-2-9	Coalition of Manitoba Motorcyclers
15		Groups (CMMG) to Manitoba Public
16		Insurance Corporation (MPI) 1st round
17		Information Requests. Motorcycle major
18		class dollar increases by territory
19	CMMG-2-10	Coalition of Manitoba Motorcyclers
20		Groups (CMMG) to Manitoba Public
21		Insurance Corporation (MPI) 1st round
22		Information Requests. Estimate of
23		losses for distracted driving
24		
25		

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1	2 NO.	DESCRIPTION	PAGE NO.
3	CMMG-2-11	Coalition of Manitoba Motorcyclers	
4		Groups (CMMG) to Manitoba Public	
5		Insurance Corporation (MPI) 1st round	
6		Information Requests. Quantitative	
7		effect of the experience adjusting	
8		rules for motorcycles	
9	CMMG-2-12	Coalition of Manitoba Motorcyclers	
10		Groups (CMMG) to Manitoba Public	
11		Insurance Corporation (MPI) 1st round	
12		Information Requests. Effect of	
13		investment levels on motorcycle rates	
14	CMMG-3-1	Coalition of Manitoba Motorcyclers	
15		Groups (CMMG) to Manitoba Public	
16		Insurance Corporation (MPI) 2nd round	
17		Information Requests. Average	
18		motorcycle loss ratio for the last five	
19		(5) years	
20	CMMG-3-2	Coalition of Manitoba Motorcyclers	
21		Groups (CMMG) to Manitoba Public	
22		Insurance Corporation (MPI) 2nd round	
23		Information Requests. Change in the	
24		required rate for motorcycles if the	
25		loss data	

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1	2 NO.	DESCRIPTION	PAGE NO.
3	CMMG-3-3	Coalition of Manitoba Motorcyclers Groups (CMMG) to Manitoba Public	
4		Insurance Corporation (MPI) 2nd round Information Requests. Indicated rates for the motorcycle major class	
5	CMMG-3-4	Coalition of Manitoba Motorcyclers Groups (CMMG) to Manitoba Public	
6		Insurance Corporation (MPI) 2nd round Information Requests. Actual loss ratio for private passenger vehicles	
7	CMMG-3-5	Coalition of Manitoba Motorcyclers Groups (CMMG) to Manitoba Public	
8		Insurance Corporation (MPI) 2nd round Information Requests. PIPP costs	
9	CMMG-3-6	Coalition of Manitoba Motorcyclers Groups (CMMG) to Manitoba Public	
10		Insurance Corporation (MPI) 2nd round Information Requests. Effect of flat rate for PIPP costs on all vehicle classes.	
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LIST OF EXHIBITS		
NO.	DESCRIPTION	PAGE NO.
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3	CMMG-3-7	
4	Coalition of Manitoba Motorcyclers	
5	Groups (CMMG) to Manitoba Public	
6	Insurance Corporation (MPI) 2nd round	
7	Information Requests. Vehicle	
8	ownerships	
9	CMMG-3-8	
10	Coalition of Manitoba Motorcyclers	
11	Groups (CMMG) to Manitoba Public	
12	Insurance Corporation (MPI) 2nd round	
13	Information Requests. Accidents per	
14	1000 units motorcycles by body style	
15	CMMG-3-9	
16	Coalition of Manitoba Motorcyclers	
17	Groups (CMMG) to Manitoba Public	
18	Insurance Corporation (MPI) 2nd round	
19	Information Requests. Experienced	
20	rider course	
21	CCMG-4	
22	CMMG Pre-Ask No. 1.	
23	CAC-12	129
24	CAC PowerPoint presentation	
25	MPI-23	174
	MPI PowerPoint presentation	

1 --- Upon Commencing at 9:04 a.m.

2

3 OPENING REMARKS BY CHAIRPERSON:

4 THE CHAIRPERSON: Good morning,
5 everyone. I think we'll start although if -- if we
6 start hearing the ringing of bells and that, I'll
7 probably stop. My name is Robert Gabor. I'm the
8 chair of the Public Utilities Board. I now call this
9 2017 Manitoba Public Insurance Corporation General
10 Rate Application hearing to order.

11 MPI has applied to the Public Utilities
12 Board for approval of its premiums to take effect on
13 March 1st, 2017. Can everyone hear me okay?

14

15 (BRIEF PAUSE)

16

17 THE CHAIRPERSON: Okay. This hearing
18 will be conducted in accordance with the provisions of
19 the Crown corporation's Public Review and
20 Accountability Act, the Public Utilities Board's Act,
21 and the Board's Rules of Practice and Procedure.
22 These rules are available for review on the Board's
23 website.

24 In its Application, MPI is seeking an
25 overall 2 percent rate increase for compulsory vehicle

1 insurance and driver premiums for the 2017/'18
2 insurance, as well as an interest rate forecasting
3 risk factor.

4 I'm joined by three (3) other Board
5 members at this hearing, Board member Karen Botting,
6 Board member Al Moran -- Karen's on my right, on your
7 left. Al is at the end, and Board Member Anita
8 Neville. Along with us today as well, I'd like to
9 introduce two (2) Board members. On that side, Shawn
10 McCutcheon and Karen -- Carol Hainsworth, who will be
11 observers at this hearing.

12 Also with us today are Dar -- Darren
13 Christle who is the secretary of the Board, and Diane
14 Villegas who will manage our electronic document
15 system and she is assisted by Angela Wilde. I'd also
16 introduce Sean Coleman, who will act as our reporter.
17 Transcripts of this hearing will be recorded by Digi-
18 Tran and made available on our website.

19 We will begin the hearing on each
20 hearing day at 9:00 a.m., and adjourn at approximately
21 4:00 p.m. We will re-visit the time for adjournment
22 if we start falling behind. Each day will include a
23 mid-morning break, lunch, and mid-afternoon break.

24 Following closing arguments, the panel
25 will -- will sequester itself and deliberate to make

1 our final determinations on the matters before us. In
2 the end, we may accept, deny, or vary MPI's
3 Application.

4

5

(BRIEF PAUSE)

6

7 THE CHAIRPERSON: In reaching our
8 decision, we will be guided by the evidence, written
9 and oral, and our determination of what represents the
10 public interest. The Board takes its obligation and
11 mandate of protecting the -- the public interest very
12 seriously. We are concerned not only with the short-
13 term economic impact of MPI's operations on both
14 ratepayers and MPI itself, but also the fairness of
15 that impact on MPI's long-term fiscal and operational
16 well-being.

17

In addition, the Board views this
18 process as one which should ensure transparency in
19 terms of the Corporation's operations and financial
20 position. In particular, the Board looks forward to
21 hearing evidence and submissions from the parties with
22 respect to a number of issues, including the
23 following: the rate order sought by MPI, namely, an
24 overall 2 percent rate increase.

25

No RSR rebuilding fee, and no changes

1 to other fees and discounts. The proposed
2 implementation of an interest rate forecasting --
3 forecasting risk factor to be added to rates, as well
4 as alternative interest rate forecasting methodology.

5 MPI's financial position, including its
6 financial forecasting accuracy and projected financial
7 results. The DCAT method -- methodology utilized by
8 MPI, together with the appropriate target capital
9 range for MPI's rate stabilization reserve, or RSR,
10 and total equity.

11 MPI's investment portfolio performance
12 in content together with the asset-liability
13 management study. MPI's efforts with respect to road
14 safety and loss prevention and related expenditure.
15 MPI's operating costs and cost-containment efforts.
16 MPI's claims forecasting and runoff of prior years'
17 claims.

18 Alternate rate indications based on
19 accepted actuarial practice in Canada. Benchmarking
20 conducted by MPI. MPI's capital expenditure --
21 expenditures and MPI's IT strategy and projects,
22 including the PDR project.

23 We trust the participants at this
24 hearing will be mindful of cost effectiveness and will
25 employ a cooperative approach, the common goal being

1 to put forward useful evidence to assist the panel in
2 reaching sound decisions on the matters before it.

3 We have significant and complex issues
4 before us, and I am confident that we'll -- we will
5 approach this process with a view to benefiting the
6 public interest.

7 The Manitoba ombudsman has issued
8 privacy guidelines for administrative tribunals. The
9 PUB is mindful of its obligations under those
10 guidelines. Its decision in respect of the
11 application being considered will be sensitive to the
12 guidelines.

13 Personal information will not be
14 disclosed un -- unless it is appropriate and necessary
15 to do so. However, the PUB advised participants that
16 these proceedings are public and that, as a result,
17 personal information protections are reduced.

18 In addition, one (1) matter of
19 housekeeping: Please ensure that all your cellular
20 phones are off or on mute throughout the hearing.

21 I will now call on Ms. Grammond for
22 introductions, followed by the introductions by MPI
23 and the Intervenors. Ms. Grammond will then give her
24 introductory remarks, after which I will call on MPI
25 and the Intervenors to provide their opening remarks.

1 We will then proceed with the swearing in of the MPI
2 panel and commence the evidentiary portion of the
3 hearing. Thank you.

4 Ms. Grammond...?

5 MS. CANDACE GRAMMOND: Thank you, Mr.
6 Chairman. I'm Candace Grammond of Pitblado LLP, here
7 as Board counsel. With me is my colleague Kathleen
8 McCandless seated to my immediate left, and we'll be
9 representing the Board throughout the hearing from a
10 legal perspective.

11 To my right is the Board's actuarial
12 advisor, Brian Pelly, from Eckler Partners in Toronto.
13 And past Ms. McCandless is Roger Cathcart and Grace
14 Wedlake, the Board's accounting advisors from Cathcart
15 Advisors.

16 Thank you, Mr. Chairman.

17 MR. MATT GHIKAS: Mr. Chairman, good
18 morning. My name's -- my name is Matt Ghikas, G-H-I-
19 K-A-S, and I'm appearing on behalf of MPI. To my
20 immediate left is Michael Triggs, T-R-I-G-G-S. He is
21 appearing as my co-counsel, and he's the acting
22 general counsel and corporate secretary of MPI.

23 To my immediate right is Mr. Dan
24 Guimond. He's the present and CEO of MPI. To Mr.
25 Guimond's right is Heather Reichert. She is the vice-

1 president financial and chief financial officer. And
2 at the far end is Luke Johnston. He is the chief
3 actuary of MPI.

4 In the back row we have, on the far
5 end, Jenna Christoph. She is a rates -- sorry, a rate
6 application coordinator. In the middle at the back is
7 Jeff Crozier. He's director of regulatory MPI. And
8 behind me is Danielle Robinson, and she's in-house
9 legal counsel at MPI. Thank you.

10 THE CHAIRPERSON: Thank you, Mr.
11 Ghikas. I don't know.

12

13 (BRIEF PAUSE)

14

15 THE CHAIRPERSON: Yeah. Just -- no, I
16 was just...

17 MS. CANDACE GRAMMOND: The music is
18 distracting definitely. But we -- we can press on if
19 -- if that's the will of the Board.

20 THE CHAIRPERSON: Mr. Williams...?

21 MR. BYRON WILLIAMS: If I break out
22 into More Than a Feeling or Gloria the panel will --
23 will understand. Ang I apologize in advance. I'm --
24 we're starting to move a little bit over here.

25 I do wish to welcome and say good

1 morning to the new Board, or the Board before us, and
2 certainly welcome the new chairman. Board Member
3 Hainsworth, who I've have the pleasure of meeting
4 before, and Board Member McCutcheon, who I've not, my
5 name is Byron Williams. I'm director of the Public
6 Interest Law Centre and representing the Consumers'
7 Association of Canada, the Manitoba branch.

8 To my right is Mr. Jared Wheeler,
9 articling student-at-law who will be appearing for
10 much of the hearing. And as an observer in the back -
11 - back row behind Mr. Wheeler and myself is Ms.
12 Kristina Marley who will be just visiting for the day.

13 THE CHAIRPERSON: Thank you. Mr.
14 Oakes...?

15 MR. RAYMOND OAKES: Good morning, Mr.
16 Chairman, members of the Board, ladies and gentlemen.
17 My name is Raymond Oakes. I'm an attorney with Booth
18 Dennehy. I'm here representing, as I have for the
19 past twenty-four (24) years, the Coalition of Manitoba
20 Motorcycle Groups known as CMMG.

21 THE CHAIRPERSON: Thank you, Mr.
22 Oakes. Mr. Miller...?

23 MS. ERIKA MILLER: Good morning. My
24 name --

25 THE CHAIRPERSON: Or Ms. Miller. I

1 apologize.

2 MS. ERIKA MILLER: My name is Erika
3 Miller. And I'm the public media relations specialist
4 with CAA Manitoba.

5 THE CHAIRPERSON: Thank you, Ms.
6 Miller. Mr. Monnin...?

7 MR. CHRISTIAN MONNIN: Thank you, Mr.
8 Chair, members of the Board. My name is Christian
9 Monnin. I'm here on behalf of Bike Winnipeg. And
10 Jason Carter and Charles Feaver are also from Bike
11 Winnipeg, will be here from time to time throughout
12 the hearing. Thank you.

13 THE CHAIRPERSON: Thank you.

14

15 (BRIEF PAUSE)

16

17 THE CHAIRPERSON: Mr. Ghikas, would
18 you -- sorry. Ms. Grammond...?

19

20 OPENING REMARKS BY BOARD COUNSEL:

21 MS. CANDACE GRAMMOND: That's okay.
22 Yes, Mr. Chairman, I would just make some brief
23 opening remarks. So, as we know, MPI is applying to
24 the Board for approval of premiums to be charged with
25 respect to compulsory vehicle insurance for the

1 2017/'18 insurance year. The rates would take effect
2 on March 1st, 2017, and are based upon an overall 2
3 percent rate increase plus an interest rate
4 forecasting risk factor, or IRFRF, now quantified at
5 2.3 percent.

6 The adjustments in revenue for each
7 major class as applied for by MPI, including the
8 proposed IRFRF, are as follows. After application of
9 the capping rules. And for reference, this comes from
10 MPI Exhibit 18 filed on October 7th.

11 So for private passenger vehicles it's
12 a proposed overall 4 percent rate increase, for
13 commercial vehicles an overall 8.8 percent rate
14 increase, for public service vehicles an overall 6.4
15 percent rate increase, for motorcycles an overall 2.8
16 percent increase, for trailers an overall 10.2 percent
17 rate increase, for off-road vehicles no rate change.
18 And that gives rise to the overall request of 4.3
19 percent.

20 As always, actual vehicle premiums will
21 vary depending on claim experience, driving record,
22 insurance use, territory and vehicle rate group. MPI
23 is not proposing any changes to driver licence
24 premiums, vehicle premium discounts, fleet rebates,
25 fleet surcharges, service and transaction fees or

1 permit and certificate fees.

2 With respect to the evidence filed in
3 this proceeding, there were four (4) PUB exhibits
4 entered on the record at the pre-hearing conference in
5 this matter which was held on June 30th, 2016.

6 Those were as Exhibit 1, the notice of
7 public hearing and pre-hearing conference dated June
8 17th, 2016. As Exhibit 2, the Board's rules of
9 practice and procedure. As Exhibit 3, the proposed
10 hearing timetable for this general rate application.
11 As Exhibit 4, a letter from Mr. Darren Christle dated
12 June 20th, 2016.

13 I would now propose to enter the
14 following additional exhibits for the Board as PUB
15 Exhibit 5, the transcript of the pre-hearing
16 conference held June 30th.

17

18 --- EXHIBIT NO. PUB-5: Transcript of the pre-
19 hearing conference held
20 June 30th.

21

22 MS. CANDACE GRAMMOND: As Exhibit 6,
23 the Board's procedural order flowing from the pre-
24 hearing conference, which was Order 85/'16, dated July
25 12th, 2016, with appendices.

1 --- EXHIBIT NO. PUB-6: The Board's procedural
2 order flowing from the
3 pre-hearing conference,
4 Order 85/'16, dated July
5 12th, 2016, with
6 appendices
7

8 MS. CANDACE GRAMMOND: As Exhibits PUB
9 7-1 through 7-63 the Board's First Round Information
10 Requests and MPI's responses to those requests.
11

12 --- EXHIBIT NO. PUB-7-1 THROUGH 7-63:
13 Board's First Round
14 Information Requests and
15 MPI's responses
16

17 MS. CANDACE GRAMMOND: As PUB Exhibit
18 8, the reminder notice of the public hearing, which
19 was dated September 10th, 2016.
20

21 --- EXHIBIT NO. PUB-8: Reminder notice of the
22 public hearing, dated
23 September 10th, 2016
24

25 MS. CANDACE GRAMMOND: As PUB Exhibit

1 9-1 through 9-29 the Board's Second Round Information
2 Requests and MPI's responses to those requests.

3

4 --- EXHIBIT NO. PUB-9-1 THROUGH 9-29:

5 Board's Second Round
6 Information Requests and
7 MPI's responses

8

9 MS. CANDACE GRAMMOND: As PUB Exhibit
10 10, the Board's letter dated September 19th, 2016,
11 regarding the motions that were filed by Bike Winnipeg
12 and CAC.

13

14 --- EXHIBIT NO. PUB-10: Board's letter dated
15 September 19th, 2016,
16 regarding motions filed by
17 Bike Winnipeg and CAC

18

19 MS. CANDACE GRAMMOND: As PUB Exhibit
20 11, the Board's letter dated September 23rd, 2016,
21 again, with respect to the two (2) motions filed by
22 Bike Winnipeg and CAC, and in particular, relating to
23 the cancellation of the hearing of those motions.

24

25 --- EXHIBIT NO. PUB-11: Board's letter dated

1 September 23rd, 2016, with
2 respect to the two (2)
3 motions filed by Bike
4 Winnipeg and CAC, relating
5 to the cancellation of the
6 hearing of those motions
7

8 MS. CANDACE GRAMMOND: As Exhibits PUB
9 12-1 through 12-8, the PUB's IRs or Information
10 Requests posed of CAC and CAC's responses to those
11 requests.

12

13 --- EXHIBIT NO. PUB-12-1 THROUGH 12-8:

14 PUB's Information Requests
15 posed of CAC and CAC's
16 responses
17

18 MS. CANDACE GRAMMOND: And just for
19 everyone's information, Ms. Villegas is maintaining an
20 exhibit list and has done so with respect to what's
21 been filed up to this point and will continue to
22 maintain that list. So if anyone has questions about
23 exhibit numbers she's the person you'll want to ask.

24 With respect to the cross-examination
25 that Ms. McCandless and I will be conducting over the

1 Board -- or for the Board, sorry, over the next number
2 of days, we intend to address the following major
3 issues: The background to the rate increase applied
4 for, MPI's revenue requirement with reference to net
5 income, interest rate forecasting and the proposed
6 IRFRF, financial forecasting accuracy, MPI's
7 investment portfolio and investment income, the DCAT
8 and the RSR, or rate stabilization reserve target
9 capital range.

10 And for the record, DCAT is the dynamic
11 capital adequacy test, road safety and loss
12 prevention, efficiency benchmarks, MPI's capital
13 expenditures including IT strategy and projects,
14 claims expenses and operating expenses including cost
15 containment efforts, MPI's claims forecasting,
16 alternative rate indications based on accepted
17 actuarial practice in Canada, as well as any other
18 relevant topics that may arise.

19 I will not refer to the procedural
20 outline that I distributed this morning, and the
21 second page of that document where we've reflected at
22 the top of the page details of the upcoming schedule,
23 so -- actually at the bottom of the -- the first page
24 we see introduction of witnesses by MPI, cross-
25 examination of MPI witnesses.

1 And then on -- on page 2 we have the --
2 the particulars with respect to presenters. So we do
3 have two (2) presenters that have advised they will
4 come here today at 1:15. We'll hear from those in
5 sequence. And then a third presenter, Mr. Doug
6 Houghton, whose name will be recognized by those that
7 -- of you that have been here before, could not come
8 today, so he will be here on Thursday the 20th at 1:00
9 p.m.

10 And we have a series of outside
11 witnesses this year, so their names and dates of
12 testimony are particularized on page 2 of the
13 procedural outline and on the screen, thank you,
14 Diana. We don't expect any changes to that schedule
15 as it's set out, although there were earlier versions
16 of that schedule that have been changed to reflect
17 what we see now.

18 And so while we've scheduled outside
19 witnesses on a day by day basis, it is possible that
20 in any given case the full day would not be used. If
21 that occurs, we would either continue with cross of
22 the MPI panel, if it's not finished, or if it is
23 finished, then we would likely break early, as the
24 Board may direct.

25 And so for the record, we have fourteen

1 (14) scheduled hearing days, which are today and
2 tomorrow, October 13th and 14th. Next week, Tuesday
3 through Thursday, so the 18th through the 20th. The
4 following week is a full week, October 24th to 28th,
5 and then the first week of November it's November 1st
6 through 4th, which is an additional four (4) days. So
7 we do not anticipate that all full fourteen (14) days
8 will be used, but we will determine changes to the
9 schedule on any days or partial days that will not be
10 utilized as we move forward.

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

13 THE CHAIRPERSON: Thank you, Ms.
14 Grammond. Mr. Ghikas...?

15

16 OPENING STATEMENT BY MPI:

17 MR. MATT GHIKAS: Thank you, Mr.
18 Chairman. This morning I will make some brief
19 introductory remarks and, as well, address MPI's
20 witness panels and the subjects that they will
21 generally be responsible for.

22 To start off with my introductory
23 remarks, Mr. Chairman, almost thirty (30) years ago
24 the government of Manitoba commissioned a review and a
25 report that had its -- as its objective greater rate

1 stability in Basic Autopac rates, and the long-term
2 success and financial health of the Corporation, and
3 the result of that review was the 1987 report of the
4 Autopac Review Commission, or otherwise known as the
5 Kopstein report, which you'll be hearing more about
6 throughout this proceeding.

7 The -- the report's recommendations
8 have since provided the basis and the foundation for
9 rate setting for Basic Autopac rates, and MPI's
10 submission in this proceeding will be that that -- the
11 principles that come out of the Kopstein report will
12 again have to be our touchstone in this proceeding.

13 MPI included excerpts from the Kopstein
14 report in its response to CAC/MPI-II-34, and I wanted
15 to just read one (1) brief recommendation from that
16 passage. You needn't turn there but in my submission
17 this recommendation brings into focus the significance
18 of the request that MPI is making in -- in this
19 proceeding.

20 The report says, quote, that:

21 "The Corporation not budget
22 deliberately for losses in any year,
23 but budget for surpluses where
24 reserves have been reduced below
25 target levels and that budgeting for

1 surpluses should be such as to
2 result in depleted reserves being
3 returned to the target range over a
4 period of not more than five (5)
5 years, depending on the degree of
6 depletion."

7 Un-quote. And the Review Commission
8 noted that, quote:

9 "This approach will allow a more
10 stable financial operation at
11 Autopac."

12 Un-quote. Now, obviously there's more
13 to that report but I wanted to highlight that
14 provision in particular because it -- the requests
15 that MPI is making, as I indicated, really dovetail
16 with the two (2) principles that are reflected in that
17 passage, which is that break-even rate-making
18 principle and the emphasis on capital adequacy.

19 And in particular MPI's key requests,
20 that of the 2 percent indicated rate increase and the
21 risk factor of 2.3 percent, the definition of the rate
22 stabilization reserve or the RSR as known, and the
23 minimum and maximum capital levels of the rate
24 stabilization reserve, all of those dovetail with
25 those two (2) principles from the Kopstein report.

1 So at the conclusion of this hearing,
2 MPI will be asking the panel to find that MPI's
3 requested relief is just and reasonable. And in -- in
4 arriving at that finding and determination, MPI will
5 be asking the panel to make a number of key findings,
6 and I wanted to just list a few of those key findings
7 that MPI is going to be submitting that the -- the
8 panel can make based on the evidence before it.

9 First of all, that MPI's rate request
10 reflects its significant efforts to control and manage
11 costs, which are described in the cost containment
12 chapter of the Application and a number of Information
13 Requests.

14 Second, that MPI'S rate request
15 reflects appropriate methodologies for forecasting
16 premiums and claims costs.

17 Third, that MPI is making significant
18 investments in road safety and loss prevention, and
19 it's employing an appropriate framework to identify
20 and prioritize those investments.

21 And fourth, that MPI compares well
22 against financial and service benchmarks.

23 And fifth, that MPI is employing an
24 investment strategy developed in conjunction with the
25 Government of Al -- of Manitoba which incorporates

1 appropriate independent advice on how to reduce
2 exposure to interest rate changes.

3 And sixth, that a best estimate of
4 interest rates in the current circumstances gives
5 equal weight to the standard interest rate forecast,
6 or SIRF, as it's known, and the current interest
7 rates, a 50/50 weighting. And that the standard
8 interest rate forecast on its own is not currently a
9 best estimate and should not be used in rate setting.

10 And seventh, that, consistent with the
11 Kopstein report and its emphasis on rate stability and
12 adequate capitalization, that the rate stabilization
13 reserve, or RSR, should be used as a means of
14 addressing unexpected volatility.

15 And phrased in the negative, it should
16 not be used to absorb expected shortfalls that would
17 increase the potential for significant rate increases
18 in future years and undermine the long-term financial
19 well-being of the Corporation.

20 And eighth and finally, with respect to
21 the thresholds of the RSR, the minimum and maximum
22 thresholds, that the proposed minimum threshold
23 reflects the DCAT indicated amount consistent with
24 what the PUB has ordered following an extensive
25 collaborative process, and that the proposed maximum

1 RSR amount of 100 percent MCT, or minimum capital
2 test, as that test is defined by OSFI, is the same
3 level that was provisionally approved last year, but,
4 importantly, makes sense in terms of the RSR's
5 intended purpose.

6 So those key findings -- and there will
7 be others, but those are very important findings that
8 MPI will be returning to at the conclusion of this
9 proceeding. And -- and they're findings that will be
10 reinforced, in MPI's submission, by the witnesses that
11 you will hear from over the next number of days.

12 And I'll -- that leads me to my
13 description of the witness panels and what they'll
14 generally speak to. So MPI will, as -- as My Friend,
15 Ms. Grammond, indicated, present five (5) panels of
16 witnesses. In total, there'll be seven (7) witnesses.

17 Three (3) will be on the first panel,
18 and the first panel is MPI's main panel. It will deal
19 with all financial and rate-related matters including
20 interest rates, the RSR, forecasting, derivation of
21 rates, investments, asset-liability matching, and the
22 like.

23 The -- it will be comprised of three
24 (3) witnesses, the three (3) people that are seated to
25 my immediate right. Ms. Reichert, as I indicated, is

1 the vice-president finance and the chief financial
2 officer. She is -- she oversaw the preparation of the
3 application, and she is the executive responsible for
4 it.

5 And as the responsible executive, Ms.
6 Reichert has authority to speak on behalf of MPI on
7 all the matters related to the application. Mr.
8 Johnston at the far end, the chief actuary, he will,
9 as one might suspect, speak to actuarial matters and
10 matters of rate determination and generally support
11 the financial evidence that Ms. Reichert will be
12 giving as well. They'll be working hand-in-hand as it
13 were.

14 And -- and, finally, Mr. Guimond will
15 be -- who is the President and CEO, as I mentioned,
16 he'll be joining the other two (2) on this panel to
17 provide a second executive perspective on -- on policy
18 matters as it were. And he will be deferring the
19 detailed or specific questions to the other members of
20 the panel or future panels but can speak to the -- the
21 higher level policy issues facing the organization as
22 well as Ms. Reichert.

23 And I wanted to pause briefly there to
24 just acknowledge the consideration that the PUB has --
25 has given to accommodating MPI in its -- in its

1 request to ensure that Ms. -- Mr. Guimond is present
2 here but also able to carry on the work back at the
3 office to the extent reasonably possible and being
4 able to help -- help him with -- with ensuring that
5 both of those important jobs are addressed. And I
6 appreciate the work that My Friend, Ms. Grammond, was
7 doing in that regard as well.

8 The second panel is a road safety and
9 loss prevention panel. It is scheduled for Monday the
10 24th currently and it consists of two (2) witnesses.
11 The first one is Mr. Ward Keith. And Mr. Keith is
12 MPI's Vice-president business development and
13 communications and chief product officer.

14 His responsibilities include MPI's road
15 safety and loss prevention programs. And he will be
16 the best person to address policy, and operational
17 matters, for that matter, on -- related to road
18 safety.

19 The other witness on the panel is Ms.
20 Jennifer Kroeker-Hall. She's an independent road
21 safety consultant. MPI had commissioned her to
22 provide a report for submission to the PUB back in --
23 in -- to satisfy an order dating back to 2014. It was
24 filed in last year's application.

25 And in the decision, the Board directed

1 MPI to make Ms. Kroeker-Hall available to answer
2 questions on her report. And -- and, in response,
3 that is -- that is why she's here. So she will be
4 able to address issues arising with respect to her
5 report.

6 The third panel will be Ms. Julianna
7 Spiropoulos. She is of -- a partner at Aon Hewitt.
8 And she's scheduled to appear on Tuesday the 25th.
9 Ms. Spiropoulos led the team at Aon Hewitt who
10 conducted the asset liability study of MPI's
11 investment portfolio. And the -- the asset liability
12 study was, in essence, directed at ensuring the claims
13 liabilities of MPI are appropriately hedged against
14 interest rate changes to reduce the risk of the
15 portfolio. Obviously, I'm oversimplifying, but that
16 is the gist of it.

17 And I just wanted to note that, you
18 know, consistent with the Board's order, Ms.
19 Spiropoulos is -- is attending to speak to the
20 information and the work that Aon Hewitt did.

21 I did want to note, and it was -- that
22 -- that Aon wanted me to note as well that Ms.
23 Spiropoulos isn't appearing as a general expert in --
24 in investments. She's here really to speak to the
25 work that Aon did and why they did it and the process

1 they followed and that Aon Hewitt actually has a
2 strict policy against any of its employees or partners
3 appearing as a expert -- "expert witness" in the
4 traditional sense.

5 And so there was concern that -- that
6 everybody in -- in the room understand that -- that
7 she's not here gen -- as a general investment advisor.
8 She's here to speak to the work that Aon did. And,
9 you know, to the extent that -- and she will have her
10 own counsel present while she's here, as well, from --
11 from Aon.

12 The fourth panel is Martin Geffen of
13 Gartner, and he is scheduled to appear on Wednesday
14 the 26th. Mr. Geffen made a number of recommendations
15 on how MPI could improve its management of the PDR
16 project, which MPI has followed. And Gartner also
17 does a score card for MPI on a regular basis, and Mr.
18 Geffen can speak to that if -- if there are questions
19 on that, as well.

20 Finally, the fifth panel is Dr. Sean
21 Cleary. He's scheduled to appear on Thursday, October
22 the 27th. Dr. Cleary is a finance and capital markets
23 expert, and a professor, and he has expertise that
24 encompasses interest rates. And so MPI had
25 commissioned Dr. Cleary to provide an expert report

1 relating to the -- the appropriate risk factor, or the
2 appropriate interest rate forecast going forward, what
3 is a best estimate, and he has provided information in
4 that regard.

5 He will appear -- provide essentially
6 the same presentation that he provided at the
7 technical conference that was held, and then will be
8 available for questioning with respect to that
9 evidence.

10 So just in -- as a final comment, what
11 -- what you will hear from MPI's witnesses is that
12 there's a good deal of pride at MPI with respect to
13 the long history of stable rates in -- in its Basic
14 Autopac business. And I can say with confidence, and
15 I -- I expect the -- the Board will be able to see
16 this loud and clear, that MPI doesn't relish coming
17 forward and asking for what cumulatively represents a
18 4.3 percent rate increase.

19 And you will hear from MPI's witnesses
20 that MPI has sought the increase because it is
21 convinced that it is the right thing to do in the
22 long-term best interests of the Corporation and of
23 policyholders alike, and that its reasoning behind
24 that really gets back to those fundamental principles
25 that I took you to at the outset that have underlay --

1 under lied the -- the rate making in this Province for
2 -- for three (3) decades.

3 It is the capital adequacy financial
4 health and the break-even rate making in the long
5 term, and the -- to use the words from the Kopstein
6 report, that the approach that MPI is taking, quote:

7 "...will allow for more stable
8 financial operation at Autopac..."

9 -- in the long term. So at the
10 conclusion of this hearing, MPI will submit that the
11 evidence presented in the Application, that the
12 responses to the Information Requests, the rebuttal
13 evidence, and all of the oral evidence that you'll
14 hear over the next number of days supports the
15 appropriateness of the requested relief, and will
16 permit the -- the Board to find that the requests are
17 just and reasonable, and should be approved. Thank
18 you.

19 THE CHAIRPERSON: Thank you, Mr.
20 Ghikas. I guess we'll swear in the witnesses? Where
21 is --

22 MS. CANDACE GRAMMOND: Mr. Williams
23 may have some opening comments --

24 THE CHAIRPERSON: Mr. Williams...?

25 MS. CANDACE GRAMMOND: -- no, that's

1 okay. As -- as long as the Board is content to
2 continue. I -- I know the background noise is
3 distracting, but if -- if we can live with it?

4 THE CHAIRPERSON: Distracting is --
5 there, my button. Mr. Williams...?

6

7 OPENING STATEMENT BY CAC (MANITOBA):

8 MR. BYRON WILLIAMS: Yes, and -- and
9 thank you. And -- and I'm certainly happy to give my
10 opening statement with a bit of American Woman in the
11 background. I would just -- we're always at the
12 Board's beck and call. We certainly want to listen
13 attentively to the MPI witnesses. And we would not
14 object if the music is still playing if we stand down
15 a little bit when the MPI witnesses come up; that is
16 obviously the Board's call. But for our clients, we
17 think it's incumbent upon us to listen very carefully
18 to MPI, and we just don't want to -- to lose some of
19 it in the beautiful background music. That was the --

20 MR. MATT GHIKAS: We -- we would not
21 object to that either, Mr. Chairman.

22 THE CHAIRPERSON: Yeah, no. I think
23 what we'll do is we'll go through the opening
24 statements. And then we may take a brief break and
25 see how long this is going to go on, if there's

1 somebody we can contact.

2 MR. BYRON WILLIAMS: And thank you
3 again. And certainly I -- if -- as -- as Diana turns
4 me to page 2 of the -- the PowerPoint, Mr. Ghikas
5 reminds me that I probably need to update the first
6 bullet on this slide. CAC (Manitoba) certainly has
7 been appearing before the Public Utilities Board on
8 MPI matters for more than two (2) decades, and it's
9 probably getting closer to three (3).

10 I want to assure you I haven't been
11 around quite that long, and I've -- I've not been alo
12 -- around quite as long as Mr. Oakes either, but I'm
13 getting up there, too.

14 When the Consumers' Association comes
15 before this panel it is guided by core consumer
16 rights. These are rights that are recognized inter --
17 internationally. Among them are to be informed. And
18 clearly the right to choose is -- is an important
19 issue for consumers. Usually consumers exercise that
20 right in the marketplace with their purchasing
21 decisions.

22 In the case of Manitoba Public
23 Insurance, where there is a statutory monopoly on the
24 Basic side and a defacto monopoly on the competitive -
25 - allegedly competitive side, consumers don't have

1 that right to choose. And that's why that third
2 right, the right to be heard in regulatory processes
3 such as this, is so important to our clients. They're
4 grateful for the opportunity to appear and to -- to
5 share their -- their perspectives, and also to learn.

6 Our clients come here. They certainly
7 have strong views, but they're also prepared to listen
8 carefully. And you'll hear their final position at
9 the end of the hearing because they don't want to
10 foreclose new learnings that come out of this hearing.

11 One (1) question the panel often asks
12 as we turn to slide 3 is how does CAC (Manitoba)
13 develop its position? This information is already on
14 the record in our Intervenor application, but CAC
15 (Manitoba) develops its permis -- position through
16 three (3) primary sources.

17 One (1) is the day-to-day contact with
18 roughly fourteen thousand (14,000) consumers a year.
19 Another is through focus groups with -- with consumer
20 organizations as well as with stakeholder advisory
21 panels, organizations that may be expected to have a
22 bit more in-depth knowledge of Manitoba Public
23 Insurance.

24 And, ultimately, our instructions come
25 through the CAC (Manitoba) Board which brings its

1 unique insight to the proceedings, as well. Before we
2 leave this slide I just want to highlight that, in
3 this hearing and flowing from other hearings, our
4 client will highlight key focusses, key objectives.

5 One (1) is about affordability,
6 affordability for today's consumers, but also about
7 future consumers. Another is fairness, making sure
8 that the rates are fair between the Corporation and
9 consumers, that they're fair between consumers,
10 different classes of consumers, and also fair between
11 this generation of consumers and future generations.

12 Our clients clearly look for good
13 value, are the investments Manitoba Public Insurance
14 is making delivering what was promised, are they
15 assisting in keeping rates affordable and improving
16 consumer service?

17 For our clients, they look strongly for
18 the issue of whether Manitoba Public Insurance is
19 being a prudent steward of -- of resources for
20 ratepayers, is it looking carefully at expenditures to
21 ensure that they're require and justified.

22 Transparency, which were me --
23 mentioned in the panel's introductory comments, are
24 also an important objective for our client. Can
25 Manitoba consumers understand what's driving rates and

1 -- and options that they have in terms of mitigating
2 those impacts? And ultimately our clients are looking
3 for evidence driven decisions, decisions that are
4 driven by the record not by a fear of headlines.

5 Turning to the fourth slide, the
6 statutory test has been adverted to by My Friend, Mr.
7 Ghikas. Obviously it's Manitoba Public Insurance's
8 job to convince you, to persuade you, that these rates
9 its proposing are just and reasonable. And I'll just
10 wait for a second.

11 THE CHAIRPERSON: Yes, let's wait.

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: That these rates
16 are just and reasonable, consistent with the direction
17 from Section 77 of the Public Utilities Board Act, and
18 certainly Section 26(4) of the Crown Corporation's
19 Public Review and Accountability Act, which highlights
20 the neces - other language such as justified,
21 required, necessary.

22 The Public Utilities Board in
23 determining pub -- just and reasonable rates, as we
24 turn to slide 5, has set out five (5) broad criteria.
25 And the Board's criteria from Order 98/'14 will guide

1 our client's pres -- presentation of this hearing, and
2 will be the analytic prism which -- with which we
3 deliver our opening statements and, if I do my job
4 properly, our closing statements.

5 Number 1, the first factor, is that
6 forecasts be reasonably reliable.

7 The second, that the actual and
8 projected costs are demonstrated to be necessary and
9 required. In Board Order 98/'14 at page 28, I think
10 the language used is prudent but if we look back to
11 twenty-six four (26(4)) of the Crown Corporation's
12 Act, I think the word 'required' is one that I've --
13 I've taken the liberty of substituting.

14 Third, are -- are we providing for the
15 reasonable rev -- revenue needs of the Applicant in
16 the context of its overall general health, and that
17 language has been used by the Public Utilities Board
18 on this part of the decision to say, We're going to
19 look at the health of Basic but we're going to look at
20 it in the broader context of -- of the entire
21 Corporation.

22 The fourth criteria is the appropriate
23 allocation of cost between and within classes. And
24 finally, that the ultimate rate is just and reasonable
25 in accordance with the statutory objectives, including

1 the public interest criteria which the Board adverted
2 to in its opening remarks.

3 Under that first heading in terms of
4 whether forecasts are reasonably reliable, our client
5 will look at five (5) major sub-elements. The first
6 is the PIPP program, P-I-P-P for the reporter, the
7 accident benefit forecast with -- with regard to
8 weekly indemnity as well as other indexed.
9 Historically, certainly in the -- the decade previous
10 to this, this was a major driver of what we would call
11 over payment of rates, and certainly led to many of
12 the significant rebates that occurred in the previous
13 decade and at the start of this decade.

14 So we'll be testing those forecasts to
15 determine whether -- our client's advise is whether
16 they're reasonable, or excessively conservative.

17 Collision severity is another important
18 sub-heading. Certainly in -- investment income, in
19 terms of forecast, is an important part of -- of this
20 Rate Application. We saw significant adverse
21 developments in Canadian equities, certainly in the
22 '15/'16 year. We'll be keeping an eye on the
23 potential implications of that for the current year,
24 as well as the test year.

25 And we'll note that if one looks

1 through this record, it will demonstrate that dating
2 back to 2004, the Mercer recor -- report that was
3 provided to Manitoba Public Insurance, and certainly
4 dating to 2010, the evidence of CAC (Manitoba)
5 witnesses, Dr. Hum and Dr. Sim -- Simpson, there was a
6 warning, and there's been a warning for over a decade,
7 that Manitoba Public Insurance is too heavily
8 concentrated in Canadian equities.

9 And while there may be short-term
10 payoffs, and they certainly were short-term payoffs
11 when Alberta was booming, over time protecting not
12 just today's ratepayers but future ratepayers, that's
13 a source of discomfort for our clients. And Mr.
14 Valter Viola, their wet -- witness in this proceeding,
15 will speak to that issue as well.

16 The Board has quite properly -- excuse
17 me, Manitoba Public Insurance has quite properly
18 flagged the reliability of the interest rate forecast
19 as a significant concern.

20 Our client shares that concern, and
21 would simply observe that in terms of being alive to
22 that risk, it is the Public Utilities Board and
23 consumers who were probably warning of that risk a
24 year or two (2) before MPI began to address it. So
25 that of course will be an important issue for our

1 clients.

2 And when we're looking at setting
3 future rates, we will take a look at whether -- on
4 behalf of our clients, whether the tending methodology
5 of Manitoba Public Insurance is robust, consistent
6 with good statistical and actuarial practice, or
7 whether it needs to be modernized.

8 In terms of whether actual and
9 projected costs are necessary and required, our
10 clients will take a vigorous look at two (2) major
11 elements of MPI expenditures.

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: I'm not sure if
16 that means I have to quit speaking as well. Mr. Oakes
17 suggests I do, but I'll perhaps continue.

18 We will certainly focus on the
19 management of the information technology investment
20 portfolio. BI3 is a program that has been in place
21 for a number of years in which significant
22 expenditures were made and in which certain
23 expectations in terms of value for consumers were
24 presented. And we'll certainly be testing that
25 program to see if the promises of the past have been

1 delivered.

2 The Physical Damage Re-engineering
3 Project, or PDR, has been a significant concern for
4 our clients and for this Board for the last three (3)
5 or four (4) years, and certainly -- two (2) or three
6 (3) years, excuse me.

7 And certainly concerns have been
8 expressed in past years that perhaps it needed better
9 focus, a better and more substantiated business case.
10 And we will look to the evidence of Gartner with great
11 interest. And another IT expenditure, a significant
12 one relating to fin -- finance engineering projects,
13 will attract our client's interest.

14 And the question our client will be
15 asking in terms of the IT portfolio is: What
16 confidence can this Board have that Manitoba Public
17 Insurance is making evidence-based decisions on its IT
18 portfolio, prioritizing properly, managing properly,
19 and delivering good value?

20 Road safety and loss prevention is
21 another significant issue for our clients, as well as
22 our friends from CMMG and our friends from Bikes
23 Winnipeg and CAA. We'll remind the Board, and a
24 couple of the members heard the major witness from CAC
25 from a few years ago talking about the need to better

1 integrate road safety expenditures in this province,
2 and also to provide more of an evidence-based
3 portfolio approach to road safety.

4 Our clients intend to take a critical
5 look at all parts of the MPI application. They
6 certainly in this area, and may differ a little bit
7 from some of the other Intervenors, may wish to give
8 some compliments to some improvements they've seen in
9 the management of this portfolio, not that our clients
10 are of the view that we're there yet, but they
11 certainly -- our clients want to give credit where
12 they do believe some credit is due. And they will be
13 identifying some opportunities there.

14 We do want to go back to IT expenses,
15 though, and this is a great attachment to -- I think
16 PUB Information Request 2-23 certainly caught our --
17 our client's eyes. On the red, you see the
18 expectations and Basic, direct, and allocated expenses
19 flowing from the 2016 GRA. In the blue, you see from
20 the 2017 GRA.

21 And there are some trends in this graph
22 that leave our client uncomfortable. And our client
23 will be seeking to understand to what degree IT
24 expenses are a major cost driver of this change, and
25 whether those IT expenses are being reviewed and

1 critically analyzed in a robust portfolio management
2 perspective, which leads us to the next slide.

3 Being a simple and sometimes humble
4 lawyer, sometimes I struggle with the idea of
5 portfolio management, so when our experts are trying
6 to explain it to me they say, Mr. Williams, think of
7 your house. The shingles might be getting a little
8 old. There's a few cracks in the sidewalk. And the
9 driveway could use a few repairs. But those are
10 expenditures that while important and they make you
11 look good to your neighbours, may not be of the most
12 urgent priority.

13 What about the furnace? Is the furnace
14 breaking down? What about the water heater? If -- if
15 you can't be clean, if you can't be warm, those are
16 more urgent priorities. And with our client's work
17 with -- whether with -- it's Manitoba Hydro or
18 Manitoba Public Insurance, they seek evidence that
19 there's proper portfolio management being undertaken.

20 That the magnitude of investments, the
21 risks associated with the investments, and the timing
22 -- the prioritization, is being properly undertaken.
23 And our client will test stringently whether MPI is
24 there yet in terms of robust portfolio management.

25 There's a lot of words in the headline

1 on slide 10. Core issues under the overall health of
2 the Corporation, including reserves, relate both to
3 the investment portfolio and to the rate stabilization
4 reserve. Going back to the Board's concerns about
5 current and future consumers, our client will let ask
6 whether MPI has appropriately defined the risk
7 presented by its investment portfolio both for today's
8 consumers and future ones.

9 And, secondly, can it justify the risk
10 reward tradeoff in its current investment portfolio,
11 or does that highly constrained portfolio impair the
12 Corporation's ability to optimize risk avoidance and
13 benefit optimization? To the extent that the Board
14 determines that MPI has accepted excessive risk in its
15 investment portfolio for the potential return our
16 client will ask: What implications, if any, this
17 should have for the rate stabilization reserve?

18 And again you heard My Friend, Mr.
19 Ghikas, speak about the rate stabilization reserve.
20 We will ask a fundamental question, whether it should
21 be set using evidence-based risk tolerances flowing
22 from the collaborative DCAT process, or should the MCT
23 be incorporated at the upper range, and obviously the
24 implications for the DCAT of using an interest rate
25 forecast other than -- I've called it here a third-

1 party forecast but more appropriately should have
2 called standard forecast.

3 Slide 11 rates -- relates to the
4 allocation of cost between and within classes. This
5 is an -- always an important issue for our clients.
6 We expect it to be of less prominence in this hearing
7 but we will be looking to the future and the
8 implications of driver safety rating levels and
9 movements, and also asking whether it's time to review
10 the fleet rebate methodology. And we certainly have
11 been encouraged by some of the information responses
12 of the Corporation in that regard.

13 Finally, will -- is the ultimate rate
14 just and reasonable in accordance with the statutory
15 objectives? Our client will be asking whether the
16 rate proposed by Manitoba Public Insurance is the
17 actuarially indicated rate and, if not, what would be
18 the implications of implementing an actuarially
19 indicated rate both on today's consumers and future
20 consumers?

21 And finally, what effect, if any, would
22 using an actuarially indicated rate have on deviations
23 from the interest rate forecast? Tough questions, and
24 ones that our client is still struggling with but
25 expects to provide helpful advise by the end of the

1 hearing.

2 Our client's advise will be informed by
3 expert witnesses who are highly qualified. On the
4 28th of this month, you'll be meeting Mr. Walter (sic)
5 Viola, excuse me, Valter, with a 'V', certainly on the
6 area of investment risk management. And he has a
7 truly impressive pedigree, serving as a vice-president
8 both of the Canada Pension Plan and Ontario Teachers.

9 Ms. Andrea Sherry is a gifted actuary
10 that the Board heard from as a witness last year.
11 She's certainly got extensive experience as a vi --
12 vice-president currently of a firm in the private
13 sector, and also has worked extensively with Crown
14 public insurers both in Manitoba and Saskatchewan.

15 And, finally, Dr. Wayne Simpson, who
16 brings expertise in applied econometrics and applied
17 microeconomics, will be appearing as well with Ms.
18 Sherry on -- in early November. And he's a nationally
19 recognized expert in the development and analysis of
20 economic statistics. The Board has been assisted by
21 him in the past. And we are confident that they will
22 benefit from his guidance in this hearing, as well.

23 I do want to highlight, not only do the
24 witnesses of CAC (Manitoba) bring great expertise, but
25 they bring substantial independence. And this

1 statement is a statement that each witness who agrees
2 to be an expert witness for CAC (Manitoba) is expected
3 to sign and to -- expected to uphold.

4 And you'll see the bottom bullet there,
5 that they understand and our client understands that
6 their job is to help you. They help our clients by
7 educating them and providing critical analysis. But,
8 ultimately, their job is to help this Board as
9 independent witnesses. And we certainly hope you'll
10 feel welcome to take advantage of their expertise.

11 Mr. Wheeler, going to the last slide,
12 who's always looking out for me, reminds me that I
13 forgot to mark this PowerPoint as an exhibit. We
14 would ask the Board to note that there have been CAC
15 Exhibits 1 to 11 already noted on the exhibit list.
16 We would wish to be ensured that they are entered as
17 exhibits. And we would ask that this be marked as CAC
18 Exhibit 12.

19

20 --- EXHIBIT NO. CAC-12: CAC PowerPoint
21 presentation

22

23 MR. BYRON WILLIAMS: And I do want to
24 just express a sincere thank you from our clients.
25 The appreciate the opportunity to be Intervenors in

1 this process and to bring the coi -- the voice of
2 consumers to this process and certainly are
3 appreciative of the opportunity. Thank you.

4 THE CHAIRPERSON: Thank you, Mr.
5 Williams. Mr. Oakes...?

6

7 OPENING STATEMENT BY CMMG:

8 MR. RAYMOND OAKES: Thank you again,
9 Mr. Chairman. By way of background, the CMMG was
10 formed in 1992 in response to double-digit rate
11 increases that followed in the Kopstein Commission.
12 The CMMG is composed of the -- composed of various
13 rider groups throughout Manitoba. It is the voice for
14 dealing with the Public Utility Board and this process
15 and has been since 1992. It has approximately two
16 hundred and fifty (250) paid members.

17 At this time, I'd like to acknowledge
18 the President, Brian Segal, is seated on the west
19 wall. Mr. Segal and other members of the executive
20 will attend throughout the hearing at different times.

21 With respect to the issue of
22 background, I noted My Learned Friend, Mr. Ghikas,
23 went back to the Kopstein Commission. Certainly I'd
24 like to review briefly some of the environment in
25 which we find ourselves in respect of motorcycle

1 rates, 1988 and following, a decade and a half of
2 double digit rate increases for motorcyclists.

3 Over time, we saw changes in the MPI
4 product as it related to motorcycles as it became
5 obvious that inequities were created by virtue of the
6 adoption of no-fault auto insurance. And just the
7 basic design of the actuarial model required change.
8 And to that end, the Board assisted in listening to
9 the submissions of CMMG.

10 And in 2008, there was a change in the
11 methodology implemented by this Board in which we saw
12 an allocation of collision claims based on fault as
13 followed in 2012 by the adoption of an allocation of
14 PIPP claims costs related to wildlife and livestock
15 allocation of those expenses, and we've seen some
16 changes since.

17 Primarily we saw about a decade of
18 increases of 277 percent in motorcycle insurance and
19 that ended about a half a dozen years ago and it's the
20 submission of CMMG is that MPI saw that it's loss
21 ratios were not equitable. We saw loss ratios of some
22 50 percent instead of the 85 percent that private
23 passenger had in terms of its premiums versus loss
24 cost.

25 So we've seen some amelioration of that

1 and we've had a significant reduction of rates over
2 the last half dozen years. That is the environment
3 that still should be the playing field with respect to
4 the trend in motorcycle claim's cost. Last year is
5 Exhibit 36. The actuary from IAO gave evidence that
6 in Ontario, Alberta, and two (2) maritime provinces
7 they report on, that claims costs were decreasing year
8 after year resulting in a reduced premium year after
9 year.

10 Last year, closer to home, the response
11 to CMMG 1-13, MPI indicated a recent trend of
12 decreases and required rates suggest the motorcycle
13 major class is improving. The MPI president entered
14 that particular issue and said, I think what is
15 happening there is we can see the rates going down for
16 motorcycle. We can -- things are going in the right
17 direction.

18 That appeared to be the case at the
19 onset with the filing of this year's GRA where we saw
20 a decrease in motorcycle rates applied by -- for the
21 Corporation. However, as the result of this new
22 issue, the interest rate forecast risk factor
23 increase, we're seeing MPI come forward asking for a -
24 - an effective overall rate increase for motorcyclists
25 of 2.4 percent.

1 The CMMG is opposed to the -- this
2 change in the application. We see -- we have
3 considerable concern over the introduction of an
4 interest rate forecast risk factor. We see it as one
5 (1) more attempt by MPI to stockpile funds that are
6 not required, not deserved in the current environment.

7 And we see an issue relative to MPIs
8 moving away from its investment in equity in
9 conjunction with the Department of Finance on its
10 investment portfolio. We see the answer to this
11 particular issue lying in their responsibility to have
12 a diversified investment portfolio.

13 And we haven't heard enough about that,
14 and through the course of this hearing and our cross-
15 examination we expect to hear more. Manitoba
16 motorists weren't involved, weren't consulted, and had
17 no input into this change in investment strategy.

18 The motorists, and specifically the
19 motorcyclists I represent say that we've had a
20 consistent established interest rate environment where
21 the Bank of Canada overnight rate has been pretty
22 close to half a point for a considerable period of
23 time.

24 Certainly, the Government of Canada
25 isn't telling us that that's changing during the

1 course of this application and next year's period.
2 And so we would say that it remains MPI's duty to have
3 a diversified investment portfolio that provides the
4 funds necessary for rate -- rates to be developed that
5 are on a breakeven basis.

6 With respect to issues that CMMG will
7 be dealing with on this application, we concern
8 ourselves mostly with motorcycle rates. As a
9 concomitant issue we are heavily involved in road
10 safety. We laud the fact that this year's hearing is
11 going to have two (2) experts on road safety issues.

12 We've been frustrated for the past two
13 (2) years in this application process that MPI's been
14 in a holding pattern. Each time we ask for new
15 initiatives in an area we're met with the response
16 that, We've been studying that.

17 So hopefully, after hearing this --
18 from this year's witnesses, we can see some new
19 initiatives that deal with issues like wildlife
20 collision which costs approximately \$30 million a year
21 to the Corporation that we have been asking for
22 initiatives for a number of years. Certainly in other
23 issues of road safety, the investment in rider safety
24 training and other issues.

25 Those are the issues that CMMG are

1 concerned with on this year's application, and we
2 thank you for the time for delivering opening
3 statements. Thank you.

4 THE CHAIRPERSON: Thank you, Mr.
5 Oakes.

6 Ms. Miller...?
7

8 OPENING STATEMENT BY CAA:

9 MS. ERIKA MILLER: Thank you, and good
10 morning. CAA Manitoba is pleased to once again
11 participate in these hearings. Unfortunately, our
12 president, Mr. Mike Mager, is away on business travel
13 and sends his regrets that he could not attend today.

14 For over twenty (20) years, CAA
15 Manitoba has been engaged in this process on behalf of
16 our more than two hundred and three thousand (203,000)
17 members. We continue to participate due to our
18 interest in road safety and ensuring rates are fair
19 and reasonable for all ratepayers.

20 Both topics are relevant to our members
21 and Manitobans, and we feel it's important to be here
22 year after year because our members come to us for
23 information on these issues.

24 This year, as in recent years, we will
25 be employing a watching brief and reporting to our

1 president. We will be listening with interest as a
2 rate increase is on the table, and look forward to the
3 proceedings.

4 On that note, we also respectfully ask
5 the permission of the Board for leeway to ask
6 questions if a topic or discussion arises in which we
7 would like more clarification.

8 We appreciate our position at these
9 hearings, and thank you again for the opportunity.

10 THE CHAIRPERSON: Thank you, Ms.
11 Miller.

12 Mr. Monnin...?

13

14 OPENING STATEMENT BY BIKE WINNIPEG:

15 MR. CHRISTIAN MONNIN: Merci, M.
16 President. Thank you. This is Bike Winnipeg's third
17 appearance as an Intervenor, and we'd like to thank
18 the Board for the opportunity to be here. And we look
19 forward to working with the other parties in these
20 proceedings.

21 Bike Winnipeg -- before I go any
22 further, I indicated that Mr. Jason Carter and Mr.
23 Charles Feaver could not be here. But I omitted to
24 mention that Mr. Mark Cohoe, the executive director of
25 Bike Winnipeg, is here, attending this morning.

1 Bike Winnipeg wishes to build upon its
2 participation of the previous years and to make sure
3 that it continues to make a significant and relevant
4 contribution to these proceedings in line with the
5 scope of intervention that's been granted by the
6 Board.

7 On fear of being redundant, those three
8 (3) prongs are -- are set out in the order granting
9 Inter -- Intervenor status to -- to Bike Winnipeg, and
10 they are: to assist the Board to critically examine
11 the optimum size of MPI's road safety budget and
12 whether it's sufficient to enable a significant
13 reduction in the costs to MPI of injuries to
14 vulnerable road users, including but not limited to
15 cyclists in the short and long term.

16 In addition to that, to assist the
17 Board in -- to critically examine the adequacy of
18 MPI's road safety programs with respect to the fatal
19 and severe injury of vulnerable road users, once again
20 including but not limited to cyclists.

21 And finally, to assist the Board to
22 critically examine the quality and clarity of MPI's
23 data collection, analysis, and accessibility regarding
24 collisions involving vulnerable road users, with the
25 same caveat being that it's included but not limited

1 to cyclists, and particularly in comparison to
2 transportation safety programs from local, national,
3 and international entities and jurisdictions.

4 Now, I do note that the Board orders
5 granted the order to intervene to critically examine.
6 Critically examine sometimes means that we will test
7 the evidence that's being put forward. We will be
8 somewhat forceful in the evidence being -- that's
9 being put forward.

10 But we also wish to commend -- where
11 commending, is -- is warranted. And since our
12 participation, we've seen some meaningful progress on
13 this file, and we'd like to thank MPI for -- for doing
14 so. I'd like to thank MPI for working with us in the
15 build-up to these -- these hearings, and we'd like to
16 continue on that progress.

17 Keeping in mind of Bike Winnipeg's
18 intervention, always keeping in mind we want it to be
19 cost effective, I might not be here all the time, and
20 -- but it doesn't mean I'm not reading the transcripts
21 in the evening.

22 I'm keeping -- I'm keeping apprised of
23 what's happening, but being mindful of the resources
24 that are required for such a hearing and the limited
25 nature of our scope of intervention.

1 Subject to any comments from the Board,
2 those are my submissions. Thank you very much.

3 THE CHAIRPERSON: Thank you. Does
4 anyone have any comments?

5 I'm just wondering if we should take a
6 break now before MPI start -- puts --

7 MS. CANDACE GRAMMOND: We certainly
8 can. It's -- it's 10:15, and we'd probably normally
9 take a break in fifteen (15) minutes anyway, so.

10 THE CHAIRPERSON: So we'll take a
11 break until 10:30, and then MPI can begin its case.
12 Thank you.

13

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

15 --- Upon resuming at 10:35 a.m.

16

17 THE CHAIRPERSON: Maybe if we could
18 resume. Before proceeding, I'd like to introduce
19 another new member of the Board who's sitting as an
20 observer, M. Rheal Teffaine, was recently appointed to
21 the Board, and he is here now observing these
22 proceedings as well.

23 So Mr. Secretary, if you'd care to
24 swear in the witnesses?

25

1 MPI PANEL 1:

2

3

DAN GUIMOND, Sworn

4

HEATHER REICHERT, Sworn

5

LUKE JOHNSTON, Sworn

6

7

THE CHAIRPERSON: Thank you. Mr.

8

Ghikas...?

9

10 EXAMINATION-IN-CHIEF BY MR. MATT GHIKAS:

11

MR. MATT GHIKAS: Thank you, Mr.

12

Chairman. Just before we launch into the first of two

13

(2) PowerPoints, the -- the PowerPoint was previously

14

marked as MPI Exhibit 14 titled '2017 General Rate

15

Application'.

16

And just before we turn it over to the

17

witnesses to go through that, I thought at first we'd

18

just give the witnesses an opportunity to introduce

19

themselves. So if I can start with Ms. Reichert. If

20

you could just speak to your -- your position, and --

21

and your role and responsibility at MPI, please.

22

MS. HEATHER REICHERT: Thank you. So

23

as has been indicated, I am the vice-president of

24

finance and chief financial officer at MPI. I've held

25

that position, or been at MPI for almost five (5)

1 years now. As my responsibilities in that position I
2 oversee the strategic planning and analysis at MPI.

3 I'm responsible and oversee all the
4 controllership functions, enterprise risk management,
5 regulatory affairs, actuarial services including
6 pricing, forecasting, and investments, as well as
7 administrative services including -- including
8 premises.

9 MR. MATT GHIKAS: And can you just
10 indicate what your professional designations are,
11 please?

12 MS. HEATHER REICHERT: I am a CPA with
13 a legacy designation as a CA.

14 MR. MATT GHIKAS: Thank you. And
15 immediately prior to joining MPI, what were you
16 working on?

17 MS. HEATHER REICHERT: Most
18 immediately prior I was the Deputy Minister for
19 Advanced Education and Literacy at the Province of
20 Manitoba.

21 MR. MATT GHIKAS: And did you have the
22 responsibility -- the overall responsibility for the
23 Application, Information Request responses, and
24 rebuttal evidence that's been filed?

25 MS. HEATHER REICHERT: Yes, I did.

1 MR. MATT GHIKAS: And do you adopt
2 those materials as your evidence in this proceeding?

3 MS. HEATHER REICHERT: Yes, I do.

4 MR. MATT GHIKAS: Thank you. Turning
5 to you, Mr. Johnston. If you wouldn't mind, please,
6 indicating what your position is and your areas of
7 responsibility.

8 MR. LUKE JOHNSTON: Yes. I'm
9 currently the chief actuary and executive director of
10 pricing, forecasting, and investments. There was a
11 re-organization of finance in the past year. I now
12 have three (3) units reporting to me, investments,
13 actuarial services, and financial forecasting and re-
14 insurance.

15 So basically the purpose of the re-org
16 was to organize all the forecasting, forward-looking
17 functions together since they're so integrated, as
18 you've I'm sure noticed from these recent hearings.
19 So duties would include rate setting, reserving,
20 forecasting, statistical modelling, maintenance of the
21 Corporation's financial model, and there -- there's
22 others, as well.

23 MR. MATT GHIKAS: Okay. And when did
24 you join MPI?

25 MR. LUKE JOHNSTON: I used to be

1 considered the -- the young guy here, but those days
2 are over. I've been here about fifteen (15) years.
3 Started in December 2002.

4 MR. MATT GHIKAS: And -- and what are
5 your professional designations, Mr. Johnson?

6 MR. LUKE JOHNSTON: I'm a fellow of
7 the Canadian Actuarial Society and the Canadian
8 Institute of Actuaries.

9 MR. MATT GHIKAS: And can you explain
10 what's involved in becoming a fellow of those -- of
11 those groups?

12 MR. LUKE JOHNSTON: Outside of being
13 an extreme introvert -- introvert, the -- yeah, it
14 requires a university education in actuarial
15 mathematics, and then a series of examinations; for me
16 it was nine (9). A typical actuary would be become a
17 fellow in their early 30s.

18 MR. MATT GHIKAS: And with respect to
19 this application, Mr. Johnston, you -- your
20 responsibilities in terms of the materials prepared,
21 application, Information responses, and -- and the
22 like, did your scope include the actuarial capital-
23 related materials, rate analyses, and the DCAT
24 analyses contained?

25 MR. LUKE JOHNSTON: Yes, it did.

1 MR. MATT GHIKAS: Okay. And do you
2 adopt the materials that -- that you were involved in
3 -- in the preparation of as your evidence in this
4 proceeding?

5 MR. LUKE JOHNSTON: Yes, I do.

6 MR. MATT GHIKAS: Thank you. Turning
7 to you, Mr. Guimond. If you wouldn't mind providing a
8 brief description of your position and your
9 responsibilities with MPI?

10 MR. DAN GUIMOND: I'm the President
11 and CEO of Manitoba Public Insurance. My
12 responsibilities consist of administrating the MPIC
13 Act and the Driver Vehicle Act on behalf of the
14 Government of Manitoba through the appointed board of
15 directors.

16 I joined the Corporation in 1990 as a
17 business analyst. I was -- I've been an executive at
18 MPI since 2005. And before assuming my current
19 position I was the CIO and the VP of strategy and
20 innovation. Thank you.

21 MR. MATT GHIKAS: Okay. And I
22 understand that, Mr. Guimond, you and Ms. Reichert
23 have a PowerPoint presentation, MPI Exhibit 14. And I
24 would ask that the two (2) of you please make that
25 presentation now.

1 MR. DAN GUIMOND: Thank you. It's my
2 pleasure to speak to you today about our 2017 general
3 rate application. I am going to speak to you today
4 about the key priorities for MPI and Basic insurance,
5 about MPI's relationship with the Public Utilities
6 Board, and a little about what has happened since we
7 last met here in 2015.

8 This presentation will be delivered by
9 myself and Ms. Heather Reichert. Upon this
10 presentation, Mrs. Heather Reichert and Mr. Luke
11 Johnston will offer more details in their presentation
12 on financial and actuarial matters.

13 First I will speak to the context of
14 the requested order, giving some history, speaking to
15 our corporate priorities in the face of changing
16 landscape of auto insurance. I will also talk about
17 the importance of the relationship that MPI has with
18 its regulator in what, from my point of view, are the
19 factors for success.

20 I will then review the requested order
21 before turning the floor over to Ms. Reichert, who
22 will give an overview of the financial status of Basic
23 and talk about the very important issues facing MPI,
24 interest rate forecasting and the rate stabilization
25 reserve. Ms. Reichert will then talk about other

1 important matters, such as our program initiatives,
2 benchmarking, and the ongoing value of MPI for
3 Manitobans.

4 As an introduction to the themes in
5 today's presentation I want to draw your attention to
6 the following points. First, break-even ratemaking is
7 fundamental to MPI's basic line of business, the
8 public auto insurance model in Manitoba.

9 Second, collaboration between MPI and
10 the Public Utilities Board and Intervenors has been
11 instrumental in addressing significant matters in the
12 past. MPI looks to build on that success through this
13 process.

14 Third, the proposed rate increase in
15 this application inc -- including the proposed
16 component to address interest rate forecasting risk is
17 essential for predictable and stable rates. And
18 ultimately, the continued success of public auto
19 success in Manitoba.

20 Fourth, rate stability and
21 predictability are evermore important giving the
22 changing landscape of the auto insurance industry.
23 MPI is preparing for the new normal, and stable
24 predictable rates are an important part of that
25 transition.

1 Finally, I believe that MPI has
2 positioned itself for success in the new normal, which
3 diligent and ongoing efforts in physical damage re-
4 engineering, cost containment, value management,
5 benchmarking, and loss prevention.

6 There are a few fundamental points I
7 believe are worth keeping at the forefront when
8 considering this rate application. Not only are they
9 fundamental, but they are historical. They have been
10 part of MPI in this process for many years.

11 First, we look to the Public Utilities
12 Board for approved just and reasonable rates for Basic
13 auto insurance.

14 Second, MPI has other lines of
15 business, Extension and Special Risk Extension that
16 are subject to competition and not regulatory
17 oversight.

18 Basic rates are to -- are set to
19 breakeven on forecasted net income, which is
20 calculated as the average of the two (2) future years,
21 2017/'18 and 2018/'19 in this case. Also, MPI has a
22 rate stabilization reserve which exists to absorb
23 variation around breakeven net income.

24 These are the key points that I believe
25 we will return to throughout this hearing, breakeven

1 net income, and importantly, as a best estimate of
2 breakeven net income, and the RSR absorbing variation
3 around that best estimate.

4 This has been the fundamental approach
5 for many years, stemming from the Kopstein Report in
6 1988.

7

8 (BRIEF PAUSE)

9

10 MR. DAN GUIMOND: More recently,
11 significant regulatory efforts have been focused on
12 the rate stabilization reserve. Specifically,
13 establishing methodologies for the lower and upper
14 total equity targets. We have settled on the DCAT
15 base method for the lower target and we are hoping to
16 get resolution on the upper MCT based target.

17 This year MPI has also brought a
18 strategy on the use of excess equity in the Basic
19 insurance lines of business. This strategy
20 articulates the conditions that the MPI Board of
21 Directors will consider in approving transfers of
22 competitive lines equity to the Basic line of
23 business.

24 I believe this along with finalizing
25 the upper target methodology would complete the work

1 that needs to be done with respect to their rate
2 stabilization reserve. Collaboration has also been a
3 focus of recent regulatory efforts.

4 They have been collaborative efforts
5 for the DCAT development, and actual ratemaking and a
6 -- and we were deliberate in building upon these
7 success when we brought forward the proposal to
8 develop the interest rate forec -- forecast risk
9 factor through a collaborative effort with the Public
10 Utilities Board and the Intervenors.

11 I would also point out the MPI is
12 engaging Manitobans and parties to this regulatory
13 process in a number of useful forums on the issue of
14 road safety and loss prevention. And I believe we'll
15 be hearing more detail on that from Mr. Ward Keith in
16 the coming weeks.

17 I believe we can be effective through
18 collaboration and I think that effective collaboration
19 that has happened recently is telling the relationship
20 that exists, and that we are continuing to foster
21 between MPI and the Public Utilities Board and the
22 Intervenors.

23 Now, I would like to speak to you about
24 the corporate parties which remain as priorities for
25 the last -- from the last year. First, ensuring the

1 financial viability of Basic insurance and delivering
2 stable and predictable Basic insurance premium to
3 customers.

4 For me, this priority is about having
5 the best estimate of breakeven net income and having
6 adequate reserve in place to handle the volatility
7 that we don't expect or can't predict. This is really
8 key, from my perspective, to the ongoing success of
9 Basic insurance.

10 Manitobans tell us, when they buy a
11 car, they want the insurance cost for that car to be
12 about the same each year. That's what they expect.
13 This is part of how we keep customers happy: We offer
14 good coverage, good service, and not just low price,
15 but a stable price.

16 The second and third parties are really
17 about making sure we're offering that good coverage
18 and service for a low cost. Working with Manitoban
19 repair trades to address physical damage repair costs
20 is something we are working very hard at, just as we
21 are developing our customer service delivery options.

22 This is being done with an eye to the
23 future, recognizing that the automotive industry is
24 changing customer expectations, and MPI has to manage
25 these demands and can't do so isolation.

1 This slide that features prominently in
2 MPI's annual report, and this would have been in the
3 presentation last year as well. That's because it's
4 so fundamental to the reality we are going to face.

5 The auto insurance industry is
6 undergoing two (2) significant changes that, taken
7 individually, will represent some of the greatest
8 change in the auto insurance history. Yet taken
9 together, they represent a paradigm shift.

10 First, the presence of autonomous
11 vehicles. To be clear, we already have forms of
12 autonomous vehicles on our street in things like lane
13 departure warning and assisted parking. These
14 technologies are not something we should fear. We
15 just need to prepare for them.

16 As time passes, we will see more
17 sophistication of autonomous vehicles to the point
18 where we'll see fully self-driving vehicles. When you
19 consider that eventually, you can easily imagine the
20 impact to auto insurance in Manitoba.

21 Theoretically, autonomous vehicles
22 don't run into each other, and therefore would
23 represent a far smaller risk to us than what we
24 currently see.

25 The second is the changes the OEMs are

1 making in their new vehicles. The use of more complex
2 materials by manufacturers is primarily based on the
3 need to meet new fuel consumption standards. However,
4 there is a significant effect on MPI and the costs to
5 repair vehicles that contain these new materials.

6 As many of you know, the new Ford 150
7 is one (1) of our most popular vehicles in Manitoba,
8 and is now being manufactured with all aluminum body
9 panels. So you can imagine how this changes the
10 repair process. You now need clean rooms to perform
11 only aluminum work, and many of the repair processes
12 are different. Not only is this significant to us, it
13 also has significant impact on the repair industry
14 that we depend on to make our vehicles safe for the
15 road after a collision.

16 Based on this, we have been preparing
17 for the future. In preparing for these changes, we
18 have built a strategy that would mitigate the negative
19 impact to MPI and Manitobans.

20 This strategy allows MPI to embrace the
21 challenge -- the changes that are coming and make
22 ready the product and services that Manitobans will
23 need to properly ensure that in the face of auto-
24 related risk. This is really quite similar to the
25 work we did with the no-fault insurance program. We

1 recognized the need for change and create the product
2 and services that would better serve Manitobans.

3 MPI has a strong history of
4 understanding the future of the auto insurance
5 industry and responding in a timely fashion. Physical
6 damage or injury is no different. This program will
7 embrace many new facets of technology that will
8 position MPI customers for the future and all its
9 changes.

10 The PDR program is also a cornerstone
11 initiative to ensure Manitobans are able to have their
12 highly sophisticated vehicles repaired in a safe,
13 trusted manner. Through this program, MPI will lead
14 industry repair shops' accreditation and adherence
15 which will continue to grow in importance as we move
16 through the stage of autonomous vehicles and manage
17 the increased use of new, complex materials.

18 The training and accreditation work we
19 will do with the body shops in Manitoba will help to
20 ensure that Manitobans can continue to have their
21 vehicles repaired at their local body shop, which is
22 extremely important to MPI customers. But it is also
23 critical for the health of the body shops in Manitoba.

24 This situation is not unique to body
25 shops, and this illustration demonstrated the value

1 that comes to Manitobans by way of MPI engaging many
2 different businesses that has a long reach and
3 positive effect on the Manitoba economy. MPI now
4 contributes over 1 billion to the Manitoba economy
5 mostly through property and personal injury claims, in
6 salaries and benefits, and broker commissions.

7

8

(BRIEF PAUSE)

9

10 MR. DAN GUIMOND: I continue to
11 believe that MPI and the Public Utility Board have
12 common objectives for rate setting that are captured
13 in the following four (4) points.

14 First, MPI wants to continue to deliver
15 to its customers, auto insurance that is among the
16 lowest cost in Canada. Second, we want those rates to
17 be stable and predicable. And third, we want
18 ratepayers to receive value for their money. We feel
19 we meet those objectives now, and we want to continue
20 to meet them.

21 Finally, we need to ensure the
22 financial soundness and sustainability of the Basic
23 program, and had -- that has to be done while still
24 meeting the other three (3) objectives. I believe the
25 Public Utility Board shares these objective, and I

1 404 million based on the usual one (1) in forty (40)
2 DCAT for the lower target, and the 100 percent MCT for
3 the upper target, and we did not apply for an RSR re-
4 building fee. We know that the risk factor is going
5 to be some amount more than the 2 percent, and that
6 will have an impact on the range of the RSR.

7 Through the dialogue at the technical
8 conference we have come up with a proposal for the
9 risk factor, and the CFO will talk more about -- about
10 it. We think we have an appropriate proposal for the
11 risk factor that's in the best interest of Manitobans
12 and MPI, and we'll explore the proposal for the risk
13 factor through this hearing. I'm relying on the
14 process to get us to the right outcome.

15

16 (BRIEF PAUSE)

17

18 MR. DAN GUIMOND: Looking a little
19 more closely at that process, we want -- we wanted
20 there to be a collaborative effort from the start that
21 would ideally get us to the -- a place where we had a
22 consensus on the solution for this interest rate
23 forecasting problem.

24 The centre piece of this collaboration
25 effort was the technical conference on August 16th.

1 At this meeting, we outlined the need for the risk
2 factor, and explored why the current interest rate
3 forecast was not a best estimate. We had our expert,
4 Dr. Cleary, also talk about why the standard interest
5 rate forecast was not reliable, and he offered his
6 views on how to improve our interest rate forecasting.

7 Based on Dr. Cleary's advice that a
8 50/50 interest rate forecast using equal weighting to
9 the standard Naive forecast would be a best estimate,
10 we prepared another rate -- rate indication for the
11 Public Utilities Board to consider. It was a
12 significant effort to prepare alternative rates and
13 alternative DCAT, but it was a necessary part of the
14 effort to get a solution in a collaborative manner.

15 So if the Public Utility Board can
16 accept that the proposed 50/50 interest rate forecast
17 is a best estimate, the pieces fall into place after
18 that. A best estimate interest rate gives us a best
19 estimate of net income. That takes the pressure off
20 the RSR and moves the lower target down. We reduce
21 the risk of needing an RSR rebuilding fee going
22 forward, and that helps us get the stable and
23 predictable rates we need.

24

25

(BRIEF PAUSE)

1 MR. DAN GUIMOND: MPI has a
2 longstanding history when it comes to providing among
3 the lowest insurance premiums in Canada. In order to
4 continue with this success story we will need to work
5 closely with stakeholders, including the Public
6 Utilities Board, to ensure our actions are in keeping
7 with what Manitobans have come to expect of us all the
8 while ensuring we prepare Manitobans for the extreme
9 changes in the auto insurance industry.

10 We would prefer to avoid a rate
11 increase if possible because we're committed to
12 offering amongst the lowest cost compulsory auto
13 insurance in Canada. As you can see from this chart,
14 we are doing a good job in that respect. The proposed
15 rate increase and risk factor are not desirable, but
16 they are necessary for all the reasons you will hear
17 about this hearing.

18 I will close out my part of this
19 morning presentation by talking about what I believe
20 are the factors for success in the regulatory process.
21 First, building on the success of past collaboration
22 effort is key, in my view, to getting concurrence on
23 key economic assumptions for rate making.

24 We need to get a best estimate on
25 interest rate forecasting. I believe we have looked

1 at the options, and a proposal for a risk factor that
2 gets us to the best estimate is on the table for the
3 Public Utilities Board to consider.

4 We have to finalize the outstanding
5 issues with the RSR. We have agreement on the DCAT
6 approach to the lower RSR target. We have to get
7 certainty about the approach to the upper target based
8 on 100 percent MCT. We have a definition from the RSR
9 that reflects how it is used. And we have a strategy
10 for the use of excess equity that sets clear
11 conditions for the board of directors when considering
12 a transfer to the basis RSR.

13 Finally, we're going to continue with
14 our loss prevention and road safety approach that fits
15 your mandate. With that, I will turn it over to Ms.
16 Reichert, our VP of finance and CFO, to speak to the
17 financial state of Basic and our program initiatives.
18 Thank you, Mr. Chairman.

19 THE CHAIRPERSON: Thank you, Mr.
20 Guimond. Ms. Reichert...?

21 MR. HEATHER REICHERT: Thank you, Mr.
22 Guimond. So on the financial sta -- status of Basic,
23 so in the last year we filed and the PUB did order a
24 zero percent rate increase. The MPI Board of
25 Directors agreed to transfer as at the end of February

1 2015 \$75.5 million of excess equity from the
2 competitive lines to the Basic line of business. And
3 that brought the RSR to the -- to the then minimum
4 threshold of 231 million based on the 2015 DCAT report
5 with the one (1) in forty (40) combined scenario.

6 So for this year it's imperative to MPI
7 that we manage the risk caused by the interest rate
8 forecast and that, once and for all, we finalize the
9 methodology for the RSR upper and lower targets based
10 on total equity. More details are going to come on
11 the financial state of Basic in Mr. Johnston and my
12 PowerPoint presentation later today.

13 So MPI, as I mentioned, in -- at the
14 end of 2014/'15 transferred 75.5 million to the Basic
15 RSR. In -- at the end of 2015/'16 we had transferred
16 additional 72.7 million. So that's a total of almost
17 150 million. Now, if we had not transferred those
18 monies to the RSR, that would have been the equivalent
19 of almost a 20 percent RSR rebuilding fee. So that's
20 the -- the amount that was prevented from having to be
21 collected from ratepayers by doing that transfer.

22 So the Basic RSR is currently at 231
23 million, which is above the minimum that's indicated
24 in the -- in the revised. And that should read 2016
25 DCAT report. That's for the end of -- of the -- of

1 2016 which there'll be many discussions about, I'm
2 sure, during the hearing.

3 Fortunately, therefore, as of right
4 now, there's not a shortfall in the Basic total equity
5 RSR because of the transfers that we were able to make
6 of the hundred and fifty (150) from the competitive
7 lines.

8 But because of those transfers from
9 excess retained earnings in the competitive lines to
10 Basic, we are now in the position where we have the
11 limited ability to transfer further equity to
12 subsidize Basic into the future.

13 So MPI has filed a strategy in regards
14 to the transfer of excess retained earnings from
15 competitive lines to Basic. The key elements of that
16 strategy on the use of excess retained earnings are
17 indicated in the slide.

18 It's important that we clarify the
19 definition of the RSR. We were asked by the Public
20 Utility Board in the order last year to -- to enhance
21 the definition, to make it clearer what was included
22 within the RSR, how it was used. And so we have done
23 that. I'll just read the -- the revised definition
24 supports how the RSR has been used in the past and
25 currently is used:

1 "The purpose of the RSR is to
2 protect motorists from rate
3 increases that would otherwise have
4 been necessary due to unexpected
5 variances from forecasted results
6 and due to events and losses arising
7 from non-recurring events and
8 factors."

9 The bolded words there are what was
10 added to the definition to make it clearer on how it's
11 being used. Transfers within the strategy, trans --
12 transfers are only going to be considered to prevent
13 an RSR rebuilding fee. And the following conditions
14 listed there need to exist in order for the Board of
15 Directors of MPI to be comfortable in considering
16 transferring money from excess retained earnings into
17 the Basic RSR.

18 We need to establish that the minimum
19 RSR total equity target is based on the 1:40
20 probability DCAT scenario, which we believe was
21 achieved through the order of the Public Utility Board
22 last year. And then the upper range RSR total equity
23 target to be based on 100 percent MCT value, which
24 again, we are hopeful that -- that that particular
25 matter will be finalized in this year's hearing.

1 And Basic rates need to be set to break
2 even. We cannot knowingly systemically forecast
3 revenue and expenditures that result in a non-
4 breakeven situation for the Basic line of business and
5 then expect that the competitive lines will be
6 available to -- to cover that non-breakeven situation.

7 As was indicated, the -- through the
8 Kopstein Report, it -- it was indicated that Basic
9 must hold its own and there be no cross-subsidization.
10 So what we're concerned about is a transfer to deal
11 with not using a best estimate is really contrary to
12 the Kopstein principles, which required Basic to be
13 self-sustaining.

14 The MPI Board of Directors does have
15 sole discretion to approve transfers, both the amount
16 and timing that is given to them through the MPI CI
17 (phonetic). They much consider the current financial
18 forecast at the time of the -- the transfer as well as
19 what the rate indications might me, or the overall
20 financial condition of the Corporation among other
21 things.

22 So the MPI Executive Board of Directors
23 also must be able to meet their financial
24 responsibilities and ensure a capital reserve exists
25 for the Corporation as a whole, to meet its statutory

1 obligations. So hence transferring between lines of
2 business, from Competitive to Basic to offset systemic
3 deficiencies is not acceptable to the Corporation and
4 its Board of Directors.

5 So, interest rate forecasting risk, I
6 know we will be talking about a lot during this
7 hearing. So just to -- to be clear and provide some -
8 - some definition on what the interest rate
9 forecasting risk is for the purposes of the -- of this
10 hearing and the application.

11 Whoops, sorry. And I got ahead of
12 myself. Hold tight. I'll get to the -- that -- that
13 definition in just a moment. Actually, I think it's
14 coming a little bit later today.

15 But just very quickly, interest rate
16 forecasting risk from our perspective is if the
17 absolute value of the interest rate forecast do not
18 come to fruition, that causes a risk to the
19 Corporation because the anticipate revenue from those
20 interest rates isn't achieved. Therefore, we have the
21 possibility, all other things being equal, of
22 incurring a deficit and incurring non-break-even
23 results. So we need a solution to that.

24 We do not view that the current
25 standard interest rate forecasts that are being put

1 forward by the banks as a best estimate. Interest
2 rate forecasting risk -- you know, results in
3 significant exposure, and we'll be talking about that
4 some more. So we need a -- need that solution.

5 As defined, the RSR and the -- the
6 definition that I just went through, it's not equipped
7 to handle those systemic known fore -- forecasting
8 errors. Again, the current standard forecast is not a
9 best estimate. And without a best estimate for in --
10 interest rates, the Basic rates cannot be considered
11 break-even.

12 So the RSR is established to protect
13 against the unexpected, non-recurring events, setting
14 rates -- again, I'm repeating myself, but setting
15 rates on knowingly inaccurate forecasts will result in
16 expected deficits.

17 We are proposing, through the --
18 through the response to the PUB 2-25, that the 50/50
19 interest rate forecast scenario, splitting the
20 difference between what the banks are forecasting and
21 the actual current rates today, known as like the
22 naive forecast, that we at MPI can accept that that is
23 a best estimate. And we will be speaking about that
24 in greater detail later.

25 Okay. So for the benefit of new panel

1 members and -- and as a refresher for those that are
2 returning, this -- this slide contains some corporate
3 operational metrics that provide a perspective on MPI
4 and the size and -- and complexity of MPI.

5 We currently have about 3.2 billion in
6 invested assets; 2.6 billion of that is in our
7 investment portfolio. We have revenues, annual
8 premiums of 1.1 billion. About 900 million of that is
9 with respect to the Basic line of business.

10 We have 1.1 million of contact centre
11 calls annually. We deal with twelve hundred (1,200)
12 claims daily, and we do that through staff of eighteen
13 hundred (1,800) and change through broker locations,
14 about two hundred and ninety-six (296). And then
15 there are currently approximately two hundred and
16 sixty-six (266) accredited collision repair shops that
17 deal with the MPI repairs.

18 We have talked a lot about the culture
19 at MPI for cost containment. We formally established
20 an Innovation and Cost Containment Committee about
21 three (3) years ago. It wasn't because that was when
22 we started to think about cost containment. We had
23 been doing many things prior to that.

24 And for the benefit and memory of --
25 for the benefit of new and memory of -- of previous

1 panel members, in the 2015 GRA, we included a very
2 comprehensive section on value management that
3 articulated all of the different things that MPI had
4 done to streamline processes and basically do things
5 that were allowing us to reduce our operating
6 expenditures and claims experiences.

7 So I would encourage you to again maybe
8 quickly review that particular section. It indicated
9 three (3) years ago we had achieved at least 60
10 million in annual savings through the various
11 initiatives that we had undertaken.

12 So the current Innovation and Cost
13 Containment Committee has -- has helped and resulted
14 in 2015/'16 we were able to reduce our corporate
15 budget by 8 1/2 million through the efforts of that
16 committee, looking at the various expenditures and
17 what could be streamlined and reduced.

18 Again, during this application and for
19 the rating years -- which, as has been indicated, the
20 rating years are the two (2) years, '17/'18 and
21 '18/'19 -- we reduced an additional 9.9 million in
22 corporate expenditures. That allowed the Corporation
23 for this application to reduce the rate -- the rate
24 requested by approximately a half of a percent.

25 We are very proud of this slide. This

1 slide shows up often in -- in our General Rate
2 Application, and in other publications of the
3 Corporation. This is a third-party Statistics Canada
4 in -- information that consistently shows that MPI has
5 managed to keep increases lower than any -- anyone
6 else in the country. And as Mr. Guimond showed in the
7 map of Canada, we are consistently among the lowest
8 across the country in overall premium -- premium
9 rates.

10 Value management. We had -- as -- as
11 is articulated within our -- again the IR responses
12 and our General Rate Application, we recently
13 implemented a process that really formalizes the
14 aspects of our planning process that had always been
15 in -- incorporated but is now more formalized recently
16 through our val -- value management process.

17 So that's a process that we are using
18 to define the costs and the benefits of new projects
19 and initiatives that are undertaken across the
20 Corporation. We use business cases that are
21 developed, and reviewed and approved by management.
22 And then once the project is completed, fully
23 implemented, the process measures what the realized
24 benefits are that have been achieved from that -- from
25 that project, and how it compares to the original

1 objectives.

2 Benchmarking. For -- for three (3)
3 years now we have been submitting an actual
4 benchmarking section within the General Rate
5 Application that covers and -- and provides measures
6 in each of the four (4) areas that are indicated here.
7 We use the word benchmarking group to provide us with
8 operational efficiencies measures.

9 The Gartner -- Gartner group provides a
10 CIO scorecard that looks at IT service delivery
11 capacities, and measures in that regard. And then we
12 do various surveys throughout the year, and some bi-
13 annually, that provide us with assessments on how we -
14 - while we are serving Manitobans, and the impact to
15 the community of the operations of MPI.

16 This is just two (2) benchmarking
17 measures, if you will. There are many more that are
18 included within the General Rate Application section,
19 but these two (2) demonstrate very clearly that
20 compared to our Canadian counterparts our gross
21 expense per policy enforce is considerably less,
22 almost half, and the number of FTEs per hundred
23 thousand claims that are reported to MPI is, in fact,
24 under 50 percent that of Canadian private insurance
25 companies.

1 Program initiatives. We -- we do
2 undertake, as I indicated, initiatives to look to how
3 we can improve the processes within MPI and add value
4 to Manitobans. Physical damage re-engineering project
5 or program that Mr. Guimond talked brief about is an
6 extremely complex and multi faceted program. It's
7 going to change how physical damage claims or repairs
8 are done in the future for MPI claimants.

9 Gartner was asked and prepared an
10 evaluation of the PDR program during this GRA
11 application process, and as was mentioned Gartner will
12 be here represented to speak to their report on
13 October the 26th. Currently fourteen (14) of the
14 twenty (20) projects that are included as part of the
15 PDR program have been completed, or -- or they are in
16 process.

17 And some benefits have already started
18 to be realized from the PDR pro -- projects that have
19 been completed, most notably is -- we have reduced
20 estimating clerks. And that was as part of the
21 implementation of collaborative estimating project
22 with the -- with the body shops.

23 Loss prevention strategy and framework.
24 We are very again pleased that we have been able to
25 make advancements on our loss prevention strategy and

1 the framework including road safety. It's a lot of
2 different programs. We had an evaluation done by IBM
3 that recommended how we could enhance our analysis and
4 evaluation of program effectiveness. We've acted on
5 those recommendations and we've made, I -- I believe,
6 significant progress on developing that -- that
7 program.

8 The program was evaluated in 2014 by
9 Jennifer Kroeker-Hall. She will be seated as a
10 witness later in these proceedings with Ward Keith,
11 who is our VP of business development and responsible
12 for the Loss Prevention Program.

13 The funding has increased and is
14 forecasted to increase for the Loss Prevention and
15 Road Safety Program budget. It isn't capped, per se,
16 but we look at where we can achieve benefits for the -
17 - for the money expended in that program.

18 Some -- some of the priorities in
19 '16/'17. These are behavioural change priorities
20 which all of those in the business know, to change
21 people's behaviour you need a sustained effort. So
22 these programs are not just one (1) year and then
23 programs. They include distracted driving, which you
24 will have seen in the last couple of years as being a
25 very prominent part of our Behavioural Change Program.

1 There's cyclist safety. It was just
2 noted today that there'll be some cyclist safety or --
3 or bicycle programs with Seven Oaks School being
4 piloted to increase the safety of -- of young people
5 and teaching them how to -- to ride their bicycles,
6 and then other vulnerable road users, like
7 pedestrians, et cetera, and, of course, the continuing
8 seatbelts and occupant restraints, behaviour changes
9 that have been occurring over the years.

10 I just mentioned the Cyclist Safety
11 Program. So we have been partnering with Bike
12 Winnipeg that, as you know, is one (1) of the
13 Intervenors at this hearing to launch two (2) pilot
14 programs, the cycling education in schools that was
15 just announced today, and then continuing Bike
16 Together Winnipeg which is providing bicycles and
17 helmets and training to children.

18 And we are currently working on a
19 renewal of cycling awareness campaign, which we are
20 anticipating that will launch in the spring of 2017.
21 And that again is in collaboration with Bike Winnipeg.

22 Other road safety initiatives. The
23 High School Driver Education Program, twelve thousand
24 (12,000) new teens every year receive classroom and
25 in-vehicle instruction. We're looking at how we can

1 improve that education using in-car telematics, using
2 driver simulators so that they have more in-vehicle
3 learning without actually having to have access to a
4 motor vehicle, and trying to, through all of that, get
5 stronger parent, guardian, and student engagement in
6 the actual program so that the learning is enhanced.

7 In addition to high school driver focus
8 there is also adult driver education in Winnipeg and
9 northern communities where previously high school
10 driver education access was -- was limited. And so
11 we're looking at how we can again improve access to a
12 very important program.

13 So in concluding this -- this part of
14 the PowerPoint, we absolutely believe that MPI has --
15 is well positioned for success with our offer --
16 sorry, excuse me, with our efforts at cost
17 containment, the value management that we do, the
18 benchmarking, our physical damage reengineering
19 project, loss prevention and road safety programming.

20 Our top priority continues to be
21 providing predictable and stable rates to all
22 Manitobans. And to accomplish this, it is absolutely
23 essential that rates be set using best estimates to
24 break even and using those best estimates, the rate
25 stab -- and -- and having a rate stabilization with

1 over to -- to Ms. Reichert and Mr. Johnston to --

2 THE CHAIRPERSON: Just please go
3 ahead.

4 MR. MATT GHIKAS: Thank you.

5 THE CHAIRPERSON: Yeah.

6 MS. HEATHER REICHERT: Okay. I will
7 continue and do the first part of this presentation.
8 Mr. Johnston will do the meat in the middle and then I
9 will do some of the meat at the end. I expect -- and
10 we'll -- we'll check on the -- on the time, but I
11 expect that possibly once I get through the first part
12 you -- we can do a time check and see if at that time
13 you want to -- to break for lunch.

14 THE CHAIRPERSON: Sure.

15 MS. HEATHER REICHERT: So the agenda
16 for this part of the presentation, I'm going to be
17 going over the requested order again. I think we
18 thought that there was going to be a little bit more
19 time in between the two (2) presentations, so I will
20 skip over those things that have been recently
21 commented on and talk about the interest rate
22 forecasting risk factor in a little more detail.

23 And then Mr. Johnston will go into
24 items 3 and 4 and then I will, hopefully, quickly try
25 to get through items 5 to -- to 11.

1 Okay. So very, very quickly, Mr.
2 Guimond also mentioned this in his part of the
3 presentation, the two (2) main areas of focus for the
4 Corporation, interest rate forecasting, rate
5 stabilization reserve, the upper and lower limits, and
6 the -- the definition of the RSR.

7 As always, we look forward to working
8 collaboratively with the PUB and the Intervenors on
9 these issues, and in particular, the interest rate
10 forecasting risk issue.

11 The requested order: So as detailed in
12 our response to the PUB in IR 2-25, we identified the
13 need for a 2.3 percent interest rate forecasting risk
14 factor, which was based on the best estimate 50/50
15 interest rate forecast. That, together with the 2
16 percent base rate increase results in an overall 4.3
17 percent combined rate increase.

18 The rate stabilization reserve, with
19 the proposed 4.3 percent premium rate, based on that
20 50/50 interest rate forecast actually does have an
21 impact on the -- the calculation of the DCAT. It
22 lowers it from the original 181 million down to 159
23 million.

24 And the upper limit, based on the 100
25 percent MCT changes from 404 million to 411 million.

1 And again, to reiterate, given the past transfers
2 we've made to the Basic RSR from the excessive
3 retained earnings, we are not requesting an RSR
4 rebuilding fee in this year's application.

5 The factors that are driving the need
6 for the 2 percent rate increase aspect: The claim's
7 experience, the comprehensive claims forecast has
8 increased this year given -- given what has been
9 occurring in that particular area in the -- in the
10 past. We had a very bad year of comprehensive claims
11 and that has started to have an impact on the forecast
12 going forward.

13 Investment income unrelated to the
14 interest rate forecast, per se, we are continuing to
15 forecast normal type returns of around 7.2/7.3 percent
16 for equities and other alternative investments.
17 However, given the fact that 2015/'16 was a very
18 difficult year in the equity markets, there were
19 significant impairments in some of our investments,
20 and overall, resulting in a -- a lower base for our
21 equity investments.

22 That's resulted in a lower base, as I
23 said, to be able to achieve gains on going forward.
24 So that has impacted the forecast in investment
25 income, which also was part of a significant component

1 of the 2 percent rate increase.

2 The interest rate forecast, again, the
3 standard interest rate forecast alone by themselves
4 are not a best estimate. The need for the best
5 estimate of break-even net income has resulted, as I
6 said, in that additional 2.3 percent request using a
7 fifty 50/50 interest rate forecast.

8 What that looks like then for policy
9 holders, 8 percent of our policy holders will see a
10 decrease in their premium rate. 10 percent will see
11 no change at all. So that's an 18 percent no change
12 or a decrease. And about 69 percent, if you look to
13 those that would receive less than a forty-nine (49) -
14 - or, pardon me, less than a fifty dollar (\$50)
15 increase in their premium rate, plus seeing decreases
16 or no change, that equates to about 69 percent of
17 policy holders.

18 Even with the proposed combined 2
19 percent plus the interest rate forecasting risk factor
20 of 2.3, so even with a combined 4.3 percent increase
21 in '17/'18, there is -- that still shows an overall
22 decrease since 2001/'02 of almost 6 percent.

23 So, yes, it does decrease the -- the
24 overall decrease shown on this. But even with that
25 4.3 percent increase, we are -- still overall have --

1 have decreased our premium rates by 6 percent in the
2 last fifteen (15) years. And, in addition, there's
3 been close to 600 million that has been rebated to
4 policy holders over that same period.

5 So essentially, based on the historical
6 evidence and our expert's view that the Corporation
7 does not believe the standard interest rate forecast
8 by the five (5) major banks and global insight is a
9 best estimate, we determined that we needed to request
10 an interest rate forecasting risk factor.

11 Next. This also is a graph that we
12 have been producing for about four (4) years which
13 demonstrates how different the actual interest rates
14 have been from the standard forecast. So all of the -
15 - the black line on this particular graph is
16 indicating what the actual interest rates were since
17 February of '08.

18 And the various lines up and -- and
19 going to the right with all the different icons in
20 them were the various bank forecasts. We call it the
21 standard interest rate forecast, and sometimes
22 referred to as the SIRF. Those are the SIRFs from
23 each of those respective years.

24 So to draw your attention, the solid
25 red line is the interest rate forecast that was

1 ordered to be used by the Public Utility (sic) Board
2 in its Order of last year. And you can see, if you
3 look at the top of that red forecast, it is just
4 starting to reach the levels that were in existence in
5 February 2008.

6 That particular forecast, when you look
7 at historical interest rate movement since 1956, I
8 believe, essentially represents a one (1) in twenty
9 (20) year -- pardon me, one (1) in twenty-nine (29)
10 year event.

11 The green line is what we are currently
12 using in the 50/50 scenario forecast. So you can see
13 that -- how it relates relative to the standard
14 interest rate forecast which is the red line.

15 So the impact to net income then, if
16 you look down to the bottom of this slide, the
17 'Standard' row, the -- the -- that is reflecting --
18 with a 2 percent rate increase and a standard interest
19 rate forecast, that shows that that would break even.

20 However, when you anticipate that the
21 interest rates may in fact not increase as that red
22 line was showing, and possibly stay at what the
23 current rates are today, which is that second row
24 indicated by 'Flat,' you can see that if interest
25 rates stayed as they currently are and we continue to

1 use a standard interest rate forecast, the Corporation
2 would stand to lose during the rating years, '17/'18
3 and '18/'19, an average of \$32.2 million.

4 So that is the magnitude or possible
5 magnitude of a difference between using a standard
6 interest rate forecast and if you were to assume a
7 naive interest rate forecast.

8 Now, that is not what we have done.
9 What we are proposing as a best estimate is the 50/50
10 interest rate scenario, being 50 percent of the
11 standard interest rate and basically the -- the
12 average of the naive and the standard interest rate
13 forecasts.

14 So now here is the formal definition.
15 And I'll go really quickly because I've already said
16 this, but the interest rate forecasting risk is
17 defined as aggressive third-party forecasts that are
18 not likely to materialize. Basic premiums set on
19 those will lead to a deficiency in the premiums, and
20 the magnitude of that risk is estimated by the
21 difference that I just showed you between the -- the
22 maximum -- or potentially maximum magnitude, the
23 difference between the standard interest rate forecast
24 and that flat interest rate forecast.

25 So obviously the higher interest rates

1 are forecasted to be, the higher the risk of loss
2 exists if they don't, in fact, materialize. And to be
3 clear, that's not the same as interest rate risk, and
4 interest rate risk is defined as the net impact of
5 changes in interest rates. And we are mitigating that
6 -- that risk of changes in interest rates and the
7 impact that that has on our claims liabilities, and on
8 the values of our bond portfolio.

9 We are mitigating that to a very large
10 extent, so that is not the -- it's not interest rate
11 risk that we're talking about that's relating to the
12 changes in -- in fluctuations of interest rates during
13 the year, it's the absolute interest rate forecast of
14 the -- of the coupon rates.

15 So again the proposed IRFRF is
16 necessary. I've already stated it's necessary, we
17 believe, to be able to arrive at a best estimate of
18 break-even net income. That break-even net income
19 helps to safeguard the financial health of Basic line
20 of business, and the Corporation, and that helps to
21 reduce the prospect of rate shock in future years and,
22 we believe, would then help to maintain public
23 confidence in Manitoba Public Insurance.

24 We engaged in a collaborative process.
25 We wanted to be respectful of the order that was

1 provided to us in last year by submitting our
2 Application using the standard interest rate forecast,
3 but at the same time, needed to highlight our concern
4 with using the standard interest rate forecast as we
5 did not believe that that was a best estimate and that
6 we would be knowingly not requesting significant -- or
7 sufficient, pardon me, sufficient premium in order to
8 be able to sustain the Basic line of business.

9 So our concern as I've said was with
10 the forecast, that it was not a best estimate, and in
11 order to deal with the particular issue we wanted to
12 take the collaborative approach. And we did suggest
13 that a technical conference be held in order to be
14 able to gain some consensus, and to work
15 collaboratively with the PUB and Intervenors, and that
16 technical conference was held on August the 16th of
17 this year.

18 The technical conference, the
19 objectives of it, they're stated here. We did bring
20 forward an expert in Dr. Leary (sic) to provide an
21 assessment of the standard interest rate forecast. He
22 will be presented and seated as a witness and present
23 his report on -- on that particular issue.

24 The objectives at that conference were
25 so that everyone could fully understand what was being

1 sought in the 2017 GRA as relief, understand why it
2 was that we needed that interest rate forecasting risk
3 factor, understanding what we did not view as being
4 viable options apart from that interest rate
5 forecasting risk factor, and then to discuss what
6 options there were to the form and magnitude of that
7 interest rate risk factor -- interest rate forecasting
8 risk factor.

9 So the recommended form of that risk
10 factor is as a rate increase. The -- to set the
11 magnitude based on factors such as historical
12 observation, the risk tolerance that we have in the
13 forecast, and incorporating the naive forecast with
14 the weighting. And as I've stated a few times now, a
15 50/50 interest rate scenario.

16 So again at the conference and then
17 communicated in our response to the PUB-225-IR, the
18 rate increase with the standard forecast of 2 percent
19 plus the interest rate forecasting risk factor of 2.3
20 percent is being suggested to arrive at a combined 4.3
21 percent premium increase.

22 So the 50/50 interest rate forecast,
23 again I said it -- it is taken as a simple average on
24 a quarterly basis of the standard and naive, and the
25 following chart illustrates the 50/50 interest rate

1 forecast using August. So we didn't use March which
2 was what our original Application for the 2 percent
3 was filed on -- on March bank forecast. We did update
4 it for purposes of the response to the two (2) -- IR
5 225.

6 So this graph shows both what the 50/50
7 -- sorry, it shows all three (3). It shows what the
8 standard interest rate forecast is -- or was in March
9 when we submitted our application, what the 50/50
10 would have been at that time, and what the naive was
11 at that time. Those are the dotted lines on -- on
12 this graph. The solid lines on the graph are those
13 same forecasts updated to reflect the -- the more
14 recent end of August interest rate forecast.

15 So the standard one is the solid blue
16 line. The 50/50 is the solid black line. And then
17 Naive is represented by the solid red line. So the --
18 essentially, what is important that the members
19 understand is the difference between the solid black
20 line and the solid red line is still risk that exists
21 even if we use the 50/50 interest rate scenario to
22 determine the premium rates for -- for MPI.

23 Because if the 50/50 -- even if the
24 50/50 interest rate doesn't come to fruition, if the
25 interest rates stay flat, as there are some that

1 believe that they will, that does still pose a risk to
2 MPI. But we are prepared to accept the 50/50 as a
3 best estimate for the purpose of this hearing and for
4 the purpose of establishing our rates. So that --
5 that was what I wanted to say about this particular
6 graph.

7 So based 50/50 interest rate forecast
8 at August forecasted interest rates, that results
9 during the rating years, which are '17/'18 and
10 '18/'19, that first line there, results in a
11 forecasted loss in '17/'18 of 25.2, forecasted income
12 of 24.7 in '18/'19. Which over those rating years,
13 which is how we base our -- our apple -- applied for
14 premium rate increase, over those rating years results
15 in an average breakeven net income.

16 Each individual year in and of itself
17 is not breakeven, but it's always looked at as the
18 average of the rating years. And the average of those
19 two (2) year will break even using those forecasts
20 with a 50/50 best estimate.

21 So we are recommending the 4.3 percent
22 combined rate increase. We do appreciate that there
23 are going to be different levels of impact to major
24 classes when you -- under that combined rate increase.

25 We continue to believe that it's

1 appropriate that interest rate impacts be properly
2 reflected in the different major classes. And becomes
3 -- because some major classes are more sensitive to
4 interest rate than others, it is important that the
5 interest rate impacts are properly reflected among
6 those classes.

7 So in conclusion, we will be talking
8 more as the hearing progresses that the interest rate
9 forecasting risk factor is needed to get to a best
10 estimate. The standard interest rate forecast is not
11 a best estimate. We are proposing the 50/50 interest
12 rate forecast to be a best estimate.

13 That results in -- through that.
14 Again, the IR results in a 2.3 percent interest rate
15 forecasting risk factor which together with the 2
16 percent under the standard interest rate forecast
17 request results in the 4.3 percent that we believe
18 should be implemented as a combined rate increase.

19 That results, we know, in significant
20 impacts to the motorcycle major class which we think
21 we have remedied to a great extent. And Mr. Johnston
22 will be talking about that in -- in his next section.

23 So with that, that concludes the first
24 part of what I will be presenting as part of this
25 PowerPoint. I do believe that Mr. Johnston's part

1 will take more than fifteen (15) minutes, so it's --
2 it's up to the panel and Mr. Chair.

3 THE CHAIRPERSON: Mr. Johnston, any
4 idea how long it will take?

5 MR. LUKE JOHNSTON: Yeah, there's --
6 there's two (2) sections, one on rates, about ten (10)
7 to fifteen (15) slides, so we could probably do that
8 one in about fifteen (15) minutes and then the RSR
9 would probably be another fifteen (15) minutes.

10 THE CHAIRPERSON: Well, if you think
11 it'll take fifteen (15) minutes, why don't we start
12 and then we'll take a break after that for lunch.

13 MR. LUKE JOHNSTON: Thank you. Okay.
14 So this section is on the 2017/'18 indicated rates.
15 And the figures you're going to see are based on the -
16 - the revised rates using the fifty (50)/fifty (50)
17 interest rate forecast.

18 We thought we'd give a quick overview
19 of the rate setting frame work, based on how rates are
20 currently derived. So on the top row there's a
21 section called forecasting. And if you look in Volume
22 II of your rate application you will see a claims
23 forecasting section, revenue, expenses, and
24 investments.

25 Essentially, that's the main work of

1 the area that I oversee, to provide those forecasts.
2 All of that information is put into our financial
3 model, which allocates expenses, investment income, et
4 cetera, to line of business and pro forma financial
5 statements are produced.

6 Our Basic rates are set based on
7 breakeven net income on the financial statements. So
8 this is a key step in the rate setting process. From
9 that point we then go into more standard actuarial
10 rate setting, determine the cost of each vehicle
11 classification, et cetera, and all of that information
12 is fed into a rate model where we apply the various
13 rules and -- that we've developed over time with the
14 PUB.

15 So, for example, there's capping, a --
16 a maximum 20 percent rate increase. That would be an
17 example of a rule. Okay.

18 This table shows the indicated rates by
19 major class. The indicates rates are the actuarial
20 rates -- rate indications before any of the capping
21 rules that the -- the -- prior to our rate making
22 methodology.

23 So in the first column you see the 2
24 percent overall rate increase that was originally
25 files. And then in the second column is the revised

1 4.3 percent combined rate increase. The biggest
2 difference between the two, if you think about what
3 we've done to our forecast, we've reduced the interest
4 rate assumption significantly, or -- or by -- by half,
5 essentially, using the fifty (50)/fifty (50).

6 The most sensitive classes to that
7 change would be classes that have long-term claim
8 payouts. So motorcycles, about 85 percent of their
9 claims are for injury. So those claims can be paid
10 out over very long periods of time. We go extend
11 those cash flows out forty (40) years.

12 If you are investing money and you're
13 investing at 4 percent instead of 2 percent and you do
14 that for forty (40) years, you've got a very different
15 outcome when you do that type of discounting on a --
16 to a present day basis. Motorcycles have the biggest
17 swing, so.

18 Motorcycles have the biggest impact to
19 the change and then a commercial has the second
20 highest allocation of injury claims, close to 40
21 percent. So those two (2) are the -- the biggest
22 impact to the change. In a general sense, private
23 passenger is all -- is the majority of our -- of our
24 fleet, so they're always very close to the overall
25 indicated change.

1 The other classes are, again, impacted
2 by discounting if they have PIPP, trailers has no
3 injury, so that's more a reflection of COMP experience
4 such as hail. Okay.

5 The last column I'm going to talk about
6 there's a -- we're proposing an adjustment to
7 motorcycle rates, so.

8 The next slide, please. So from the
9 previous table, from the 2 percent to the 4.3 percent
10 change there was a -- almost 11 percent swing in
11 motorcycle rates. And again, we haven't changed any
12 of our assumptions for motorcycles other than the
13 discounting of their claims costs based on the revised
14 interest rate forecast. So that's obviously a very
15 significant change, especially one to make kind of in
16 the middle of an IR process or collaborative process.

17 Our standard procedure for serious loss
18 claims is to average them over ten (10) years. So we
19 can understand why we do that. If we use, say, a
20 three (3) year average and you had a couple of bad
21 years of experience, we had more serious claims than
22 usual, you'd get a big rate increase.

23 And then if you had a couple of good
24 years, it'd go way down. That's not a -- that doesn't
25 promote rate stability at all. So for serious loss

1 claims, we average those out for ten (10) years.

2 Motorcycles actually average all their
3 injury claims out for ten (10) years because we --
4 again, trying to stabilize those rates.

5 However -- and the CMMG has definitely
6 noted this in past hearings -- the 2006 loss year was
7 a very bad one for motorcycles, the worst -- easily
8 the worst year in their history. That happens to be
9 the tenth year of their averaging.

10 So when we saw this swing in -- in
11 rates, we said, Well, is there anything that we can do
12 to mitigate this and still maintain the credibility of
13 the rate-setting process?

14 If you go to the next slide, please.
15 So we looked at two (2) things: obviously the -- the
16 2006 experience, what would happen if that was no
17 longer used; and then we also looked at the current
18 year to see if motorcycle experience was near budget.

19 So it -- it is actually below budget.
20 So if we don't change the methodology basically and --
21 and propose the 8 percent rate increase, the likely
22 impact of that will be next year we'll come back and
23 propose a large decrease.

24 So in light of this big swing, what
25 we're asking here is to remove that year a year early,

1 and that should hopefully keep the rates stable given
2 that we do have at least some knowledge that this year
3 is fairly close to budget.

4 Okay. This slide shows the rates after
5 our capping rules. So it really only impacts vehicles
6 that have rate changes more than 10 percent. So you
7 can see on the commercial class, the actuarially-
8 indicated rate change is 10 percent. But after rate
9 capping rules, it falls to eight (8).

10 So that would be the result of certain
11 classes hitting, you know, beyond 10 percent. And
12 there's rules in place -- I won't go over them now --
13 but essentially to temper those rate changes.

14 Just a note on off-road vehicles. It
15 looks like they need a large rate decrease. We
16 increased their coverage several years ago from two
17 hundred thousand (200,000) in third-party liability to
18 five hundred thousand (500,000). We're still kind of
19 tracking the results on that, but, you know, you'll
20 note the rate's like twelve dollars (\$12) as well.

21 Okay. The -- so as was already
22 mentioned, for 2017/'18 rates, we're looking at the
23 average net income in the 2017/'18 and 2018/'19 fiscal
24 year. And the reason we'd look at that average is
25 because policies are sold all throughout the year, and

1 they earn over that period of time. So we take the
2 average.

3 What this table is doing is saying,
4 What did we predict for the rating year in last year's
5 GRA, 2016 GRA, versus the GRA that you have before you
6 now at 4.3 percent?

7 So first line, obviously we didn't have
8 a 4.3 percent rate increase assumed in last year's
9 GRA, so there's a \$30 million increase in -- in
10 revenue.

11 If you look in the claims section,
12 there's something that says, "interest rate impact."
13 And similarly in the investment section, there's
14 interest rate impact. That is the effect of the
15 Asset-Liability Management Program. And you'll notice
16 that those two (2) amounts are relatively small and --
17 and close to offsetting. So that effect is minimal.

18 On the second line, you'll see "net
19 claims incurred," about 12 million worse than we
20 expected last year. I'll talk about that shortly.
21 And investment income excluding the ALM impact, \$20
22 million worse than last year. So those were the two
23 (2) big-ticket items.

24 And if you just -- next slide. This
25 table is saying last -- last year when we came to this

1 hearing we would have predicted that '17/'18 rates
2 would have had a 1.1 percent rate decrease. And
3 there's some items that caused that forecast to
4 change, and now we're up to four point three (4.3).

5 So as I mentioned on the previous slide
6 ALM impact was small, there was a big hit to
7 investment income which I'll discuss, comprehensive
8 claims was about 1.7 percent of that swing, and then
9 all other 0.7. So those -- you start at negative 1.1,
10 and you add up those numbers, that gets you to the
11 4.3, so basically a 5 percent swing in rate. Okay.

12 So when we talk about the ALM program,
13 if there's a change in interest -- interest rates the
14 idea is that any market value changes to the bonds
15 will be offset by changes to the claim liabilities.
16 However, that -- that methodology doesn't address the
17 fact if you make a barely -- really aggressive
18 forecast.

19 So if you're forecasting interest rates
20 to go up two hundred (200) basis points, it doesn't
21 happen, you're not going to be buying bonds with a
22 coupon of 4 percent, or whatever. You're going to be
23 buying -- you know, two hundred (200) basis points
24 lower. That will affect interest income, bond
25 amortization, et cetera. The effect of that change

1 relative to last year is the two (2) numbers on this
2 slide equating to almost 20 million. So those -- that
3 impact obviously went up when we lowered our interest
4 rate forecast.

5 The other big impact is comprehensive
6 claims. It was a very difficult year for hail last
7 year, and really for the last five (5) years or so.
8 There has been speculation that, you know, it's
9 climate change related or -- or whatever. We've
10 talked to re-insurers. They've said the frequency of
11 storms seems to be increasing, and -- and other
12 insurers are saying the same thing.

13 What's happening with MPI is we have
14 re-insurance coverage for any single storm over 15
15 million, but that -- we're not getting storms over 15
16 million. We're getting hit with a whole bunch of
17 small storms, which is -- is very unique. It's not --
18 to the last I guess five (5) years. So we've been
19 struggling with this forecast. Last year we were --
20 it says hail claims are -- were 52 million over
21 budget. It should say comp. But hail, water, flood,
22 all those related perils are essentially driving this
23 change.

24 So incorporating that information,
25 obviously we put it into the averages. We don't

1 assume that it's going to happen again, but putting
2 that into the averages we increased our forecast by 12
3 million. Okay.

4 This last slide is really an all other
5 category of relatively minor impacts, still important
6 but minor. So I'll -- I don't need to go through them
7 but -- but they're there for your information. Okay.

8 This would be a good point to stop, if
9 -- if you wish?

10 THE CHAIRPERSON: Okay, thank you, Mr.
11 Johnston. We'll break until 1:15, and then we'll hear
12 from the public presenters at that time, okay. Thank
13 you.

14

15 (PANEL RETIRES)

16

17 --- Upon recessing at 11:58 p.m.

18 --- Upon resuming at 1:21 p.m.

19

20 THE CHAIRPERSON: I think we're going
21 to resume. We have public presentations now. We set
22 aside time. I'm going to turn the mic over to Ms.
23 Grammond and she's going to introduce the presenters.

24 I believe that we have a specific time
25 allocated for the presentations.

1 MS. CANDACE GRAMMOND: We -- we do,
2 Mr. Chairman. So we have, firstly, Mr. Chartier and
3 Mr. Goszer here on behalf of their client. So they
4 will be making a presentation, and then after that we
5 have Mr. Robyn Grey, who's a member of the public, who
6 has circulated a written document and will speak.

7 We -- we typically limit the
8 presentations to fifteen (15) minutes. But if you
9 need more, we can be a little bit liberal with that.

10 So with that, I would turn the process
11 over to Mr. Chartier.

12

13 PRESENTATION BY CANADIAN FLEET SERVICES:

14 MR. MICHEL CHARTIER: Good afternoon.
15 My name's Michel Chartier, and with me this afternoon
16 is Sam Goszer. We're here on behalf of Daniel B Inc.
17 It carries on business under the firm name and style
18 of Canadian Fleet Services.

19 I want to apologize for my cold. If I
20 don't come across as clearly as I should, it's the
21 cold's fault.

22 I want -- the presentation's going to
23 be relatively brief. I expect I'm going to go over a
24 few facts as to what brings us here today, and then
25 I'm going to ask my questions at the end, questions

1 that I'm hoping ultimately will be answered by MPI in
2 the context of today's proceedings.

3 Daniel B Inc., Canadian Fleet Services.
4 Amongst other things, our client is in the business of
5 transporting motor vehicles including cars, trucks,
6 and heavy equipment. The particular aspect of the
7 business which concerns us today is the transit of
8 vehicles, single-vehicle transportation, where
9 vehicles are driven rather than transported.

10 In other words, our client is retained
11 by an owner and is transporting a single vehicle that
12 is unregistered from point A to point B. That takes
13 place within the Province of Manitoba. That could
14 take place from one province to another. That could
15 take place from Canada to the United States or from
16 the United States to Canada.

17 Canadian Fleet Services has been in the
18 business since 1982. It employs approximately thirty
19 (30) people and serves five thousand (5,000) customers
20 annually. It moves fifteen thousand (15,000) cars or
21 vehicles per year. Approximately fifteen hundred
22 (1,500) of these yearly moves are what I would
23 describe as single-vehicle transports.

24 In these case, as I indicated, Canadian
25 Fleet Services is retained by the owner to effect the

1 move. A dealer plate is placed on the motor vehicle
2 in question, and the vehicle is driven from point A to
3 point B on behalf of the owner.

4 The types of vehicle owners that
5 require Canadian Fleet Services to transport these
6 unregistered single vehicles are, for example, the
7 following: estates. Vehicles in the context of
8 estates need to be moved from one place to another,
9 and the registration in the deceased's name, for
10 example, has expired.

11 In other -- another example is a
12 private buyer of a vehicle that is not registered at
13 the time of the purchase, for example at an auction.
14 Canadian Fleet Services comes in, affixes the dealer
15 plate to the vehicle, and then transports it to a
16 location that is predesignated.

17 Or used car dealers. And used car
18 dealers are probably the primary source of this type
19 of business. And that generally arises from used car
20 dealers buying vehicles at an auction in another
21 province, often Quebec, Ontario, British Columbia, and
22 transporting for sale in Manitoba.

23 If the dealer or local dealers have not
24 purchased enough units for a big transportation rig to
25 make -- to make sense, Canadian Fleet Services in the

1 past sends out drivers, affixes the dealer plates to
2 the units, and then the vehicles are transported from
3 one location back to Manitoba.

4 So those are the prime examples of
5 these single-vehicle transports that -- that are
6 effected by Canadian Fleet Services on behalf of
7 unregistered owners and require the use of the dealer
8 plates.

9 For over forty (40) years, Manitoba
10 Public Insurance has provided specialty licence plates
11 and automobile insurance coverage for businesses
12 involved in this type of enterprise. They are
13 commonly known as dealer plates.

14 Our client has fifteen (15) such plates
15 for which it pays fifteen hundred dollars (\$1,500)
16 annually for each plate.

17 Why are we here? For the lion's share
18 of the years that our client has been in business, it
19 used the dealer plates which it purchased as an
20 inextricable part of its business. As indicated, if
21 it was retained by an owner to make an unregistered
22 vehicle, or to move rather an unregistered vehicle
23 from point 'A' to point 'B', the plate would be
24 affixed to the motor vehicle, and a single -- single
25 motor vehicle would be moved as instructed by the

1 owner.

2 This is the way things were done until
3 2014. The governing legislation, namely the Drivers
4 and Vehicles Act, was interpreted by all interested
5 parties, including MPI, so as to permit the use of
6 dealer plates in the manner which I have just
7 described.

8 Notwithstanding the fact that the
9 operative portion of the governing legislation has
10 gone unchanged since its proclamation, MPI has taken
11 the view since 2014 that the dealer plats cannot be
12 utilized for the single vehicle move that I have
13 described earlier. Effectively, MPI takes the
14 position now that the use of a dealer plate to re-
15 locate non-owned vehicles on behalf of the owner for
16 compensation is not a permitted use of a dealer plate.

17

18 This unilateral re-positioning by MPI
19 as it relates to this issue is, in our view, contrary
20 to the governing legislation and diame --
21 diametrically in opposition of the implied and
22 expressed understand -- understanding communicated to
23 our client, and like businesses, of the use of dealer
24 plates for decades.

25 Those views may ultimately have to be

1 dealt with in another form in due course, and we
2 recognize that, and that isn't the question that we
3 have for the panel here today. However, what is
4 relevant in the context of today's presentation is the
5 fact that MPI will now obligate our client, and other
6 like businesses in the context of unregistered single
7 vehicle transports, to purchase temporary permits for
8 each vehicle transport.

9 Leaving aside the fact that the dealer
10 plate concept was des -- was designed for this among
11 other purposes, the temporary permit purchase
12 obligation will in practice become an obstacle to
13 conducting moves and may truncate our client's ability
14 to effectively move single vehicles on behalf of
15 owners.

16 Temporary permits would need to be
17 purchased, whether in Manitoba or in another
18 jurisdiction, or both. Powers of attorney signed by
19 the owners would have to be obtained in order for our
20 client to purchase temporary permits, to name a -- to
21 name but a couple of -- of these obstacles.

22 Our client pays forty-five thousand
23 dollars (\$45,000) a year annually to MPI to -- to
24 insure for these types of moves. That's fifteen (15)
25 plates at fifteen thousand (15,000) a piece -- or

1 fifteen hundred (1,500) a piece, I apologize.
2 Temporary permit revenue would be paid to MPI and to
3 our knowledge placed in what is commonly referred to
4 as the general pool.

5 The questions that we have with those
6 facts as a backdrop which are, in my view, relevant to
7 this presentation which -- and which we hope will be
8 answered by MPI and -- are the following, and with
9 these questions I will conclude my presentation. Just
10 before going into the presentation I think it might be
11 important to understand what -- just in Manitoba the
12 costs of temporary permits are.

13 The minimum amount of days for a
14 temporary permit purchase is five (5) days. Fifteen
15 thousand (15,000) transactions a year, low end, that's
16 fifty-seven thousand dollars (\$57,000). You can get
17 up to thirty (30) day permits at fifteen hundred
18 dollars (\$1,500) -- at fifteen hundred (1,500)
19 transactions, you're looking at a high end of
20 approximately three hundred and sixty thousand dollars
21 (\$360,000).

22 So the number could potentially be
23 anywhere in between that in terms of a cost -- an
24 annual cost to our client in relation to an average of
25 fifteen hundred (1,500) single vehicle unregistered

1 moves a year. So those are the numbers that we're
2 looking at from a practical perspective as a cost to
3 our client.

4 The questions that we have for MPI, and
5 in the context of this presentation: Can MPI confirm
6 our understanding firstly that the Basic temporary
7 registration permit costs, and that the payment flow
8 is into the Manitoba Public Insurance general pool?
9 That's question number one (1).

10 Question number 2: Is MPI aware of
11 other indi --

12 THE CHAIRPERSON: Mr. Chartier --

13 MR. MICHEL CHARTIER: Yes?

14 THE CHAIRPERSON: -- I might suggest
15 they're actually writing -- writing it down, as am I.
16 You might want to go just a little slower.

17 MR. MICHEL CHARTIER: Yeah, sure.

18 Absolutely.

19 THE CHAIRPERSON: Yeah.

20 MR. MICHEL CHARTIER: I'll repeat
21 question number 1. And if you want me to repeat it
22 once again after that, I'd be more than ha -- happy to
23 do so.

24 THE CHAIRPERSON: Sure.

25 MR. MICHEL CHARTIER: Question number

1 1: It is our understanding, and I would appreciate a
2 confirmation in this regard, costs associated and
3 payment for temporary registration permits, do they
4 flow into MPI general pool?

5 Question 2: Is MPI aware of other
6 individuals or businesses or entities making use of a
7 dealer plate for single unregistered vehicle
8 transports? Has MPI identified that transporters,
9 such as our client, have a higher incidence of
10 accidents than regular drivers?

11 Has MPI considered the impact of
12 shifting transporters from the dealer plate pool, or
13 the dealer pool, to the general pool from a general
14 rates perspective? Any repeating required at this
15 point?

16 MR. MATT GHIKAS: The last one.

17 MR. MICHEL CHARTIER: Has MPI
18 considered the impact of shifting transporters, such
19 as our client, from the dealer pool, which is the
20 money obviously paid as a cost of the dealer plate, to
21 the general pool, which would be the cost of the
22 temporary permits, from a general rates perspective?

23 And finally, has MPI considered the
24 impact on the general consumer of requiring
25 transporters, such as Canadian fleet services, to make

1 use of temporary registration permits from a cost
2 perspective both in respect of the cost to purchase
3 the permits and the administrative and coordination
4 efforts involved?

5 You want me to repeat that last one,
6 I'm sure. Has MPI considered the impact on the
7 general consumer of requiring transporters, such as
8 our client, to make use of temporary registration
9 permits from a cro -- cost perspective both in respect
10 of the cost to purchase the permits and the
11 administrative coordination efforts involved?

12 As I indicated, I'm going to conclude
13 the presentation with the questions that I've asked.
14 I'm more than happy to clarify any point that I've
15 made. And I'm more than happy to answer any question
16 that you might have.

17 THE CHAIRPERSON: Thank you.

18 MR. MICHEL CHARTIER: If there are
19 none, I'm prepared to leave and not waste any more of
20 your time.

21 THE CHAIRPERSON: Okay. No. Are
22 there any questions of the panel?

23 BOARD MEMBER BOTTING: Just one (1)
24 question here.

25 MR. MICHEL CHARTIER: Yes,

1 absolutely.

2 BOARD MEMBER BOTTING: Have you
3 already been using these temporary plates or are you
4 still using the dealer plates? Like, I understand you
5 say that changed in 2014, but I wasn't clear whether
6 you're already doing the temporary plates or whether
7 you're still using the dealer plates.

8 MR. MICHEL CHARTIER: Tha -- that is a
9 very good question. And the answer to that question
10 is as follows. Our client is in transition. And it
11 is attempting to determine what course of action --
12 action it should take.

13 One (1) of the forums, if I can put it
14 that way, in -- with the view to assisting it in
15 making a decision in ultimately how to proceed in the
16 future is this one. So it still has its dealer plates
17 and it is considering whether it will go a step
18 further and ultimately having the court determine
19 whether or not MPI's interpretation of the legislation
20 is a correct one.

21 That is a forum in which this
22 ultimately might proceed. And that's why I made those
23 comments earlier regarding the forum. And I
24 appreciate that this isn't the 'be all' and 'end all'
25 of the client's attempts at coming to an ultimate

1 solution as to what it should do, but it is an avenue
2 that it has chosen to share the concern that it has
3 from this perspective.

4 But I can tell you, for the lion's
5 share of the thirty-two (32) years it has been in
6 business, it has had those dealer plates. It has used
7 those dealer plates. Until 2014 there was no issue.
8 In 2014 MPI took the position that what it was doing
9 in terms of single vehicle unregistered transports
10 using a dealer plate wouldn't be covered by the dealer
11 plate pool

12 BOARD MEMBER BOTTING: Okay. Thank
13 you.

14 BOARD MEMBER NEVILLE: I have a quick
15 question. Have you -- you asked about the costs in
16 your last question. Have you developed models of the
17 costs for various scenarios that your company you're
18 representing, for the work that they do?

19 MR. MICHEL CHARTIER: You mean in
20 terms of what it ultimately would cost --

21 BOARD MEMBER NEVILLE: To travel
22 between provinces to the United States, different
23 kinds of vehicles. Have you developed any models?

24 MR. MICHEL CHARTIER: No, to answer
25 the question simply. The -- the costs expected in

1 terms of purchasing temporary permits have a low end
2 and a high end as I outlined earlier.

3 BOARD MEMBER NEVILLE: Yes.

4 MR. MICHEL CHARTIER: Depending on the
5 nature of the transport, depending on the distance of
6 the transport, those costs might be on the lower end
7 of the spectrum as I've described them, or they may be
8 on the higher end of the spectrum that I've described
9 them.

10 Unfortunately, from our client's
11 perspective, the issue of the cost is but only one (1)
12 of the conundrums that it faces, because in order to
13 purchase, for example, temporary insurance for a
14 vehicle you need the owner's consent. And more often
15 than not the only way to get that owner's consent
16 would be with a power of attorney unless the owner
17 went and did it himself.

18 And in certain cases it's practically
19 impossible to get that power of attorney, especially
20 if we're dealing with auctioned purchased transports
21 from the United States or other provinces in Canada,
22 estate -- I guess estates, it's not impossible, but
23 very impractical.

24 It's -- it's -- the practical aspect of
25 being able to make it happen becomes almost as onerous

1 as the cost associated with it.

2 BOARD MEMBER NEVILLE: Thank you.

3 MR. MICHEL CHARTIER: One (1) moment,
4 please.

5

6 (BRIEF PAUSE)

7

8 THE CHAIRPERSON: Mr. Guimond, I'm not
9 -- I'm -- I'm wondering if MPI has any comment or
10 would like to deal with this at a later point, either
11 in writing or -- or verbally with Mr. Chartier?

12 MR. DAN GUIMOND: Yeah --

13 THE CHAIRPERSON: I believe your
14 counsel is planning --

15 MR. DAN GUIMOND: -- I believe --

16 THE CHAIRPERSON: -- to answer.

17 MR. MICHAEL TRIGGS: Yes, Mr. Chair.

18 There is a long history with this matter as -- as has
19 been alluded to. We have a different perspective on
20 what the -- the facts are as compared to what has been
21 presented to you on that point. This matter is under
22 the DVA Act. It's a vehicle registration matter.

23 It's not within the jurisdiction of
24 this Board to deal with. That said, we will provide
25 written response to the questions that were asked and

1 we'll also provide our perspective on what the -- the
2 facts are in that written response and we'll copy the
3 Board with that matter.

4 There's a -- a fundamental difference
5 of opinion that has gone in this matter. This matter
6 has gone to the Ombudsman's office and they have
7 agreed with our perspective as well on this.

8 THE CHAIRPERSON: Thank you. Go
9 ahead. Thank you for your presentation, Mr. Chartier.

10 MR. MICHEL CHARTIER: Thank you for
11 your time.

12 THE CHAIRPERSON: Thank you.

13 MR. MICHEL CHARTIER: Good afternoon.

14 THE CHAIRPERSON: Thank you.

15 MS. CANDACE GRAMMOND: Mr. Chairman,
16 our next presenter is here. We'll maybe just take a
17 thirty (30) second break --

18 THE CHAIRPERSON: Sure.

19 MS. CANDACE GRAMMOND: -- to give him
20 an opportunity --

21 THE CHAIRPERSON: Sure.

22 MS. CANDACE GRAMMOND: -- to get set
23 up across the room.

24 THE CHAIRPERSON: Thank you.

25

1 (BRIEF PAUSE)

2

3 THE CHAIRPERSON: Mr. Grey, you have
4 to -- there's a little button that says, "push". You
5 got it? Okay.

6

7 (BRIEF PAUSE)

8

9 PRESENTATION BY MR. ROBYN GREY:

10 MR. ROBYN GREY: Oh, okay. Hello.
11 I'm Robyn Grey. Quite a while ago, I appeared at
12 these meetings -- I've appeared several times -- and I
13 asked the question: Why doesn't MPI have a complaint
14 department or somebody that an insured motorist could
15 go to if they had a problem with any of the -- what
16 MPI does?

17 And I was told, no, they didn't need
18 one because really, they said, this meeting, the
19 Public Utility Board annual review for the rates, was
20 the place to voice any complaints. So here I am.

21 A little background on myself. I've
22 been in the motorcycle business for probably over
23 fifty (50) years, owning three (3) motorcycle shops
24 including Harley-Davidson Winnipeg, which I started in
25 1978 and ran for twenty-eight (28) years.

1 In the 1970s, myself along with Dave
2 Johnson, a good friend of mine, a great man, brought
3 ABATE, which is an early bikers' right group, into
4 Manitoba. We kept the helmet law out back then. This
5 is back in the '70s.

6 Also in the '70s, choppers and custom
7 motorcycles were becoming very popular. The Manitoba
8 government con -- the Manitoba government at the time
9 contracted a friend and myself to test, evaluate the
10 testing results, and recommend the wording for the
11 legislation for the Highway Traffic Act in regards to
12 modi -- modifications to motorcycles. What you read
13 in there about motor -- motorcycles I wrote.

14 I founded the Coalition of Manitoba
15 Motorcycle Groups that today are present at these
16 hearings as a very effective Intervenor who have
17 gained the respect of MPI and who also works closely
18 with -- MPI also worked closely with the CMMG on
19 issues concerning Manitoba motorcycles --
20 motorcyclists and dealers.

21 Early on, my friend, Ray Oakes, joined
22 us to represent us at the PUB/MPI annual rate renewal
23 hearings. Ray, super job. Thank you kindly.

24 My concern is today only one (1) thing.
25 It's the way MP -- MPI markets and sells one (1) of

1 their insurance products, namely, the insurance to
2 raise the value of a motorcycle when parts along with
3 installation costs are installed or custom painting is
4 done.

5 The problem occurs in the event of a
6 total writeoff of a motorcycle. This is when the
7 owner learns that the insurance he purchased for the
8 added parts from MPI was not what he thought.

9 Nothing was said when he purchased it
10 from an Autopac agent, only a question: Do you want
11 the extra value coverage? was the question. My client
12 says, Of course, replies the customer, telling her
13 about his custom flame paint job and the other work
14 done.

15 He says, Another twenty (20) grand
16 should cover what I paid for the extras. The customer
17 now purchases an additional twenty thousand dollars
18 (\$20,000) coverage, believing everything was covered.

19 The customer has an accident and the
20 repairs are extensive and the motorcycle is written
21 off. MPI adjustors offered fifteen hundred dollars
22 (\$1,500) less than a very recent appraisal from --
23 from a Harley-Davidson dealer, Gaslight Harley-
24 Davidson in Morden. And also nothing was offered for
25 the added parts or work done that he had purchased the

1 extra insurance for.

2 He had everything he was told by a
3 senior MPI manager that included an appraisal, which
4 he had, and receipts for the added parts and work
5 done, which he also had.

6 The customer is told that -- that the
7 offer that they gave him is their final offer, and if
8 he wants more -- if he wants any more, as he -- as he
9 has paid MPI for the extra coverage, that -- okay.
10 Oh, I'm sorry.

11 The customer is told that's their final
12 offer, and if he wants more, as he has paid MPI for
13 the extra coverage, at his time and expense would have
14 to hire an arbitrator to deal with MPI. Unacceptable.

15 Thi -- this is one (1) of many stories
16 I've encountered as I have sold over five thousand
17 (5,000) motorcycles. I have appraised and arbitrated
18 motorcycles for forty-four (44) years for individuals,
19 insurance companies way before Autopac, corporations,
20 and MPI.

21 Another recent ar -- MPI forced my
22 client to go to the next stage as their arbitrator
23 would -- would not agree with our fair offer. This is
24 when an umpire hired by MPI decides the value after
25 both sides present their arguments. I won this one

1 handily and MPI paid my client -- client exactly what
2 we were asking for in the first place.

3 Again my client had to spend more money
4 -- time and money. MPI has -- MPI has failed to
5 instruct and educate their Autopac agents how to sell
6 and market this insurance product of Manito -- to
7 Manitoba motorcyclists. Nothing was explained to my
8 client by sell -- by the selling agent, nothing.

9 This is a broken system and it is long
10 overdue for an independent review and changes made so
11 it includes full disclosure, which does not happen
12 right now, to what the added insurance covers and,
13 more importantly, how it is paid out by MPI.

14 I'm asking the Board today to
15 facilitate an order for this to be an independent
16 review. I have the background and experience, and I'm
17 requesting to be part of this review. My client of
18 whom I have spoken about is present back there. And I
19 urge the Board to allow him to speak and relay his
20 experience with MPI staff over his current claim.
21 Thank you kindly for your time and consideration. And
22 I -- I'm open to questions.

23 THE CHAIRPERSON: Does the panel have
24 any questions?

25

1 (BRIEF PAUSE)

2

3 MR. ROBYN GREY: Can my client -- I
4 think it's important.

5 THE CHAIRPERSON: Well, I'm a little
6 concerned in sort of opening up case -- this hearing
7 for case-by-case reviews though.

8 Counsel? I don't know what the past
9 practice has been.

10 MS. CANDACE GRAMMOND: Yeah, I -- I
11 can't say I actually recall a presenter coming, and
12 then asking that another person also present. So, I
13 mean, we certainly had Mr. Grey registered as a
14 presenter.

15 MR. ROBYN GREY: I have -- I have been
16 present --

17 MS. CANDACE GRAMMOND: And --

18 MR. ROBYN GREY: -- at these PUB
19 meetings where that was allowed, so that's wrong.

20 MS. CANDACE GRAMMOND: Well, you --
21 you and I will have to agree to disagree. I would
22 also suggest, Mr. Chairman, that the coverage that Mr.
23 Grey's referring to is probably Extension coverage if
24 it's a voluntary purchase. So I'm assuming MPI could
25 confirm that, which, as we all know, isn't within the

1 purview of the Board.

2 MR. ROBYN GREY: Something is
3 drastically wrong here. Can't you see what I'm
4 talking about?

5 THE CHAIRPERSON: Yeah, just hold on
6 for a second, okay?

7 MR. ROBYN GREY: This is a very
8 important issue, and it won't stop here if I don't get
9 satisfaction --

10 THE CHAIRPERSON: Well --

11 MR. ROBYN GREY: -- I'll tell you
12 right now.

13 THE CHAIRPERSON: -- that's fine. You
14 have -- you have the right to do whatever you want,
15 sir.

16 MR. ROBYN GREY: I absolutely do.

17 THE CHAIRPERSON: Yes, you do, sir.

18 MS. CANDACE GRAMMOND: Speaking out of
19 turn probably isn't one (1) of them.

20 THE CHAIRPERSON: Yeah. Does anybody
21 at MPI know about this case or is it...?

22 MR. MICHAEL TRIGGS: Yeah, un --
23 unfortunately, no one on the -- on the panel is
24 familiar with the details of this particular case.
25 There are lots of cases that MPI deals with, you know,

1 in the year. Claims are filed. We are not familiar
2 with all of them.

3 There is -- you know, when you have
4 complaints about this there is a fair practice office
5 that reviews these matters and provides investigations
6 and reports back to the -- to the claimant on disputes
7 that they have with MPI and how matters are processed
8 and if there's any, you know, errors or improper
9 handling by the particular file by MPI staff. That is
10 acknowledged and put to the -- the claimant on those
11 circumstances.

12 As wa -- was sugge - stated, the
13 particular product they're talking about is an
14 Extension product, which is beyond the mandate of this
15 Board to deal with Basic products. Which our -- our
16 suggestion would be that, if Mr. Grey and his client
17 do have concerns, that they take those to our fair
18 practices office, and they will look into it and
19 conduct an -- an investigation of the way that the
20 file was handled.

21 MR. ROBYN GREY: Could I review that?

22 THE CHAIRPERSON: Well, I'll give you
23 -- you can provide a comment to that. Whether it's
24 Extension coverage or not, I'd be interested in that.

25 MR. ROBYN GREY: Well --

1 THE CHAIRPERSON: Because if it's
2 Extension coverage, we don't have jurisdiction over
3 Extension coverage, but...

4 MR. ROBYN GREY: So this is just
5 allowed to on with -- with the non-disclosure of what
6 -- what the product actually covers? This is -- this
7 is bordering on fraud, it really is. And I will be
8 looking into that. The Autopac agent doesn't explain
9 to my customer or any -- any of the clients I've had
10 in the past what actually they're buying for this
11 product. That's fraud and I'll take it to that.

12 THE CHAIRPERSON: Okay.

13 MR. ROBYN GREY: I don't understand
14 you people.

15 THE CHAIRPERSON: Just hold on. Mr.
16 Guimond...?

17 MR. DAN GUIMOND: I just -- on behalf
18 of the Corporation, if I understand the message that
19 you're communicating, is that when your customer went
20 to the broker and purchased insurance, it wasn't
21 properly explained what he was -- he didn't properly
22 understood what he bought?

23 MR. ROBYN GREY: Yes, exactly.

24 MR. DAN GUIMOND: And -- and may have
25 been -- ended up under-insured. And -- and so maybe

1 when -- if I understand, when the -- when the claim
2 occurred there might have been a -- a disagreement as
3 to what had been purchased or the kind of coverage
4 that your customer might have needed.

5 Is that -- the -- the broker didn't
6 really properly explain what the -- what coverage that
7 your -- your customer needed. Is that correct?

8 MR. ROBYN GREY: Exactly.

9 MR. DAN GUIMOND: Okay. So I can --

10 MR. ROBYN GREY: That's non-
11 disclosure.

12 MR. DAN GUIMOND: So -- so the -- what
13 I can do here if -- if that helps, is I -- I can take
14 a -- an action item on behalf of the Corporation.
15 We'll -- we'll talk to the Insurance Broker
16 Association of Manitoba. And if you want to share --
17 I -- I think you have your customer here.

18 If -- if you want to tell us the
19 customer name and exactly the -- the policy number and
20 so on, we'll -- we'll commit to look into it and --
21 and go back and talk to the broker and also assess if
22 -- if we need to do more training based on this
23 incident for our brokers. That's -- that's probably
24 the best I can do for you right now.

25 THE CHAIRPERSON: Mr. Guimond, can you

1 arrange a meeting with Mr. Grey and somebody in your
2 organization and look into it, to a view of what you
3 suggested, which is if there's a problem with the
4 brokers --

5 MR. DAN GUIMOND: We'll -- we'll
6 assign somebody through our fair practice to look at
7 it, and I'll -- I'll personally look at it, yeah.

8 THE CHAIRPERSON: Okay. Mr. Grey...?

9 MR. ROBYN GREY: This problem is not
10 the exception, it's the norm. Like I say, I've been
11 to harbour trading and -- and assessing motorcycles
12 for forty-four (44) years and I run into this problem
13 every time. Why would -- why would there -- MPI
14 offers then a thousand dollars (\$1,000), fourteen
15 hundred and fifty dollars (\$1,450) less than a -- a
16 current appraisal on the motorcycle and nothing's
17 added in for the added parts that he was told that was
18 covered.

19 THE CHAIRPERSON: Well, I certainly
20 can't talk about a specific incident --

21 MR. ROBYN GREY: No, an I understand
22 that.

23 THE CHAIRPERSON: -- and -- and that,
24 but what I -- what I would hope is that maybe we can
25 establish a process where you can meet with somebody

1 assigned by the president. You can talk through the -
2 - hopefully we can -- you can have some changes that
3 will satisfy the situation, or at least address some
4 of the problems.

5 MR. ROBYN GREY: Okay. I've got two
6 (2) questions that I would like answered.

7 THE CHAIRPERSON: Well, I guess you
8 can put them on the record. I -- I don't know if
9 we're going to get answers, you certainly -- today.

10 MR. ROBYN GREY: Where's the
11 transparency?

12 THE CHAIRPERSON: Well --

13 MR. ROBYN GREY: Non-existent.

14 THE CHAIRPERSON: Well, that's fine.

15 MR. ROBYN GREY: Okay. I've got two
16 (2) questions --

17 THE CHAIRPERSON: Put -- put them on
18 the record.

19 MR. ROBYN GREY: -- can I say them?

20 THE CHAIRPERSON: Sure.

21 MR. ROBYN GREY: I would like MPI to
22 provide me with any procedure they have regarding the
23 marketing of the value added insurance, any
24 instructions or marketing, or any other information
25 that's provided to the -- to the cli - the customer.

1 Number two is, what is the -- what is
2 the exact procedure for payment when there's a total
3 write off.

4 THE CHAIRPERSON: Okay.

5 MR. ROBYN GREY: How they asc -- how
6 they ascertain that value.

7 THE CHAIRPERSON: Okay. And, Mr.
8 Grey, I would suggest that you give them your contact
9 information before you leave so they can get you that
10 --

11 MR. ROBYN GREY: Yes, I appreciate
12 that.

13 THE CHAIRPERSON: -- information.

14 MR. ROBYN GREY: Thank you.

15 THE CHAIRPERSON: But I think that's a
16 fair -- a fair comment.

17 BOARD MEMBER BOTTING: Can I ask one
18 (1) question?

19 THE CHAIRPERSON: Sure, go ahead.

20 BOARD MEMBER BOTTING: Sorry, this is
21 just for clarification. At the outset you said there
22 was no complaint department.

23 MR. ROBYN GREY: No, there isn't.

24 BOARD MEMBER BOTTING: But I'm hearing
25 from MPI there's a fair practices. So I'm not sure

1 whether that's the same thing. But maybe there's --
2 it needs some clarification about where people can go
3 if there is a complaint. I -- I'm just not sure
4 whether there's a misunderstanding between the fair
5 practices and a complaint department, whether they're
6 the -- one in the same thing.

7 So maybe MPI could explain -- like I --
8 or why he was told there was no complaint department
9 or somebody's having miscommunication in terms of
10 naming.

11 MR. DAN GUIMOND: I think we'll just
12 have to -- to get to the bottom of it once we find out
13 the information.

14 MR. ROBYN GREY: Can I speak?

15 THE CHAIRPERSON: No, Mr. Grey. You
16 know what, I'm going to cut it off now. I appreciate
17 you coming here though. I mean, this isn't going to
18 be a -- an ongoing thing. Okay. We ask -- we
19 suggested fifteen (15) minutes, you've had twenty (20)
20 minutes. Okay?

21 MR. ROBYN GREY: I appreciate that --

22 THE CHAIRPERSON: Thank you.

23

24 (BRIEF PAUSE)

25

1 MR. ROBYN GREY: Thank you for the
2 opportunity, and I -- I appreciate listening to me.

3 THE CHAIRPERSON: Okay. Thank you,
4 Mr. Grey.

5 MS. CANDACE GRAMMOND: Mr. Chairman,
6 maybe a five (5) minutes break --

7 THE CHAIRPERSON: Yeah.

8 MS. CANDACE GRAMMOND: -- would be in
9 order? Thank you.

10 THE CHAIRPERSON: Yeah, we'll take a
11 five (5) minute break, and then we'll reconvene and --
12 and proceed with the MPI presentation.

13

14 --- Upon recessing at 1:57 p.m.

15 --- Upon resuming at 2:06 p.m.

16

17 THE CHAIRPERSON: Mr. Johnston, it's
18 all yours.

19

20 MPI PANEL 1, RESUMED:

21 DAN GUIMOND, Previously Sworn

22 HEATHER REICHERT, Previously Sworn

23 LUKE JOHNSTON, Previously Sworn

24

25 CONTINUED EXAMINATION-IN-CHIEF BY MR. MATT GHIKAS:

1 MR. LUKE JOHNSTON: Good afternoon.
2 Okay, onto the rate stabilization reserve. The rate
3 stabilization reserve, or the RSR, you're going to
4 hear probably a few different names for it, capital,
5 total equity, RSR. For the most part they're the --
6 we talking about the same thing.

7 In the last rate order, the Board asked
8 for a revised definition of the RSR, and we've
9 provided -- provided it here. So I'll -- I'll read
10 it:

11 "The purpose of the RSR is to
12 protect motorists from rate
13 increases that would otherwise have
14 been necessary due to unexpected
15 variances from forecasted results,
16 and due to events and losses arising
17 from non re-occurring events and
18 factors."

19 The new piece of that definition is in
20 italics, and the point or the important change to the
21 RSR definition is to recognize that we need an RSR
22 regardless of how we got there. Whether the RSR is
23 depleted because of one (1) event or a series of small
24 events or a prolonged issue that -- that drains the
25 RSR, it -- it doesn't matter. We -- we need adequate

1 capital. And so it -- that's basically what we're
2 saying.

3 And consistent with the revised
4 definition, we -- we just have an external opinion
5 from PricewaterhouseCoopers essentially saying the
6 same thing. That the rate stabilization reserve is
7 often used for more than just offsetting extreme one
8 (1) time events but rather absorbring (sic) --
9 absorbing variances from plan each year, so. Okay.

10 Okay, so on the topic of the RSR we
11 have a proposed range of the RSR, a minimum and a
12 maximum. The maximum RSR, or the upper end of the
13 RSR, MPI proposes to use the minimum capital test at
14 100 percent. So just a little bit of background on
15 the MCT.

16 So the MCT is a standardized test used
17 by the Office of the Superintendent of Financial
18 Institutions, or OSFI. They oversee -- they're the
19 federal regulator of all federally regulated insurers
20 in Canada. The MCT is -- is there to assess risk
21 faced by the P&C industry. So it is a -- obviously a
22 risk-based approach, and there's various risk loads
23 that are applied to balance sheet items, basically
24 assets, liabilities, and based on that information a
25 minimum capital requirement is determined.

1 The -- one of the key benefits of this
2 approach obviously is that there's a fairly objective,
3 consistent methodology that's applied in the same
4 manner to all insurers that OSFI regulates, and so
5 there's consistency in the approach. There's not a --
6 different judgments of all these different insurers,
7 and -- and the staff that work for those insurers.
8 There's one (1) standardized test. Okay.

9 So one obvious comment on MPI and the
10 MCT test is that MPI is not fed -- federally
11 regulated, so why use this test. Other public auto
12 insurers do use the MCT. ICBC has a minimum target of
13 100 percent MCT, and -- it's a minor typo in here --
14 the point at which rebates are determined for ICBC is
15 160 percent MCT. So once the capital -- or the ratio
16 goes beyond that figure, they consider rebates.

17 Similarly, SGI has a minimum -- or,
18 pardon me, a target MCT of 100 percent. So just to be
19 clear, MPI is proposing the use of this test as the
20 maximum, not the minimum. So the maximum would in --
21 in theory be the point where, if we're beyond that --
22 that value, we would start considering rebates.

23 So why -- why 100 percent MCT as an
24 upper target? So as I've already mentioned, it's --
25 it is a standard -- standardized test, and it's

1 literally used by everyone. Ours is notionally
2 approved, so we say accept MPI, but we're obviously
3 asking for a order to make this permanent.

4 As I mentioned, other govern -- other
5 public insurers have arrived at the same conclusion,
6 that this is a appropriate test for a government
7 insurer. It's independent, objective, externally
8 developed measurement of risk, so there -- the
9 subjectivity piece isn't there. It's also easily
10 comparable to other insurers.

11 In the private sector, OSFI will
12 actually intervene if you have a ratio at 150 percent
13 or lower. The average, last time I checked, MCT score
14 of a private insurer was 225 percent.

15 There is an additional 50 percent. So
16 to go from the 100 percent MCT to the supervisory
17 target from OSFI of 150 percent, there's this extra 50
18 percent load that is there to deal with strategic type
19 risks, operational risks, things like that, that MPI
20 agrees would likely not be applicable to a monopoly.

21 But the core portion of the test is
22 really just looking at the risks of different type of
23 assets and liabilities. And those risks exist whether
24 you're a monopoly or a private insurer.

25 The other important piece here is

1 sometimes the Corporation is asked, Okay, prove that
2 100 percent MCT is the -- is the number for MPI -- not
3 in those direct words, but implied.

4 It's -- clearly there's this test
5 developed by OSFI. There's a lot of experts that have
6 spent time studying this. OSFI has huge informational
7 advantages over MPI. They're looking at every fed --
8 federally regulated insurer in the country.

9 They have, yeah, a huge informational
10 advantage over -- over MPI. So we think it's very
11 prudent to use this industry-wide test as the upper --
12 as the upper range for our RSR.

13 Okay. So the lower RSR target is based
14 on the dynamic capital adequacy test. So the thinking
15 here by -- by the Corporation is we understand the
16 resistance to go to a purely external MCT-based test.

17 The DCAT is the opposite. It is a
18 internally-developed, collaborative process that we've
19 gone through to try to assess the risks to MPI's
20 financial position and -- and forecasts.

21 For those that haven't been here the
22 last few years, we spent a lot of time collaborating
23 and -- and hammering out the details on this -- what
24 is really a scenario analysis of -- of the
25 Corporation.

1 So as it says here, the purpose of the
2 DCAT is to identify plausible threats to satisfactory
3 financial condition, actions that would lessen the
4 likelihood of those threats, and actions that would
5 mitigate a threat if it materialized.

6 We updated the DCAT calculation based
7 on the revised four point (4.) -- or 2 plus 2.3
8 percent rate indication. And that lowed the RSR
9 target to 159 million. Why? Well, if we have a lower
10 interest rate forecast, the risk of being wrong is --
11 is -- was lessened, so.

12 And you've heard Mr. Reichert talk
13 about the standard interest rate forecast and how much
14 risk exists if that doesn't materialize. If we lower
15 that forecast, we're obviously taking less risk.

16 In MPI's view, we've exhaustively
17 tested the scenarios. Been as transparent as possible
18 on the -- in the technical conferences and
19 demonstrations and collaborative process, so. We
20 believe that -- that this report is -- is accepted by
21 the parties, but we'll -- we'll hear from them in the
22 next few weeks.

23 I'm not going to go into the -- the
24 details of all these numbers. But for the Board's
25 understanding, we have a base case scenario that we

1 file with the PUB. And these scenarios that we've
2 collaborated on are run through our financial model,
3 and we have different impacts.

4 So the key risks are the interest rate
5 decline scenario, equity decline scenario, high loss
6 ratio or claims incurred scenario. And then the
7 combined is any combination of those impacts, okay?
8 And this -- this slide just shows that -- the MCT
9 scores for that scenario. Next.

10 Before -- before management action --
11 okay, so in the DCAT we run the scenarios first just
12 to see how big the risk level is. And then we say,
13 okay, well, what -- what do we think MPI and the --
14 the Public Utilities Board would do about -- would do
15 if the scenario occurred.

16 Before management action, our most
17 adverse one (1) in forty (40) year scenario is a
18 combined scenario of interest rate equity losses and
19 claims. This scenario causes a \$303 million reduction
20 from the base forecasts over the -- or by the end of
21 2021.

22 To give you an example of a scenario
23 that would do -- that would have that impact, it would
24 basically mean interest rates stay flat. We'd have
25 accumulative equity return -- returns over the period

1 of 5 percent, so not even negative, and claims would
2 be over budget by 72 million.

3 Our last three (3) years of actual
4 experience has been very close to our one (1) in forty
5 (40) scenario. We've had stock market crashes. We've
6 had deteriorating interest rates and we've had poor
7 claims experience, so we're -- as we've talked about
8 in here, we've had two (2) \$70 million plus transfers
9 in the last two (2) years. We're asking for a lower
10 RSR target of 159 million.

11 The one (1) in forty (40) year
12 tolerance is MPI's understanding of -- of the Board's
13 tolerance through discussions here and the
14 collaborative exercise, and so one (1) in forty (40)
15 has been selected. And our understanding from the
16 last order is that was acceptable to the Board. Okay.

17 The management and regulatory action
18 assumptions in the DCAT are extremely important.
19 Given the Corporation's monopoly position, if a rate
20 increase is assumed to happen or a surcharge, it's
21 reasonable in the DCAT to assume that you'll -- you'll
22 get that money, obviously. That wouldn't be the case
23 for a private insurer.

24 What we've assumed in the DCAT for
25 management action is that in no year will the

1 combination of a rate increase or a rebuilding fee
2 exceed 5 percent. And we looked at history for
3 guidance there. When we did have RSR rebuilding fees
4 in the past they never were more than 2 percent at a
5 time. And we haven't had, to my knowledge, any rate
6 increase over 5 percent in the last several decades.

7 We assume no capital transfers between
8 lines of business in this DCAT, again recognizing that
9 that has occurred. But there -- for the most part, we
10 drained all excess capital from the competitive lines
11 with the last transfer. It doesn't mean -- it may
12 rebuild in the future, but at that time there was no
13 excess capital left, or close to none.

14 And then, of course, each scenario is
15 unique. And if you go through the DCAT scenarios
16 you'll see how we assumed the Corporation and the
17 Board would act to any particular circumstance. Okay.

18 The -- in the DCAT we have to look at
19 not only the scenarios that occur, but the time period
20 that they can occur in. So what you're seeing here is
21 the 1:40 year scenarios, the worst 1:40 year scenario
22 on a one (1) year, two (2) year, three (3) year, and
23 four (4) year basis. So over the next twelve (12)
24 months would an example of a one (1) year scenario.

25 The data here is saying that 1:40 years

1 you could expect to fall from 196 to 53 million,
2 roughly a \$150 million decline over a one (1) year
3 period. The two (2) year line, 196 falling to 38, et
4 cetera, et cetera.

5 The grey cells are there because
6 they're not -- the -- the data is there, but really on
7 the one (1) year we're saying what could be the worst
8 thing that could happen to you in -- in one (1) year,
9 so. Okay.

10 And these -- these figures are the
11 difference from the base, so those are the numbers I
12 just mentioned. Over a two (2) year time period with
13 management action, 1:40 years we would expect to lose
14 \$175 million from our base and the MCT scores. That's
15 right.

16 The next question in terms of det --
17 determining the RSR target, this was -- this procedure
18 that was developed through the collaborative exercise,
19 the question was, what is the minimum amount of
20 capital or RSR that MPI could have at the start of the
21 rating period such that our RSR would stay above zero
22 for all 1:40 year scenarios. And that's what this
23 table is showing, that 159 million is the -- is the
24 minimum amount you'd have to have to -- to stay at
25 zero, basically. And that's how we got the -- the

1 minimum RSR.

2 Okay. Again, just an example of such a
3 scenario would be flat interest rates, equity decline,
4 and claims over budget. Very, very similar to what
5 we've experienced in very -- in recent years. But
6 again, this is just an example. There's an -- an
7 infinite number of combinations I could do there.

8 The real -- we -- we have a unique
9 process in -- in Manitoba. We are using the DCAT to
10 establish this number, this 159 million. But what I'm
11 signing in the DCAT is really the satisfactory future
12 financial condition of this line of business.

13 So what -- what do we need for
14 satisfactory future financial condition? The first
15 point, all the scenarios that we run at the 1:40 year
16 level maintain a positive RSR through the forecast
17 period, which they do. And obviously our -- we want
18 our base scenario to meet the regulator's minimum RSR
19 target.

20 So if we were -- obviously if we were
21 already under the target order by the PUB that
22 wouldn't be a satisfactory financial condition. So
23 based on those two conditions, my opinion is that
24 Basic is satisfactory. As of February 29th we have
25 \$231 million in RSR.

1 Okay. So to wrap up this section,
2 under the fifty (50) -- the revised fifty (50)/fifty
3 (50) interest rate forecast we're proposing a minimum
4 RSR target of 159 million based on the DCAT and a
5 maximum RSR of 411 million based on the MCT.

6 So just really quickly, why -- why
7 would the DCAT have such a lower number than the --
8 than this external MCT test? A couple of reasons.
9 First of all, the -- the DCAT -- we've selected one
10 (1) in forty (40) year tolerance, so the MCT is closer
11 to a one (1) in one hundred (100) year threshold. The
12 DCAT has significant management action assumptions in
13 -- in the report.

14 And lastly the -- the collaborative
15 exercise, when we developed those scenarios we came to
16 an agreement on how we were going to handle certain
17 items. Inflation. We decided to exclude some
18 historical periods from equities and interest rates,
19 and such. That's not necessarily true in terms of
20 development of other actuaries' DCATs, or the MCT
21 test.

22 I can say though that the DCAT that we
23 have today, it would be difficult for me to sign that
24 report at any -- any lower of a number. Like we've
25 really, you know, stressed those assumptions as -- as

1 much as we can. We've removed some historical periods
2 that are very relevant from that modelling, but I've
3 characterized them as reasonable but I'd struggle to
4 go any lower than that. Okay, thanks.

5 MR. MATT GHIKAS: Before we switch
6 over, I just had one (1) clarification question for
7 Mr. Johnston, if we -- if -- Mr. Johnston, would you
8 just go back to slide 41, if we could go back there?

9

10 (BRIEF PAUSE)

11

12 MR. MATT GHIKAS: And -- and in this
13 slide it indicates that the -- the minimum for ICBC is
14 -- Basic insurance is -- is 100 percent MCT and the
15 target for SGI is 100 percent MCT.

16 Could you tell me what, or either one
17 of you I guess, tell me that if you -- what the MCT
18 conversion would be for the minimum RSR based on what
19 it is today, the capital amount that -- that you
20 provided?

21 MR. LUKE JOHNSTON: Just taking the --
22 if I understand correctly, just taking the -- the 159
23 million target as a percentage of MCT, that would be
24 38 percent MCT squared.

25 MR. MATT GHIKAS: Thank you. Sorry, I

1 interrupted you, Ms. Reichert, go -- go ahead.

2 MS. HEATHER REICHERT: Mr. Chair, I
3 just did want to check. Was there any desire to have
4 a break before we get into mine? I think I have a --
5 I don't know, it's probably about thirty-ish (30)
6 slides. It will take likely about half an hour. We
7 can press on, take a break, give you a rest?

8 THE CHAIRPERSON: No, we'll take a ten
9 (10) minute break, and then we can finish it off this
10 afternoon. Okay.

11 MS. HEATHER REICHERT: Okay.

12 THE CHAIRPERSON: Thank you.

13

14 --- Upon recessing at 2:29 p.m.

15 --- Upon resuming at 2:40 p.m.

16

17 THE CHAIRPERSON: We're going to
18 resume. I understand that we need to finish by 4:00,
19 and I was talking to Ms. Reichert and counsel. I
20 think what we'll do is once you're finished your
21 presentation, we'll adjourn for the day and then we'll
22 start with cross tomorrow morning, okay.

23 MS. HEATHER REICHERT: Okay. So I
24 will try to make a whole bunch of numbers sound
25 really, really exciting. Okay. So this first side is

1 the actual results for the 2015/'16 year which ended
2 February 29th, 2016. So as reported in our annual
3 report, or sorry on the Basic's side of statements
4 because we do produce audited statements for the Basic
5 line of business by itself.

6 We reported a loss of \$56 million
7 compared to what was budgeted from last year's --
8 reflected in last year's General Rate Application of a
9 \$15 million profit. So that is worse-than budget by
10 \$71 million.

11 Now, if you look down the column that
12 says 'Better/Worse,' you'll see there is quite a few
13 large numbers. But I'm going to draw your attention
14 to a couple and then just talk in the next slides
15 about the -- the main contributors to that \$71 million
16 loss.

17 There is a slight typo on this page.
18 So if you look at -- under 'Total Claims Incurred,'
19 there's an interest rate impact. So this is the impra
20 -- impact of a change in interest rate to claims
21 liabilities.

22 And you'll see on the 'Better/Worse'
23 column that there's a -- there was worse than budget
24 situation of 26.6 million, which means we were
25 budgeting for claims to reduce by 101 million in the

1 budget based on assuming increasing interest rates
2 during the year.

3 The interest rates did not increase as
4 was anticipated. So we did still have a reduction in
5 our claims liabilities, but it was 75 million in -- in
6 actual fact, causing a worse-than budget situation of
7 26.6 million.

8 Now, that negative variance of 26.6
9 million, if you carry your eyes down that column to
10 the interest rate impact that is the line shown
11 underneath total investment income, you see 33.3
12 million in brackets. That really should be
13 unbracketed.

14 So with the interest rates -- with the
15 budget that we were putting forward for the 2015/'16
16 year, we were assuming that there would be a decrease
17 in the value of our bond portfolio by 85.8 million --
18 again, because we were assuming interest rates were
19 going to increase during the year of this budget.

20 They did in fact decrease, but they
21 didn't decrease -- the value of the bonds did not
22 decrease as much as we anticipated because the
23 interest rates did not increase as much as we
24 anticipated.

25 So we actually saw a reduction in the

1 value of our bonds of 52.5 million, which caused a
2 favourable -- in this case favourable variance,
3 unbracketed, \$33.3 million positive variance. So the
4 net of that 26.6 and the 33.3 positive was a net
5 positive in -- in variance for the '15/'16 year.

6 So I just wanted to draw your -- draw
7 you to -- draw your attention to those two (2)
8 numbers. You will see -- you'll see that we break out
9 interest rate impact on our claims and on our bonds in
10 other schedules that you'll see in the presentation.

11 So going to the next page, so once you
12 -- once you look at those big numbers that basically
13 offset one another, there are two (2) other large
14 numbers that essentially account for the fact that we
15 are 71 million worse than budget in '15/'16.

16 And that is total claims incurred are
17 worse than budget by 51.9 million, and interest --
18 sorry, if you -- I'm sorry, Diana. If you can go back
19 -- yeah, sorry. So you see 51.9 million there, total
20 claims incurred, are worse than budget. And the other
21 item that was worse than budget for the '15/'16 year
22 was total investment income, and it was worse by
23 twenty-six point five (26.5).

24 Yes?

25 THE CHAIRPERSON: Sorry -- sorry to

1 interrupt, but I look at the interest rate impact as
2 negative 52.5. And then the budget was 85.8, which
3 means a pos -- you're positive 33.3, right?

4 MS. HEATHER REICHERT: Right.

5 THE CHAIRPERSON: That's what you said
6 Take away the brackets?

7 MS. HEATHER REICHERT: Right.

8 THE CHAIRPERSON: Well, I look up at
9 interest rate impact above 75.3 in brackets, and then
10 it's a hundred and one (101) was the budget in
11 brackets. Shouldn't that be a positive 26.6?

12 MS. HEATHER REICHERT: No. And I --
13 and I'm sorry because it is -- it is difficult because
14 in the case of the interest rate impact for total
15 claims incurred, that's impacting an expense. So when
16 you're reducing an expense, that's a good thing. We
17 actually reduced the expense by 75 million, but we
18 were budgeting to reduce the expense by 101 million.
19 So that's a worse-than budget situation.

20 And then the investment income, of
21 course, is the opposite way, it's an income. Sorry,
22 just it's really hard to keep the brackets all going
23 the right way. Okay.

24 So the other two (2) big numbers then
25 that we'll talk a little bit about, the 51.9 million

1 for total claims incurred, and then total investment
2 income of 26.5. So on to the next page now.

3 So 33.3 of that 51.9 million was
4 because of higher physical damage claims. Mr.
5 Johnston mentioned earlier today in the presentation
6 that we had a \$42.6 million worse-than budget
7 situation for comprehensive claims. The largest part
8 of that was due to hail. The 12.2 percent increase in
9 hail that's cited there, there was a 12.2 percent
10 increase in the severity of hail claims, so they were
11 -- they were larger on a claims basis by 12.2 percent.
12 Plus the frequency of hail claims also increased
13 substantially this year.

14 So they contributed the bulk of that
15 52.6 million in comprehensive hail together with --
16 with storm -- other storm-related perils, flood, you
17 know, what have you. Now, that negative variance in
18 comprehensive was offset by some positive experience
19 in collisions of 17.8 million, and then small, modest,
20 better-than budget situation for property damage
21 generally.

22 Another contributing factor to that
23 51.9 million was a 34.6 million higher PIP claims.
24 And these are non-discounted PIPP claims. So just
25 gross value of PIPP claims on an undiscounted basis

1 were worse than what we anticipated by 34.6 million.

2 The next line there, the 6.7, is what I
3 was just walking through on the previous page, is the
4 net positive variance because of the fact that
5 interest rates did not increase as much as we
6 anticipated them to.

7 So offsetting those two (2) claim --
8 significant claims variances of 52.6 for
9 comprehensive, and then the 34.6 for the -- the PIPP
10 claims, there's a \$15 million change in the -- in the
11 deferred policy acquisition cost write down from the
12 previous fiscal year.

13 And just to explain a little bit, and I
14 know that Mr. Johnston will jump in if I misspeak, but
15 when there is a premium deficiency the chief actuary
16 is required to write down deferred policy acquisition
17 costs. Now, when the situation with respect to the --
18 the premium deficiency is rectified, then we are
19 allowed to reinstate those deferred policy acquisition
20 costs. And so, essentially, that is what has
21 occurred.

22 We wrote them down two (2) years ago,
23 and then last year were able to reverse that write
24 down. So that was a positive -- that was a positive.
25 That was a recovery of a -- of a previous write down,

1 and that helped to reduce that overall negative impact
2 on claims liabilities.

3 The other major item that I referred
4 to, the 26.5 million lower than expected investment
5 income that resulted from equities and alternative
6 assets, in '15/'16 we -- mainly due to oil and gas
7 equities, we needed to take a permanent impairment.
8 And that permanent impairment was close to 33 million
9 in '15/'16, almost totally related to oil and gas
10 equities. And that's what contributed to the overall
11 negative 26.5 variance. Okay.

12 So that's the story for '15/'16. Now
13 onto the '16/'17. Now, these are year-to-date
14 financial results for our second quarter which was
15 just released today. We will be providing the panel
16 members with the -- I always call it the glossy, but
17 the -- the formal public report of our second quarter
18 results on a corporate basis. That will be provided
19 tomorrow morning. We just wanted to make sure we had
20 copies that were -- were colour so that they were more
21 readable than just photocopies. So we'll have that
22 for you for tomorrow morning.

23 So this are -- this, pardon me, is the
24 actual results. So year to date for Basic again only,
25 what you will receive tomorrow are corporate results.

1 They will not reflect the same information. The
2 actual loss year to date is fifty -- is \$52.7 million.

3 We were budgeting, again, to have an
4 income of twenty-six point nine (26.9). So we have a
5 negative variance for the first six (6) months of
6 \$79.6 million. Again, I would like to draw your
7 attention to, under net claims incurred, the interest
8 rate impact, which is showing a worse than budget
9 situation of 119.7 million.

10 So in this particular case we were
11 budgeting for interest rates to increase and to
12 contribute to a positive 36.9 million. So a reduction
13 in our claims liabilities of 36.9 million.

14 Unfortunately, interest rates have not
15 increased. They have stayed flat and have actually
16 decreased in the first six (6) months. They're at one
17 (1) of their all time lows. I think they were at
18 their -- one (1) of their all time lows in August.

19 So instead of being able to reduce our
20 -- our claims expense -- or pardon me, our -- our claims
21 liabilities, we've actually had to increase them based
22 on that discount -- on the lower discount rate. And that
23 has cost us 82.8 million. So we are seeing an
24 unfavourable variance of 119.7 million.

25 Because we match our claims liabilities

1 with our fixed income bonds, when the interest rates
2 move and impact the discount rate of our claims
3 liabilities, the same thing happens with the fixed
4 income bonds that are reflected at market value.

5 So when you look at the interest rate
6 impact under the investment income line, you will see
7 there a positive variance to budget of seventy-six
8 point eight (76.8), which is for the most part
9 offsetting, not entirely, but is offsetting a great
10 proportion of the interest rate impact on the net
11 claims incurred.

12 So the next of that one hundred and
13 nineteen point seven (119.7) worst than budget
14 variance with the seventy-six point eight (76.8)
15 positive variance on -- on fixed income bonds, that
16 nets to a worst than budget situation of 42.9 million.

17 It accounts for, again, a great
18 percentage of the overall 79.6 million worse than
19 budget situation. The other items, and to the next
20 page, the other large item, and I'll just speak to the
21 one (1) on this page, is there's some unfavourable
22 physical claim -- physical damage experience in the
23 first six (6) months, that it's worse than what we
24 were anticipating by 22.1 million.

25 So essentially, all the other things

1 plus and minus relatively net out. The main
2 contributors to our worse than budget situation for
3 the first six (6) months of this year has to do with
4 unfavourable physical dam -- damage experience and the
5 claims discount rate and the bond interest rates not
6 perfectly offsetting one another and creating a -- a
7 unfavourable variance of an additional forty-two point
8 nine (42.9).

9 So that essentially is the story for
10 the first six (6) months of this fiscal year. Okay.

11 Okay. So now there are so many
12 different scenarios, there's so many things that we
13 compare and contract. And this particular slide
14 reflects this situation. The first column, it says,
15 "2017 GRA Budget." Actually, it should say, 2017 --
16 it should say, 2016/'17 Forecast. It's an updated
17 forecast to the end of this current fiscal year using
18 what actually occurred with interest rates in the
19 first six (6) months and assuming that interest rates
20 from now until the end of the year reflect closer to
21 what a 50/50 forecast would reflect.

22 Rather than that high standard interest
23 forecast that we've been talking about not coming to
24 fruition, we replaced that for the purposes of this
25 forecast with the 50/50 interest rate forecast. So 50

1 percent of the current interest rates and 50 percent
2 of that standard interest rate forecast for this
3 particular fiscal year, being the one that we're in.

4 So that's what the column '2017 GRA
5 Budget' is reflecting. It's an updated forecast. So
6 based on that, the net income would be a loss for --
7 of 34.7 million. Last year in the GRA when we were
8 forecasting for 2016/'17, we were forecasting overall
9 to loose 11.4 million.

10 So that's a further deterioration from
11 last year at this time, or last years -- during the
12 GRA. That's a further deterioration of 23.3 million,
13 just reflecting more realistic interest rate forecast
14 for the Corporation.

15 Okay. Now, on to expenses. Okay.
16 Again just to remind that we talk about the rating
17 period as being '17/'18 and '18/'19 fiscal years when
18 we're talking about 2017 rates. The total average
19 expenses in that rating period are 228.8 million.
20 Last year in the GRA for that same -- for the same
21 time period we were forecasting average rating period
22 expenses of 227 million. So that's a difference of
23 1.8 million, or a slight increase of .8 percent.

24 Almost all of the increase from what we
25 were forecasting last year to what we are putting

1 forward in this years forecast, almost all of it is
2 with respect to increasing the -- the budget for the
3 road safety loss prevention program. There are other
4 things that have gone up and down, but when those net
5 out essentially you're left that the major impact was
6 increase in the road safety loss prevention budget.

7 Okay. Just again to maybe remind
8 folks, when we talk about expenses during the hearing
9 there are three (3) -- three (3) categories of
10 expenses. There are what we call normal -- excuse me,
11 normal operating expenses, and those are the day to
12 day operating expenses to run the Corporation.

13 The second category is for improvement
14 initiatives whether it be an IT initiative or some
15 other initiative that we are -- are doing to improve
16 our operations. There is sometimes expenses that are
17 not capitalized that are continued to be expensed
18 through our financial statements, and those we call
19 implementation expenses.

20 Because we have to forecast five (5)
21 years when we come to the Public Utility Board, when
22 we are doing an improvement initiative we also look to
23 see when that improvement initiative is going to be
24 completed. If it's of a spatial nature then we
25 forecast the amortization of that capital.

1 So that is what we refer to as
2 improvement initiatives ongoing expense. So it's not
3 yet into normal operations because it's relating to an
4 improvement initiative that have -- that is still in
5 progress, is still in process, hasn't been completed,
6 and is being forecasted that when it does finally
7 complete it will start to incur amortization of
8 deferred expenses, depreciation of any capital assets
9 that were purchased as a part of whatever the
10 initiative was, and other expenses that might be
11 software maintenance or other operating expenses that
12 are impacted by a particular project.

13 So those are the three (3) main
14 categories that all get reflected and forecasted as
15 expenses in -- in our forecast and in the General Rate
16 Application.

17 So on the next page, this Basic's share
18 of normal operating expenses. I'm not going to go
19 through each of these lines in -- in detail. You can
20 see that we have shown a subtotal before amortization
21 and depreciation.

22 Amortization and depreciation, that
23 line is -- is driven by whatever the improvement
24 initiatives are that are -- because it's -- this is
25 showing a normal operating, this is for already

1 completed projects. So these are things that already
2 are operating at MPI.

3 And that -- so you can see there the --
4 there -- it's relatively stable. Those numbers will
5 increase as additional projects are completed and
6 start to amortize or depreciate.

7 Overall, again drawing your attention
8 to the '17/'18 and '18/'19 rating years, the average
9 is what impacts on the -- on the -- the rate
10 indication. You can see there that it -- this is
11 showing overall 1.2 percent in '17/'18 compared to the
12 previous year, and '18/'19 is showing a 4.1 percent
13 over the -- its previous year.

14 The big driver in '18/'19 is the fact
15 that it's about every three (3) years, three (3) to
16 four (4) years, there is a computer refresh that has
17 to occur. That -- that's the lifespan of -- of
18 desktop computers now. And so that is going to happen
19 again in '18/'19, and that's what's significantly
20 increasing that -- that overall percentage increase to
21 4.1 percent.

22 Okay. I think I may have covered most
23 of this except for the third bullet here. And we'll
24 talk more about compensation expense. Obviously
25 compensation expense, if you -- if you look --

1 actually, if we can just quickly look back to the --
2 the previous one.

3 You can see, of the two hundred (200)
4 and some odd total expenses that we incur,
5 compensation is in and around 130 million of that 220
6 million, okay? So it is by far the largest expense
7 that we have.

8 So with respect to compensation, we
9 forecast that compensation based on contracts that
10 have been negotiated with the -- with the union. And
11 we just recently completed a negotiation in this --
12 this past September. So we actually know what the
13 contract increases are slated to be for the next four
14 (4) years, and those are factored into our forecast.

15 As well, we factor in -- and -- and
16 I'll get to a page that shows all the different
17 components, but another major thing that we factor in
18 to compensation is that when individuals go up the pay
19 scale based on -- based on merit, based on their
20 seniority, that's -- a step on scale is typically a 3
21 1/2 percent increase in their salary.

22 Not everybody is moving up the scale.
23 Some are already at the top of scale. So we typically
24 estimate about 50 percent of the staff will have a
25 movement up the scale, and that's an additional 1.75

1 percent that we have to include in our overall
2 compensation increase.

3 So between what we know is in the
4 contract that's going to impact the rating years of
5 1.75 for the -- for the general salary increase, plus
6 the 1.75 for these steps on scale, you would expect to
7 see at least a 3 1/2 percent increase in compensation.

8 You don't see that in the forecast for
9 the rating years because we -- we have forecasted
10 position reductions. There -- we typically call them
11 full-time equivalent reductions. So the full-time
12 equivalents, FTEs, it's an acronym for -- for staff.

13 So we are forecasting staff reductions
14 that have kept that overall increase in compensation
15 less than what the contracts themselves would -- would
16 indicate they should go up by.

17 So the next slide, just -- it does
18 break down and it shows the 2.7 and the 2.8 percent
19 that we are forecasting to have compensation in total
20 increase. You can see the various components there.

21 I just wanted to talk very briefly
22 about 2015/'16 actual. It is showing that it went up
23 by 5.1 percent for compensation. That sounds
24 extremely high. It's not being driven by the gross
25 salaries. It wasn't driven by the contracted

1 increases in -- in the union agreement.

2 The gross salaries themselves only went
3 up by 2.1 percent. What is really impacting that 5.1
4 percent is that -- the cost of the pension plan, what
5 the employer needed to contribute on behalf of
6 employees to the defined benefit pension plan. That
7 increased 11 percent. And that had about a 2.7
8 percent of that 5.1 percent impact, so 2.7 of that was
9 just due to that pension increase.

10 If not for the pension increase, our
11 overall compensation would only have increased about
12 2.4 percent in line with previous and -- and future
13 years. So I just wanted to highlight that because I
14 know it does stand out and look like -- looked like
15 something was out of control, it really was the
16 defined benefit pension costs that are increasing.

17 So I think I've touched on pretty much
18 all of the reasons, but just to recap. So the five
19 (5) reasons that our compensation expense does
20 fluctuate and increase. Typically, the general wage
21 increases are negotiated, changes in the number of
22 staff employed. Increases would obviously increase
23 our expense, but we have in fact forecasted to
24 decrease, so that's decreasing our expense.

25 The movement on scales that is

1 typically about 1 3/4 percent. And those are embedded
2 in the contract. It is stipulated, you know, what
3 each step on scale re -- relates to. Job
4 classification changes. If there's a change in the
5 mix of the type of staff, that can either increase or
6 decrease our costs. And, as I just mentioned, changes
7 in benefits is -- can be quite a significant -- both
8 in costs and in the type of benefits. Okay.

9 I -- I've already commented that the
10 general wage increase that was negotiated, it was
11 based on the mandate that was provided to the
12 Corporation from the Compensation Committee of
13 Cabinet, that's through the province. So that new
14 contract September 2016 goes until September 2020.

15 What was negotiated was 2 percent, 2 --
16 1.5, 2, and 2.75. Each of those increases are
17 effective in September. So what we do is we translate
18 those into what the impact is on a fiscal year. And
19 that's why I was referencing that for '17/'18 and
20 '18/'19 the impact of this contract is 1.75 in each of
21 those years. And the steps on scale I already spoke
22 to.

23 Okay. I think I've covered this next
24 slide, so -- so just quickly. It's okay, Diana. So
25 the two (2) -- the -- there's the implementation

1 expense itself, and then that ongoing expense. Once -
2 - once implemented, we -- we forecast that to happen
3 while those -- those projects are still in process.

4 So the basic share of improvement
5 initiative expenses. So implementation expenses will
6 be of a onetime nature specifically related to a
7 specific project, okay? So those -- you can see how
8 they're forecasted through to the -- the rating years.
9 The ongoing expenses is what we forecast based on when
10 we think something's going to amortize or start to
11 depreciate.

12 You can see that they do increase in
13 amount for '17/'18 and -- and '18/'19. And as it
14 states below, that's relating to the Physical Damage
15 Re-engineering Program. A specific project within
16 that collaborative estimating has started to amortize.

17 There's an in -- in 4 (phonetic),
18 Lawson, which is our financial system, there's an
19 upgrade that is anticipated to also start amortizing
20 in '17/'18 and '18/'19 and a corporate learning
21 management system, the same thing.

22 So in addition to an improvement
23 initiative potentially having onetime expenses related
24 to it, there is often deferred costs or capital
25 expenditures that are actually capitalized. And this

1 table shows what those deferred costs and capital
2 expenditures are that relate to Basic and show the
3 forecast out to the '17/'18 ni -- sorry, the '17/'18,
4 '18/'19 year.

5 So we do a five (5) year capital plan.
6 It's a rolling five (5) year capital plan. It is
7 updated -- or it's reviewed and -- and looked at every
8 year. As -- as you're aware, we do have a new board,
9 and that board will be looking at, you know, their
10 strategic direction and will be determining any impact
11 of their strategic direction on the next iteration of
12 the capital plan. And that goes to and is approved by
13 the Board with our operating budget in January of each
14 year.

15 Deferred expenses that are reflected
16 above, they eventually do hit our expense and hit our
17 income statement. Deferred expenses are amortized.
18 Once the project is complete they're amortized over
19 five (5) years.

20 And capital expenditures, as soon as
21 they're purchased. In the year that we acquire them
22 we take a half a year of depreciation and then
23 depreciate them over the next three (3) years. That's
24 typically for IT capital assets. If it was a -- a
25 building or something like that, clearly we would

1 amortize it over a much longer period. Okay.

2 Cost containment. I just wanted to
3 give a little bit more information on breaking down,
4 because we commented about the fact that we forecasted
5 to save some -- some money. The impact on Basic in
6 the rating years is shown in that last column. So we
7 are looking at our certified mail and how we can
8 reduce the cost of that. So that's the postage.

9 Data -- data centre operations, we've
10 looked very closely at all of the contracts and all of
11 the costs associated with that and are loo -- are
12 looking to reduce Basic expenses by 2 1/2 million
13 there. We re-purposed our Pembina service centre and
14 those savings are starting in '17/'18, may even have
15 started a little bit in '16/'17, but we reduced five
16 (5) staff by re-purposing that service centre. And
17 that was done through attrition.

18 So the staff that were working at
19 Pembina, that building is being re-purposed to house
20 other -- other staff as part of getting out of leased
21 space. We've talked about that previously, that we
22 have space at Ellice -- or on Ellice, pardon me, that
23 is lease space that's costing us close to a million a
24 year.

25 We are going to vacate that space in

1 '17/'18 fiscal year and the staff are moving into
2 Pembina. And the staff that were in Pembina have been
3 distributed to other service centres where the volume
4 dictated that we needed that staff. And then through
5 attrition we were able to reduce by -- by five (5).

6 So those savings are -- are starting.
7 And then physical damage re-engineering, we are again
8 forecasting to have a reduction of twenty-five (25)
9 staff. That will be starting in '18/'19 and those
10 will be estimating and -- and possibly some adjusting
11 staff that will be -- again, through attrition, we'll
12 be able to save those costs.

13 We also have an overall staffing
14 strategy that will see us reduce, I'll call it general
15 FTA, if you will, throughout the organization by
16 fifteen (15) and that would be starting in '17/'18.
17 So the total of all those Basic savings is 7.98
18 million over the rating years.

19 Okay. Onto investment income. Okay.
20 So these, '13/'14, obviously, '14/'15, '15/'16, those
21 are all actual. You can see based on the actual
22 results in those three (3) years that investment
23 income can be extremely volatile.

24 The '15/'16 actual you'll see was
25 actually a negative. And that was driven mainly, as I

1 had mentioned, that we had to take a significant
2 permanent impairment on some equities that impacted
3 our overall investment income. So that right down on
4 the equities was about 33 million. And generally
5 speaking, '15/'16, the returns on equities were much -
6 - much reduced.

7 In '16/'17 this is a forecast here of
8 the of the 90.8, you would have seen that previously.
9 So again, here the yield on the marketable bonds
10 they've dropped. And I mentioned that. They've
11 dropped in the first six (6) months.

12 So when the yield on the bonds drops
13 the value of the bonds themselves increases and that's
14 what you see here reflected as a positive investment
15 income. So a large part of that 90.8 is relating to
16 the fact that we were anticipating that interest rates
17 were going to increase and the value would drop, but
18 the reverse is happening.

19 The interest rates are not going up and
20 hence the value is increasing and that's why you see a
21 -- a significant amount there for '16/'17. And
22 '17/'18 and '18/'19, we are forecasting as it says,
23 lower investment income.

24 But that's driven, again, by losses on
25 marketable bonds, because we are forecasting rising

1 interest rates, but this is based on the 50/50
2 scenario. So we're not forecasting the interest rate
3 -- rates to rise as significantly as we were when we
4 were just doing the standard interest rate forecast.
5 So that is helping to kind of mediate or -- or
6 moderate the investment income for '17/'18 and
7 '18/'19.

8 Now, remembering as I was showing you
9 on those other results, the impact of interest rates
10 on investment income is offset by a offsetting impact
11 on claims liabilities, so what we lose here on
12 investment income we are going to be gaining on the
13 claims liabilities.

14 Okay. This -- this slide is just
15 basically to show how we are matching. We call our
16 matching program the asset liability management
17 program at MPI. We match our bonds to our liabilities
18 on a corporate basis. And what this slide is showing
19 you that on a corporate basis, if you look at what we
20 gain or lose on marketable bonds compared to what we -
21 - what we see as an increase or a decrease in claims
22 liabilities, the two (2) essentially offset.

23 If you look at the -- the net impact on
24 income being that last row there, essentially when
25 you're talking about a \$2.6 billion portfolio or a

1 \$1.7 billion worth of claims liabilities, 3 ½ million
2 one way or the other is essentially a pretty even
3 match.

4 Okay. On the Basic basis, it is a
5 little -- the -- the impact on net income is greater
6 because we are not matching perfectly on a Basic
7 basis. So Basic has about 93 percent of the claims in
8 the Corporation, and it gets allocated about 85
9 percent of the investment income. So it's not as
10 perfect a match as it is on the corporate basis.

11 What that means is when we are
12 forecasting interest rates to increase over the --
13 over a period Basic will have a net benefit. If the
14 interest rates don't materialize, that benefit will be
15 less.

16 If the interest rates aren't increasing
17 as much, that -- that benefit will be less but we are
18 -- even with a 50/50 interest rate forecast, we are
19 forecasting a net benefit to Basic in the rating
20 years, '17/'18, '18/'19. We are forecasting a \$2.1
21 million benefit in '17/'18 and eighteen point four
22 (18.4) in '18/'19. And that is solely due to how it's
23 being matched and the anticipated increase -- how
24 quickly the interest rates are anticipated to increase
25 over those periods.

1 So on an average basis, that's a \$10.3
2 million average for the rating years, which again
3 because of the way that we are matching compared to
4 three (3), four (4) years ago, we didn't match as
5 closely and those variances were quite a lot more
6 significant, especially when interest rates were
7 decreasing as they have been, you were seeing actually
8 losses on the -- on the Basic side. So we've turned
9 that around, and we are forecasting much more closely
10 to protect Basic.

11 Okay. At the hearing when we do these
12 presentations every year, we do comment on what if we
13 were to base our forecasts on the interest rates as at
14 the end of September, like the most recent interest
15 rate forecast that you could receive. The 4.3 percent
16 that we've been talking about today is based on
17 interest rates that existed or were being forecast --
18 pardon me, were being forecasted as -- as at August --
19 near the end of August.

20 If we were to update that forecast for
21 as at the end of September, instead of a 4.3 percent
22 rate increase pro -- being proposed it would be 4.4
23 percent. What that means is, the interest rates did
24 not -- the forecasted interest rates did not change
25 very much from the end of August to the end of

1 September. That's basically what -- what this is
2 showing.

3 And we are -- are absolutely willing
4 and able to provide the detailed pro forma statements
5 that show what the individual impacts on lines are to
6 arrive at the 4.4 percent.

7 But just -- just again to make sure
8 that everybody's aware, if we update based on
9 September interest rate forecasts using a 50/50
10 scenario, the -- the change in the indicated overall
11 rate increase for premiums would only go up by point
12 one (.1).

13 It has -- in past years, you may
14 recall, this -- the swing has been much more
15 significant between when we forecast in March for the
16 submission and then when we're here in September. It
17 can be quite significant. This -- this year it's not.

18 Okay. So benchmarking. I commented on
19 this very briefly this morning. There's provided for
20 you here and again in -- in -- I recommend looking at
21 our benchmarking section -- section within the GRA.

22 These are additional award group
23 findings that demonstrate -- show you some trends,
24 show you how we are trending positively in a lot of
25 situations, and that compared to the Canadian

1 benchmark, we are doing much better than the Canadian
2 benchmark.

3 So we're -- the -- basically, it's
4 showing we're relatively stable and -- and in some
5 cases quite significantly lower than the Canadian
6 benchmarks with respect to overall corporate
7 performance, claims performance, and then staff
8 efficiency.

9 And now the last slide, just to -- to
10 reiterate what we've been talking about throughout
11 today, we are requesting that order of the 2 percent
12 increase that was based on the standard interest rate
13 forecast plus the interest rate forecasting risk
14 factor that we are putting forward.

15 The best estimate is a 50/50 interest
16 rate forecast. That would give rise to two point
17 three (2.3) for a combined 4.3 percent rate increase.

18 And if the PUB approves that four point
19 three (4.3) combined rate increase, then the RSR
20 targets would be amended and the resulting range would
21 be a lower target of 159 million to an upper target
22 based on 100 percent MCT of 411 million.

23 And again, because of the transfers
24 that have been made and the -- the current situation
25 of the RSR for Basic, there's no RSR rebuilding.

1 And that concludes our presentations.

2 Thank you.

3 THE CHAIRPERSON: Thank you, Ms.

4 Reichert.

5 So we're going to adjourn now, and
6 we'll resume at 9:00 a.m. tomorrow morning with cross-
7 examination. So thank you very much.

8

9 (PANEL RETIRES)

10

11 --- Upon adjourning at 3:23 p.m.

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14 Certified Correct,

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17 _____

18 Sean Coleman, Mr.

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