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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE  
2006 INSURANCE RATES

Before Board Panel:

- Graham Lane - Board Chairman
- Eric Jorgensen - Board Member
- Len Evans - Board Member

HELD AT:

Public Utilities Board  
400, 330 Portage Avenue  
Winnipeg, Manitoba  
October 12th, 2005

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APPEARANCES

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1 --- Upon commencing at 9:05 a.m.

2

3 THE CHAIRPERSON: Good morning, everyone.

4 Mr. McCulloch, do you have things for us, by the looks of

5 it?

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

7 Three (3) items that I'd like to deal with at the start

8 of proceedings this morning.

9 The first is to file the response to

10 Undertaking number 9, which by my recollection should be

11 MPI Exhibit number 23.

12 THE CHAIRPERSON: Thank you.

13

14 --- EXHIBIT NO. MPI-23: Response to Undertaking 9.

15

16 MR. KEVIN MCCULLOCH: The second is

17 response to Undertaking number 10, MPI Exhibit number 24.

18

19 --- EXHIBIT NO. MPI-24: Response to Undertaking 10.

20

21 MR. KEVIN MCCULLOCH: Mr. Palmer would

22 like to address some comments with respect to Exhibit

23 number 23, the response to Undertaking number 9. And in

24 addition, Mr. Palmer's in a position to respond to one

25 (1) of the six (6) questions raised at the commencement

1 of yesterday's hearings by the Board.

2                   And I thought that this might also give me  
3 the opportunity to let the Board know that out of those  
4 questions, there's a number that will require a -- a  
5 written response, particularly discussion of the DVL  
6 functions and how they relate to road safety and items  
7 such as that.

8                   But one of the questions that the Board  
9 put was asking the Corporation to provide a preliminary  
10 assessment on the anticipated income of the Board's loss  
11 transfer decision on the actuarially indicated average  
12 premium for motorcycles, scooter, mopeds and dealer  
13 plates.

14                   Now, I believe that you probably said  
15 impact, rather than income, but in any event, Mr.  
16 Palmer's prepared to -- to give that preliminary  
17 assessment as well this morning.

18                   THE CHAIRPERSON:   If I said income, I  
19 misspoke. I did mean impact.

20                   Mr. Palmer...?

21

22                   MARILYN MCLAREN, Resumed

23                   DONALD PALMER, Resumed

24                   WILF BEDARD, Resumed

25                   BARRY GALENZOSKI, Resumed

1

2 MR. DONALD PALMER: First, with reference  
3 to Exhibit 23, we've provided a table with the Extra  
4 Provincial Trucking claims.

5 After reviewing the transcript, we didn't  
6 quite answer -- I must admit that we answered what I  
7 think was meant by the question, rather than what was  
8 actually asked.

9 It says if there was no Workers'  
10 Compensation coverage, what would be the claims? We, of  
11 course, don't know what the Workers' Compensation claims  
12 are, so we can't add that in.

13 So, what we have provided is the actual  
14 claims cost for the extra provincial trucks that we have  
15 reported. And then from a -- for a comparison purpose,  
16 we have also developed and trended all those accident  
17 year losses, so they're -- they're directly comparable.

18 So, that the five (5) year average on  
19 reported is just over nine hundred thousand dollars  
20 (\$900,000) per year. And if we were going to trend that  
21 and develop it for a rate setting exercise, it would be  
22 about \$1.3 million per year.

23 THE CHAIRPERSON: Thank you, Mr. Palmer.

24 MR. DONALD PALMER: With regard to the  
25 impact of the loss transfer ruling, and again, these are



1 some preliminary findings, we haven't completed the --  
2 our loss attribution table as yet, but the three (3)  
3 categories that you had referred to; motorcycles, mopeds  
4 and dealers.

5                   First with motorcycles, there is a  
6 decrease in the amount of claims that would be attributed  
7 to -- to motorcycles. But since we're currently not in a  
8 position of -- of rate adequacy for motorcycles, we look  
9 at our inadequacy versus what we -- it looks like their  
10 claims will decrease by, and they're pretty much a wash.

11                   So, I would say from a -- even though  
12 there's a -- a decrease in the rate indicator, when you  
13 actually look at the rate there will be very minimal  
14 impact on motorcycles. That's assuming that we get the  
15 rate increases that we've applied for this year,  
16 otherwise there still will be an inadequacy.

17                   As far as mopeds, there's actually for  
18 mopeds, a slightly bigger decrease in the rate indicator;  
19 that's the good news. The bad news is that our moped  
20 rates are probably the most inadequate rates of any --  
21 any of the rates in our rate manual. The rate  
22 indications this year that we've filed, range from 67  
23 percent increase to a 127 percent increase.

24                   So, that said, even though we're bringing  
25 down the indicator, if we're still confined by that 20

1 percent cap that was ordered last year, we're probably  
2 continuing to see a few years of 20 percent increases for  
3 mopeds, regardless of the loss transfer attribution  
4 methodology or not.

5                   The last category on dealers, it has been  
6 reported by us at the loss transfer hearing and previous  
7 hearings, that probably the biggest rate -- rate impact  
8 on an increase side is for all commercial vehicles.

9                   Dealer -- dealers and dealer plates are  
10 part of the commercial major class. So we -- we would  
11 see probably some rate increase for dealers. The exact  
12 impact of that I'm not in a position to say, but it will  
13 at very, very best will be zero, but will probably have  
14 some rate increase.

15                   THE CHAIRPERSON: You're saying the  
16 increased costs flowing into the commercial area offsets  
17 the -- the other potential impact on the dealers, or do  
18 they both go the same way?

19                   MR. DONALD PALMER: At this point there  
20 is very little impact on the actual claims costs  
21 attributed to dealers. So, I would say they would both -  
22 - both go the same way. Again, how that all flows  
23 through the methodology, we're not quite in a position to  
24 -- to state, but it -- it won't go down.

25                   THE CHAIRPERSON: Okay. Thank you, Mr.

1 Palmer.

2 Mr. McCulloch, do you have anything else  
3 right now?

4 MR. KEVIN MCCULLOCH: No, Mr. Chairman.

5 THE CHAIRPERSON: Then we'll go back to  
6 Mr. Oakes.

7 Mr. Oakes...?

8 MR. RAYMOND OAKES: Thank you, Mr.

9 Chairman.

10 Good morning, Panel Members, ladies and  
11 gentlemen. As I promised yesterday, we're into the area  
12 of PFAD. Just before we start, perhaps -- we had a  
13 handout that we provided this morning to Board Secretary,  
14 I wonder if we could have that marked as the next exhibit  
15 and distributed.

16 THE CHAIRPERSON: Is this an extract from  
17 ICBC Application?

18 MR. RAYMOND OAKES: That is correct, Mr.  
19 Chairman.

20 THE CHAIRPERSON: Mr. Barron, do you have  
21 a number? Six (6), number six (6).

22 MR. RAYMOND OAKES: Just to have  
23 everybody on the same page as it were, we're commencing  
24 with materials that are tabbed immediately prior to the  
25 number 9, in the CMMG Exhibit Book.

1 THE CHAIRPERSON: Mr. Oakes, just so I  
2 have it clear, there's actually two (2) here. One (1)  
3 appears to be a transcript extract and the other one  
4 seems to be the front page of an application, so are we  
5 just putting them together then?

6

7 (BRIEF PAUSE)

8

9 MR. RAYMOND OAKES: I think we could mark  
10 it as the same exhibit.

11 THE CHAIRPERSON: Very good. Okay, Mr.  
12 Oakes.

13

14 --- EXHIBIT NO. CMMG-6: Extract from ICBC  
15 Application.

16

17 CONTINUED CROSS-EXAMINATION BY MR. RAYMOND OAKES:

18 MR. RAYMOND OAKES: Mr. Palmer, at the  
19 materials tabbed immediately prefacing the number 9 in  
20 the CMMG book of materials the first Interrogatory found  
21 there is I-70.

22 And, Mr. Palmer, I'd ask what is the  
23 reason that the provisions for adverse deviation are  
24 included in the calculation of policy liability reserves?

25 MR. DONALD PALMER: The easy answer to

1 that is that they're required by the standards of  
2 practice of the Canadian Institute.

3 MR. RAYMOND OAKES: And just for  
4 explanation, are there two (2) components an interest or  
5 discount rate, PFAD, and claims development, PFAD?

6 MR. DONALD PALMER: There's also a third  
7 component that's included in the standard of practice  
8 that's a reinsurance component; a margin for  
9 uncollectible reinsurance. We have that included  
10 otherwise on our balance sheet so we don't include that -  
11 - that third component.

12 Strictly speaking there are the three (3)  
13 components to the PFAD.

14 MR. RAYMOND OAKES: Okay. And with  
15 respect to the three (3) components, those would be  
16 correctly described as margins; is that correct?

17 MR. DONALD PALMER: That's correct.

18 MR. RAYMOND OAKES: If I refer you to the  
19 next CMMG Interrogatory which would be one point five  
20 (1.5), can we conclude that that margin has doubled since  
21 2001?

22 MR. DONALD PALMER: No.

23 MR. RAYMOND OAKES: And why not?

24 MR. DONALD PALMER: The margin is a  
25 percentage of -- the claims margin is a percentage of the

1 unpaid claims. As the provision for unpaid claims goes  
2 up then also you're multiplying by the same margin.

3 In fact, subject to check, but I don't  
4 believe that our margins have changed over the last five  
5 (5) years.

6 MR. RAYMOND OAKES: What I'm referring  
7 to, of course, Mr. Palmer, is on the right side of the  
8 table in your answer the amount of dollars has increased  
9 from ninety-seven and a half (97 1/2) -- \$97 1/2 million  
10 to \$189 million.

11 MR. DONALD PALMER: The amount has almost  
12 doubled. The margins are unchanged.

13 MR. RAYMOND OAKES: And what would be the  
14 reason for the doubling?

15 MR. DONALD PALMER: That's directly  
16 because of the size of the unpaid claims provisions.

17 MR. RAYMOND OAKES: If we turn you over  
18 to the next table prepared by the CMMG from the review of  
19 policy liabilities for the last three (3) years showing  
20 the breakdown of the margins split between the two (2)  
21 factors we talked about, being the discount rate and the  
22 claims development margin on a dollar and percent of un-  
23 claims (sic) basis.

24 Just looking at the risk margins percent  
25 section, has the discount rate margin as a percent of

1 unpaid claims increased by about two (2) percentage  
2 points?

3 MR. DONALD PALMER: I think that this  
4 portrayal of an interest rate margin, as it's defined in  
5 the standards of practice, is -- is incorrect.

6 The margin is an amount on the discount  
7 rate. So, if this is a percentage of unpaid claims,  
8 sure. But, I -- you can't portray it as a margin.

9 MR. RAYMOND OAKES: How would you portray  
10 it?

11 MR. DONALD PALMER: As a percentage of  
12 unpaid claims.

13 MR. RAYMOND OAKES: Which has increased  
14 by that amount?

15 MR. DONALD PALMER: Yes. Again, I have  
16 not checked this particular table. So, subject to check,  
17 for sure.

18 MR. RAYMOND OAKES: I accept that, sir.  
19 Just to help me understand that, not only has the margin  
20 grown do -- would you agree that the margin has grown due  
21 to the increase in unpaid claims?

22 MR. DONALD PALMER: No, the margin has  
23 not grown, the margin has stayed the same. The amount of  
24 the provision has increased.

25 MR. RAYMOND OAKES: And would you also

1 disagree, then, that we would conclude the margin has  
2 increased due to a higher discount margin applied?

3

4 (BRIEF PAUSE)

5

6 MR. DONALD PALMER: I believe that the  
7 interest rate margin has been consistent of 1 percent  
8 over the period of your table.

9

10 (BRIEF PAUSE)

11

12 MR. RAYMOND OAKES: Mr. Palmer, on which  
13 of the Corporation's financial statements do these  
14 liabilities appear?

15 MR. DONALD PALMER: Those liabilities are  
16 on the balance sheets of the Corporation.

17 MR. RAYMOND OAKES: Would they directly  
18 be on the of components in the calculation of the minimum  
19 cat -- capital test?

20 MR. DONALD PALMER: They'd be considered  
21 in that test, yes.

22 MR. RAYMOND OAKES: Would it -- the  
23 relationship be that in general, the higher these  
24 liabilities and the higher the MCT requirement as the  
25 capital required is larger?



1 MR. DONALD PALMER: Generally speaking,  
2 that would be the direction. Keep in mind that what the  
3 Corporation is doing with respect to the PFAD is no  
4 different than what other PNC companies are doing.

5 There is a requirement through the  
6 actuarial standards to have the PFAD and therefore we'd  
7 be similar situation to other companies that you'd be  
8 looking at.

9 MR. RAYMOND OAKES: Okay. You raise the  
10 topic of the use of PFAD in other jurisdictions, are you  
11 familiar, at all, with the use of PFAD at ICBC?

12 MR. DONALD PALMER: No.

13

14 (BRIEF PAUSE)

15

16 MR. RAYMOND OAKES: Mr. Galenzoski, I'm  
17 going to ask that you turn to the material filed  
18 immediately prior to Tab 16 in the CMMG book, which is an  
19 ICBC document, financial allocation methodology, and this  
20 came from the ICBC website. I'm referring to page 18 of  
21 that material.

22 And asking whether the process, as  
23 described there, for determining claims incurred by ICBC  
24 is basically the same as used by MPI?

25

1 (BRIEF PAUSE)

2

3 MR. DONALD PALMER: I'll confirm that,  
4 sure.

5 MR. RAYMOND OAKES: Okay. And that's  
6 standard actuarial practice. Can you confirm that, sir?

7 MR. DONALD PALMER: I don't know that I  
8 would call it actuarial practice. I think this conforms  
9 with actuarial practice and GAAP.

10 MR. RAYMOND OAKES: So, similar to MPI,  
11 does ICBC's actuary apply a margin for adverse  
12 development as shown in the box to the lower right of the  
13 figure?

14 MR. DONALD PALMER: Yes.

15 MR. RAYMOND OAKES: Sir, are you at all  
16 aware that during the 2004 ICBC British Columbia Utility  
17 Board rate hearings that the actuary we spoke of  
18 yesterday, Mr. Wieland, was a witness put forth by ICBC?

19 MR. DONALD PALMER: I am now.

20 MR. RAYMOND OAKES: Okay. You're  
21 referring to Exhibit number 6, that we filed this  
22 morning, which was a copy of the October 12th, 2004  
23 transcript of those Hearings; is that correct, sir?

24 MR. DONALD PALMER: Yes.

25 MR. RAYMOND OAKES: And in that

1 transcript there's an exchange between Mr. Weiland and  
2 Mr. Quail of the British Columbia Public Interest  
3 Advocacy Centre related to margins for adverse  
4 development and capital requirements, specifically I'm  
5 referring to lines 19 of page 892, through line 15 of the  
6 following page.

7                   And is it correct from that testimony that  
8 Mr. Weiland concludes, if the Corporation is properly  
9 capitalized, then there's no need for a claims margin?

10                   MR. DONALD PALMER: Can I have an  
11 opportunity to read it first?

12

13                   (BRIEF PAUSE)

14

15                   MR. DONALD PALMER: The -- the standards  
16 of practice outline that to be -- to meet accepted  
17 actuarial practice, that claims liabilities have to be  
18 discounted.

19                   Now, under that standard, that discount  
20 means two (2) things, it means decreased for the time  
21 value of money, and it also means plus a provision for  
22 adverse deviation. You have to do both, unless there's  
23 some law that requires you not to do one (1) of those  
24 things.

25                   And for instance, up until the last couple

1 of years OSFI didn't allow discounting of some of the  
2 claims reserve. So -- so that was a qualification that  
3 was on virtually every actuarial opinion. We don't have  
4 that requirement, so we have to, for a clean actuarial  
5 opinion, have to comply with the standards which includes  
6 both the discounting for time, value, money and the  
7 provision for the adverse deviation.

8 In the example that you've cited, the  
9 claims reserves that are held by ICBC are not discounted  
10 for the time, value and money, most of them are within  
11 the framework of -- of bodily injury claims reserves,  
12 very different than PIPP. So the fact that -- that they  
13 don't discount, plus have the 5 percent margin, I would  
14 agree that that's probably double counting; we don't do  
15 that.

16 MR. RAYMOND OAKES: You spoke about  
17 restrictions on which of the two (2) approaches that are  
18 used. Are you aware, sir, that the British Columbia  
19 Utilities Commission has ordered ICBC to calculate the  
20 MCT without margins?

21 MR. DONALD PALMER: I'm not aware of  
22 that, no.

23 MR. RAYMOND OAKES: Next topic, Mr.  
24 Chairman, is the MCT and taxes. I believe Mr. Galenzoski  
25 can perhaps enlighten us. I'd ask you, sir, whether you

1 can define the term carrying value, as used in accounting  
2 for MPI's investments?

3 MR. BARRY GALENZOSKI: Carrying value is  
4 -- is the book value of the investment, that would be  
5 what you paid for, plus or minus discount or premium that  
6 you might have paid for that investment.

7 MR. RAYMOND OAKES: Our material refers  
8 to a portion of the MCT guidelines filed as a reply to  
9 CAC/MSOS Interrogatory 1-13, which is contained  
10 immediately prior to Tab 17 in the CMMG binder.

11 MR. BARRY GALENZOSKI: I have that.

12 MR. RAYMOND OAKES: Thank you, sir. Is  
13 that the method used by MPI in calculating the MCT?

14 MR. BARRY GALENZOSKI: We follow this  
15 guideline as does our actuary.

16 MR. RAYMOND OAKES: And specifically I'm  
17 referring to page 2, point 3A?

18

19 (BRIEF PAUSE)

20

21 MR. BARRY GALENZOSKI: Yes, we use that.

22 MR. RAYMOND OAKES: Thank you, sir. The  
23 following page takes us through a couple of examples and  
24 I wonder if you'd be so kind as to assist us with the  
25 examples so that we all understand, to the extent that

1 we're able.

2                   Suppose, and I'm considering example 1,  
3 MPI had investments which it paid and therefore its  
4 carrying value were \$3 million and they're currently  
5 worth 3,100,000. And suppose MPI paid \$1 million for  
6 investment 1 and it was worth 1,200,000. So the market  
7 value then, of course, two hundred thousand (200,000)  
8 greater than the carrying or book value.

9                   And also please suppose that MPI paid 2  
10 million for investment 2 and it's now worth less, it's  
11 worth 1.9 million. And between the two the investments  
12 would now be worth one hundred thousand (100,000) more  
13 than carrying or book value; are you with me so far, sir?

14                   MR. BARRY GALENZOSKI: We're with you.

15                   MR. RAYMOND OAKES: For the capital  
16 available in the MCT calculation would this excess of  
17 market value be reduced by 50 percent and we would be  
18 recording fifty thousand dollars (\$50,000)?

19                   MR. BARRY GALENZOSKI: That's correct.

20                   MR. RAYMOND OAKES: Then would the  
21 investment capital available to offset capital required  
22 in the MCT be 3,050,000 then rather than the \$3.1 million  
23 that it's actually worth?

24                   MR. BARRY GALENZOSKI: Yes. The fifty  
25 thousand dollars (\$50,000) would reduce the capital

1 requirement under MCT.

2 MR. RAYMOND OAKES: I'm going to look at  
3 a second example. Suppose MPI had investments in which  
4 it paid \$3 million and now they're worth 2.9. Also  
5 suppose that MPI paid 1 million for investment 1 and it  
6 was worth 1.2 million. For investment 2 they paid 2  
7 million and it's now worth 1.7. So the market value is  
8 three hundred thousand (300,000) less for that investment  
9 than its carrying or book value.

10 Between the two are the investments one  
11 hundred thousand dollars (\$100,000) less than carrying or  
12 book value?

13 MR. BARRY GALENZOSKI: Yes.

14 MR. RAYMOND OAKES: And for the capital  
15 available in the MCT calculation, would this deficiency  
16 be fully considered or the whole negative one hundred  
17 thousand (100,000) included in the calculation?

18 MR. BARRY GALENZOSKI: Yes, you're right.

19 MR. RAYMOND OAKES: The second part, sir?

20 MR. BARRY GALENZOSKI: Yes.

21 MR. RAYMOND OAKES: And that would reduce  
22 the capital available for the MCT by that hundred  
23 thousand dollars (\$100,000)?

24 MR. BARRY GALENZOSKI: It would increase  
25 the capital requirement by a hundred thousand dollars

1 (\$100,000).

2 MR. RAYMOND OAKES: And so then the  
3 investment capital available to offset the capital  
4 required in the MCT would be 2.9 million rather than the  
5 3 million?

6 MR. BARRY GALENZOSKI: That's right.

7 MR. RAYMOND OAKES: With reference to the  
8 response to CMMG-1-27 which is the following page, it  
9 refers to the MPI basic annual report and the unrealized  
10 capital gains as at the end of February 2005 are shown  
11 there as seventy-nine million nine hundred and thirty-six  
12 thousand (79,936,000) and fifty-seven million three  
13 hundred and thirteen thousand (57,313,000) as at the end  
14 of February 2004; is that correct, sir?

15 MR. BARRY GALENZOSKI: Yes, that's  
16 correct.

17 MR. RAYMOND OAKES: In calculating the  
18 MCT would these unrealized gains, as of the end of  
19 February 2005, be reduced by 50 percent?

20 MR. BARRY GALENZOSKI: Yes. And that  
21 would reduce the amount of capital required.

22 MR. RAYMOND OAKES: So the capital  
23 considered available would be just under 40 million and  
24 then \$29 1/2 million roughly respectively?

25 MR. BARRY GALENZOSKI: The reduction in



1 the capital required would be half of these amounts, so  
2 approximately \$40 million and \$30 million each.

3 MR. RAYMOND OAKES: Which is essentially  
4 the other side of the same coin?

5 MR. BARRY GALENZOSKI: Yes, but stated in  
6 my terms.

7 MR. RAYMOND OAKES: Thank you. Is it  
8 correct, then, that the less capital available for  
9 investments, the greater required capital required from  
10 retained earnings?

11 MR. BARRY GALENZOSKI: If you've got  
12 negative gains on your investments, it means you're going  
13 to require more capital. If you have positive,  
14 unrealized gains, you're going to require less capital,  
15 it's that simply put.

16 MR. RAYMOND OAKES: So if you reduce the  
17 gains from your investments by 50 percent, then you  
18 require more capital?

19 MR. BARRY GALENZOSKI: I guess we're  
20 going to get this straight sooner or later. If you take  
21 50 percent of the gains available for your -- your  
22 unrealized gains that are embedded in your portfolio, you  
23 will reduce the capital required by that amount of money.

24 So, in the case that you're citing here  
25 where we got about \$80 million in unrealized gains, the

1 capital requirements for basic come down by \$40 million.

2 So, in other words, you need to have \$40  
3 million less in capital than you otherwise would if the  
4 market and book values were the same under the -- under  
5 an alternative scenario.

6

7 (BRIEF PAUSE)

8

9 MR. RAYMOND OAKES: I understand how  
10 you're phrasing that, Mr. Galenzoski, but if you took 100  
11 percent?

12

13 (BRIEF PAUSE)

14

15 MR. RAYMOND OAKES: I'll just start  
16 again, Mr. Galenzoski. You -- you've indicated in your  
17 terms, but if you took 100 percent of the value of the  
18 investment then your required capital would be reduced by  
19 100 percent?

20

21 MR. BARRY GALENZOSKI: Well, I guess if  
22 you want to start making your own rules about how to  
23 calculate MCT then that would be the case.

24

25 But we're not making our own rules on how  
to calculate MCT; we're using the rules that are in  
there. Let's us take 50 percent of the increase in

1 unrealized gains and reduce your capital requirement by  
2 that amount, and that's the evidence that we've put forth  
3 to the -- to this Board.

4

5 (BRIEF PAUSE)

6

7 MR. RAYMOND OAKES: I don't want to  
8 engage in semantics for the whole morning, but  
9 essentially it's 50 percent less than the market value?

10 MR. BARRY GALENZOSKI: That's what I've  
11 been saying.

12 MR. RAYMOND OAKES: Just moving on. CMMG  
13 Interrogatory 2-3, refers to income taxes.

14 Does MPI pay income tax?

15 MR. BARRY GALENZOSKI: I don't think this  
16 refers to income taxes. It does ask about taxes that we  
17 pay, but it specifically doesn't mention income taxes.

18 The answer to your question is we do not  
19 pay income tax.

20 MR. RAYMOND OAKES: And going to go back  
21 to the BC experience a little bit. Are you familiar with  
22 a Mr. Chaudry, and I'm spelling that for the transcript,  
23 C-H-A-U-D-R-Y of ICBC?

24 MR. BARRY GALENZOSKI: Yes, I am.

25 MR. RAYMOND OAKES: And his position

1 would be?

2 MR. BARRY GALENZOSKI: I believe he's  
3 assistant vice president. He's equivalent to our  
4 controller in MPI.

5 MR. RAYMOND OAKES: And MPI is familiar  
6 with the consulting actuary from Ecklar Partners hired by  
7 ICBC, Mr. Weiland that we spoke of earlier?

8 MR. BARRY GALENZOSKI: No, I'm not.

9 MR. RAYMOND OAKES: Then Mr. Palmer is,  
10 though, I understand?

11 MR. DONALD PALMER: Yes, I am.

12 MR. RAYMOND OAKES: And we looked at the  
13 Exhibit 6 which is the transcript from the October 13th,  
14 2004 ICBC hearings.

15 I'm referring now to the material that's  
16 filed immediately prior to the tab 17 and there's an  
17 exchange, it's tabbed at the top as page 8. There's an  
18 exchange between a Mr. Miller and a Mr. Chaudry.

19 Do you have that, sir?

20 MR. BARRY GALENZOSKI: I have that.

21 MR. RAYMOND OAKES: And this is where the  
22 topic of income tax comes up.

23 After you've taken a few minutes to read  
24 that through, I'm going to ask you: Does the discussion  
25 by Mr. Chaudry and Mr. Weiland indicate that part of the

1 reason for the reduction of 50 percent of the unrealized  
2 capital gains in the MCT test is due to private sector  
3 firms being subject to income tax?

4 If you could respond to that.

5

6 (BRIEF PAUSE)

7

8 MR. BARRY GALENZOSKI: That's what this  
9 indicates, yes.

10 MR. RAYMOND OAKES: And if you look at  
11 the next page of the transcript, my -- the transcript  
12 talked -- says in their considerations, they were  
13 thinking that about 30 percent of the 50 percent is due  
14 to income tax.

15 Do you see that there, sir?

16 MR. BARRY GALENZOSKI: Yes, I see that.

17 MR. RAYMOND OAKES: Given your earlier  
18 answer that MPI doesn't pay income tax, did MPI adjust  
19 the MCT formula accordingly?

20 MR. BARRY GALENZOSKI: No.

21

22 (BRIEF PAUSE)

23

24 MR. RAYMOND OAKES: Mr. Galenzoski, if  
25 MPI realized the capital gains in its investment

1 portfolio, then the entire 109.3 million would become  
2 part of the available capital?

3 MR. BARRY GALENZOSKI: No, that would  
4 become net income, hopefully, and that would then flow  
5 into -- if it -- if it was not setting any losses, it  
6 would then flow into retained earnings.

7 MR. RAYMOND OAKES: Aren't retained  
8 earnings part of the available capital?

9 MR. BARRY GALENZOSKI: That would then  
10 become part of the available capital, yes.

11 MR. RAYMOND OAKES: The next topic we  
12 wish to address is the RSR and reinsurance. Mr.  
13 Galenzoski, is one (1) of the reasons you have suggested  
14 a higher RSR is required, is due to changes in MPI's  
15 reinsurance coverage?

16 MR. BARRY GALENZOSKI: Yes, that's one  
17 (1) of the reasons.

18 MR. RAYMOND OAKES: And CMMG posed  
19 questions relative to changes in the MPI reinsurance  
20 coverage at CMMG Interrogatory 2-19. And the question  
21 that I'd posed to you is when the Corporation increased  
22 its retention?

23 Is that in your book of evidence?

24 MR. BARRY GALENZOSKI: We've been unable  
25 to locate it.

1 (BRIEF PAUSE)

2

3 MR. BARRY GALENZOSKI: Could you repeat  
4 the question please?

5 MR. RAYMOND OAKES: Certainly, sir. When  
6 did the Corporation increase its retention?

7 MR. BARRY GALENZOSKI: There's a table  
8 attached to two nineteen (219), that provides some  
9 insight onto that. There's been changes made to both the  
10 catastrophe and casualty reinsurance programs throughout  
11 the time period that you're looking at. And if, for  
12 instance, at one (1) time we purchased on the casually  
13 side, a 1 million excess, 1 million layer, and that  
14 hasn't been purchased since 2002.

15 If we look at the 2 million excess, \$3  
16 million layer, that was only purchased starting in 2005.  
17 The 2 1/2 million excess, 2 1/2 million was not purchased  
18 in 2005, it was only purchased in 2004, and not in any  
19 prior years. The 3 million excess, 2 million layer was  
20 not purchased in '05 and '04.

21 So, you can see that there's been changes  
22 to the program. Also at the top end, there's a thirty  
23 (30) excess, \$20 million layer that was only purchased in  
24 '05 and '04, not in the previous years. And there was a  
25 fifty-five (55) excess, \$20 million layer, that hasn't

1 been purchased in the last three (3) years.

2 So, there's a number of changes been made  
3 to the casualty program. There's been minor changes,  
4 smaller changes made to the CAT program. I can go over  
5 those if you'd like.

6 On the twelve and a half (12 1/2) excess,  
7 seven and a half (7 1/2) franchise cover that's -- that  
8 hasn't been purchased since 2001. We have stopped  
9 purchasing -- we started purchasing a 50 million excess,  
10 a \$100 million layer beginning in 2002 through 2005.  
11 The 50 million excess 150 million layer, we haven't  
12 purchased that since 2002. And the hundred (100) excess,  
13 hundred (100) layer, we haven't purchased that in '02,  
14 '04 and '05.

15 In addition to that, there's been some  
16 aggregate deductibles added on both programs that aren't  
17 demonstrated in this particular chart.

18 MR. RAYMOND OAKES: Thank you for that,  
19 sir. During those periods you spoke about, 2002 to 2004  
20 and -- and '05, when the changes that you -- that were  
21 made that you just identified, when they were made I  
22 understand that MPI's board had an approved target range  
23 for the RSR of 50 to \$80 million; is that correct?

24 MR. BARRY GALENZOSKI: The Board has  
25 never had an approved target of 50 to \$80 million, our



1 MPI board.

2 MR. RAYMOND OAKES: How about 80 million  
3 to 100 million?

4 MR. BARRY GALENZOSKI: I give you that  
5 one, sure.

6 MR. RAYMOND OAKES: Okay. I'm grateful  
7 at this point for anything that you give me. At -- and  
8 during that same time I understand that the Public  
9 Utility Board had a approved range between \$50 and \$80  
10 million; is that correct?

11 MR. BARRY GALENZOSKI: I believe that was  
12 their target at that stage, yes.

13 MR. RAYMOND OAKES: How long, Mr.  
14 Galenzoski, has the 10 percent allowance for reinsurance  
15 ceded for unpaid claims been in place?

16 MR. BARRY GALENZOSKI: I believe that  
17 came in place since 9/11 happened. So, 2001, I believe,  
18 was probably the first year that we -- we did that.

19 MR. RAYMOND OAKES: And if we were to  
20 describe the type of risk that this provision is designed  
21 to cover, would it cover default on payment so it's a  
22 form of credit risk protection?

23 MR. BARRY GALENZOSKI: Yes, any allowance  
24 or provision for -- for allowance for doubtful accounts  
25 is just that. It's -- it's an allowance in the event

1 that you're not going to get paid as you expected.

2 MR. RAYMOND OAKES: The Corporation  
3 responded to an Interrogatory from the Public Utility  
4 Board, it's II-10(c) which, again, we don't have for easy  
5 reference.

6 But I understand there was an analysis  
7 presented by the Corporation?

8

9 (BRIEF PAUSE)

10

11 MR. BARRY GALENZOSKI: Yes, I have that.

12 MR. RAYMOND OAKES: Can you just briefly  
13 describe or provide details of that analysis?

14 MR. BARRY GALENZOSKI: Yes. This was  
15 just asking us to provide some information with respect  
16 to the change in cover about the recoveries that the  
17 Corporation would have made over the years compared to if  
18 it would have had better or more -- more protection from  
19 the reinsurance industry.

20 And it talks about a reduction, I believe,  
21 here of close to \$60 million in recoveries.

22 MR. RAYMOND OAKES: The major hail event  
23 in 1996, was that included in the analysis?

24 MR. BARRY GALENZOSKI: I'm not sure if  
25 that was included in there. It should have been

1 included. The -- there is a aggregate deductible now on  
2 the five (5) excess five (5) layer that didn't exist when  
3 the 1996 loss occurred or the 2001 loss.

4 So on that basis there would be a further  
5 exposure there today.

6 MR. RAYMOND OAKES: Looking at the latter  
7 part of the response, is another reason for the need for  
8 higher RSR due to factors such as the surge in serious  
9 losses in 2003 which wouldn't be covered by reinsurance?

10 MR. BARRY GALENZOSKI: A lot of those  
11 losses weren't covered by reinsurance anyway because we  
12 had a higher level of protection at that point in time.  
13 In other words, we had a higher retention and I believe  
14 we had some aggregate deductibles that we had to take  
15 into account.

16 So that wasn't greatly impacted, it didn't  
17 greatly impact our experience on the reinsurance recovery  
18 side.

19

20 (BRIEF PAUSE)

21

22 MR. BARRY GALENZOSKI: If you go to PUB  
23 1-28 there's a better explanation as to the comparative  
24 numbers of recoveries that you can take a look at, and I  
25 did include that CAT situation.

1                   MR. RAYMOND OAKES:    Thank you for that.  
2   Our next line of questions relate to the relate -- or the  
3   rate line adjustment and credibility for motorcycles, and  
4   the reference is immediately prior to Tab 19.

5                   And you'll find there CMMG Interrogatory  
6   1-91.  And just some short questions, Mr. Palmer.

7                   Referring to the small fleet size, does  
8   that really mean that the credibility of the -- of the  
9   data is low?

10                  MR. DONALD PALMER:    That's one of the  
11   factors in the credibility, yes.

12                  MR. RAYMOND OAKES:    So generally  
13   speaking, from your perspective as an actuary, if there's  
14   a large volume of data used in analysis, would it have a  
15   relatively high level of credibility?

16

17                                       (BRIEF PAUSE)

18

19                  MR. DONALD PALMER:    The measurement of  
20   credibility, essentially, has two (2) factors.  It's the  
21   size of the amount of data, the number of insured  
22   vehicles or the number of claims in some instances and  
23   also the variability of results.

24                  So for -- for example, you could have one  
25   insured.  If that insured has one claim every single

1 year, then those results are 100 percent credible,  
2 because there's no variability.

3                   Generally, the larger -- all else being  
4 equal, the larger the volume of the data, the more  
5 credibility; I would agree with that.

6                   MR. RAYMOND OAKES:    Just to use an  
7 example.  Motorcycle claims experience over the last  
8 number of years has been highly variable because it's  
9 been a small pool; would you agree?

10

11   (BRIEF PAUSE)

12

13                   MR. DONALD PALMER:    I would agree that  
14 there's variability in results, sure.  But I would also  
15 say that even the very best years of that small pool are  
16 not very good.

17                   MS. MARILYN MCLAREN:   But if I could, the  
18 other factor that we need to consider is the  
19 preponderance of serious losses in the motorcycle pool.  
20 That significantly adds to the variability.

21   We have other pools of vehicles of  
22 approximately the same size or smaller than the  
23 motorcycle pool that have more consistent results,  
24 because they don't have the preponderance of serious  
25 losses.

1                   MR. RAYMOND OAKES:    Ms. McLaren, just on  
2 that point, I think you're making my point, but in terms  
3 of serious losses, some years, as we talked about  
4 yesterday, briefly, some years there are no serious  
5 losses in the motorcycle pool, in other years there may  
6 be two (2) or three (3).

7                   So, it's that limited number of data that  
8 gives rise to the variability; isn't that correct?

9                   MR. DONALD PALMER:    Yes.

10                  MR. RAYMOND OAKES:    So and that's why  
11 when we look at the Corporation's table TI.2, that's why  
12 the Corporation looks at a private passenger class with  
13 six hundred and sixty-eight thousand six hundred  
14 (686,600) units and they assign a credibility of 99.1  
15 percent and whereas motorcycles with eighty-nine hundred  
16 (8,900) units, the Corporation assigns a credibility of  
17 59.7 percent.

18                  Is that correct, Mr. Palmer?

19                  MR. DONALD PALMER:    I won't say that the  
20 Corporation assigns it. We assign the credibility using  
21 accepted actuarial techniques that were accepted by this  
22 Board last year.

23                  MR. RAYMOND OAKES:    I wasn't accusing you  
24 of dreaming them up, I'm just confirming that those are  
25 the credibility percentages that, according to your

1 methodology, you've calculated?

2 MR. DONALD PALMER: That's correct.

3 MR. RAYMOND OAKES: And when MPI  
4 determine the rate line adjustment for motorcycles for  
5 2006/07, did you use credibility?

6 MR. DONALD PALMER: Yes.

7 MR. RAYMOND OAKES: And what was the  
8 credibility assigned?

9 MR. DONALD PALMER: Again, subject to  
10 check, it's the -- the factors that are used in the  
11 differential analysis.

12 MR. RAYMOND OAKES: My information would  
13 be contrary to that, sir. I would believe that the  
14 credibility assigned in the rate line adjustment was 100  
15 percent.

16 Can you dispute that?

17 MR. DONALD PALMER: I can -- I can verify  
18 that, sure.

19 MR. RAYMOND OAKES: If you would by way  
20 of undertaking just respond to the amount of credibility  
21 used in the rate line adjustment.

22

23 --- UNDERTAKING NO. 23: MPI to indicate the amount of  
24 credibility used in the rate  
25 line adjustment.

1

2 MR. RAYMOND OAKES: I do understand that  
3 you did use a credibility assignment when you were doing  
4 the rate line adjustment for passenger vehicles and light  
5 trucks; is that correct?

6 MR. DONALD PALMER: That's likely what I  
7 was thinking of, sure.

8 MR. RAYMOND OAKES: So are you retracting  
9 the previous comment? Has your recollection changed now  
10 with respect to motorcycles?

11 MR. DONALD PALMER: Not yet, I'm still  
12 going to, subject to check.

13 MR. RAYMOND OAKES: Would it be correct,  
14 Mr. Palmer, to say there's more vehicles in each rate  
15 group for passenger vehicles and light trucks, than there  
16 is in each rate group for motorcycles?

17 MR. DONALD PALMER: That's quite likely  
18 true, yes.

19 MR. RAYMOND OAKES: Just to refer you if  
20 I could, to the material filed just prior to Tab 20. I'm  
21 going to ask some questions about the rate line  
22 adjustment and the slope.

23 With respect to Territory 1 for maximum  
24 merit 501 CC, or larger all purpose motorcycles, the  
25 rates for 2006 proposed, show in rate group zero, a



1 thousand ninety-eight (1,098), in rate group 1, thirteen  
2 eighty-three (1383), in rate group 2, fifteen nineteen  
3 (1519), rate -- I'm sorry, that was rate group 2 was  
4 fifteen nineteen (1519), rate group 3, sixteen-o-eight  
5 (1608), rate group 4, sixteen ninety-nine (1699), rate  
6 group 5, seventeen eighty-eight (1788), rate group 6,  
7 eighteen seventy-nine (1879), rate group 7, nineteen  
8 sixty-nine (1969), rate group 8, two thousand fifty-nine  
9 (2059), rate group 9, twenty-one hundred and forty-nine  
10 dollars (\$2,149).

11 Are you familiar with that material, sir?

12 MR. DONALD PALMER: Do you have a  
13 reference please?

14

15 (BRIEF PAUSE)

16

17 MR. RAYMOND OAKES: Just -- that's the  
18 applied for rate table, the Corporation's applied for.

19

20 (BRIEF PAUSE)

21

22 MR. DONALD PALMER: This may be a little  
23 painful, but could you repeat those?

24 MR. RAYMOND OAKES: How about if we file  
25 this an example and we'll have the Corporation respond to

1 it?

2 MR. DONALD PALMER: That's fine.

3 MR. RAYMOND OAKES: Generally, I wonder  
4 while you have it in front of you though, can you  
5 conclude that there's a large rate increase for the first  
6 rate group, and then more limited increases as you move  
7 up the scale?

8 MR. DONALD PALMER: Absolutely.

9 MR. RAYMOND OAKES: And that would be  
10 similar for all territories?

11 MR. DONALD PALMER: That's -- that's  
12 correct.

13 MR. RAYMOND OAKES: And --

14 MR. DONALD PALMER: And I -- and I may be  
15 getting ahead of your question, but the reason being is  
16 that we have looked at the -- the variability and/or how  
17 PIPP benefits vary between rate groups, and the fact is  
18 that they don't vary very much.

19 The -- the data is highly variable, so  
20 we'd essentially put a flat charge for PIPP costs, and  
21 that's why there's that increase. We've found that PIPP  
22 is pretty flat across all rate groups.

23 MR. RAYMOND OAKES: If I can refer you to  
24 the material found in the CMMG book, again, immediately  
25 prior to Tab 20. It's headed, Figure 2. It's a graph

1 prepared by the CMMG. It's prepared on -- based on  
2 analysis of PIPP using the data provided in the response  
3 to CMMG-I-72 of average PIPP costs per unit by rate  
4 group.

5                   Examining the graph labelled, Figure 1, do  
6 you see the curve labelled, PIPP, which is the average  
7 PIPP cost per unit?

8                   MR. DONALD PALMER:    Yes, I do.

9                   MR. RAYMOND OAKES:    Would you agree, Mr.  
10 Palmer, that that graph shows an upward trend in PIPP  
11 costs?

12

13   (BRIEF PAUSE)

14

15                   MR. DONALD PALMER:    I am not sure that I  
16 would necessarily agree with that. And I think in terms  
17 of credibility or variability of results we have looked  
18 at this and it has changed a fair bit from year to year.  
19 And we have, essentially, said that this PIPP data is not  
20 credible and that's why we've applied on a flat basis.

21                   THE CHAIRPERSON:    Mr. Oakes, if you  
22 wouldn't mind just explaining exactly the various pieces  
23 of this figure, figure 2?

24                   MR. RAYMOND OAKES:    If you look at the  
25 bottom of the graph, the number 1 shown there would be

1 the rate group; that follows rate groups one (1) to seven  
2 (7). The numbers in brackets are the number of units in  
3 -- in that rate group. And, of course, as it's  
4 indicated, the average incurred per unit is the other  
5 side of that graph.

6 MR. LEN EVANS: Excuse me, what year  
7 would that be?

8 MR. RAYMOND OAKES: That would be the  
9 five (5) year average.

10 MR. LEN EVANS: Thanks. Well, five (5)  
11 year -- sorry, five (5) year average for what years?

12 MR. RAYMOND OAKES: Up to the year  
13 2004/05, which is the last information we have.

14 MR. LEN EVANS: Thanks.

15

16 (BRIEF PAUSE)

17

18 CONTINUED BY MR. RAYMOND OAKES:

19 MR. RAYMOND OAKES: Moving now, still  
20 with the rate group relativities --

21 MR. DONALD PALMER: Mr. Oakes, if I can  
22 just go back to avoid an undertaking. On the credibility  
23 weighting, we don't use credibility weighting for the  
24 rate line and the reason for that is that 80 to 90  
25 percent of the costs we've applied on a flat basis we

1 don't have anything to compare it to.

2                   So, credibility weighting, no, but from  
3 that same standpoint we really haven't looked -- we  
4 haven't used the by-rate-group data. So, from that  
5 aspect you could almost say that the credibility that  
6 we've assigned to the rate group data is zero.

7                   MR. RAYMOND OAKES:   And why wasn't that  
8 same approach undertaken with respect to passenger  
9 vehicles/light trucks?

10                  MR. DONALD PALMER:   It's because the --  
11 there is variability of accident benefits by -- or --  
12 PIPP does not comprise the same large percentage of  
13 claims costs as it does in -- in motorcycles. The --  
14 probably, and I'm guessing, but certainly over half of  
15 the claims costs for private passenger would be for  
16 physical damage, tin and glass.

17                  In motorcycle it's only 10 percent. Now,  
18 in fact, what we've seen over the -- even in the private  
19 passenger, the rates for the lower rate groups had gone  
20 up because of the PIPP costs for those particular  
21 vehicles.

22                  So it's essentially the same phenomena,  
23 it's just way more enhanced for motorcycles, because of  
24 the large percentage of PIPP costs that are taken into  
25 account.

1 THE CHAIRPERSON: Mr. Palmer, if I may,  
2 so what you're saying, then, with respect to motorcycles  
3 and the assignment of PIPP cost, it's basically it --  
4 it's an allocation, is not reported to be actual on a  
5 rate basis, like rate line basis?

6 MR. DONALD PALMER: That's correct.

7

8 (BRIEF PAUSE)

9

10 THE CHAIRPERSON: And that's based on  
11 your study that shows that, in actual fact, it's  
12 relatively flat across the various rate groups?

13 MR. DONALD PALMER: If I can refer you to  
14 CMMG-1-72.

15

16 (BRIEF PAUSE)

17

18 MR. DONALD PALMER: And we don't have a  
19 total for all -- all five (5) years. But if you just  
20 glance through that table, and there's some pretty big  
21 unusual hits. If you look at the year 2003, rate group 8  
22 has over \$3 million in PIPP costs with very few units.

23 That indicates to me that there's high  
24 variability, and this only goes back five (5) years.

25 In the earlier years, because we do use

1 ten (10) years of serious losses to calculate the rates,  
2 I think there was another very large loss that's still  
3 taken into account that's in rate group 2.

4 So the -- the value of the -- of the bike  
5 that we use for, to determine its rate group, really  
6 doesn't have an impact on the injury that is sustained by  
7 the rider.

8 The two (2) are independent and that's why  
9 we've -- we've assigned that on a flat basis.

10

11 (BRIEF PAUSE)

12

13 THE CHAIRPERSON: Thank you.

14 Mr. Oakes...?

15

16 CONTINUED BY MR. RAYMOND OAKES:

17 MR. RAYMOND OAKES: If I could refer the  
18 -- Mr. Palmer, if I could refer you to the material filed  
19 immediately prior to Tab 21 and this relates to -- it's  
20 the response to CMMG Interrogatory 1-82. It relates to  
21 ICBC having relativities by rate group for motorcycles;  
22 do you have that, sir?

23

24 (BRIEF PAUSE)

25

1                   MR. DONALD PALMER:    It's IBC not ICBC,  
2    but I have it.

3

4                                   (BRIEF PAUSE)

5

6                   MR. RAYMOND OAKES:    Thank you for that.  
7    When you look at the table that the Corporation provided,  
8    and specifically to the right of that table when it shows  
9    the -- the BI portion, the accident benefits and bodily  
10   injury portion on the right, can you just explain the use  
11   of the factors there, between one (1) and five (5)?

12                   MR. DONALD PALMER:    It looks like -- and  
13   again, this is not our table.  But the accident benefit  
14   rate group is different, depending on engine  
15   displacement.  So there's lower engine displacement rate  
16   groups for the zero to a 100 cc's, a 101 to 400 cc's is  
17   rate group 2, 401 to 750 cc's is rate group 3, 751 to  
18   1150 cc's is rate group 4, and above 1150 cc's is rate  
19   group 5.

20                   MR. RAYMOND OAKES:    Mr. Palmer, you would  
21   confirm that these tables are IBC approved tables; is  
22   that correct?

23                   MR. DONALD PALMER:    I wouldn't say IBC  
24   approved, I'd say IBC tables.

25                   MR. RAYMOND OAKES:    Well they're similar



1 to CLEAR in the sense that IBC has approved this rating  
2 table for use by its members?

3 MR. DONALD PALMER: Provides this table  
4 for use by its members.

5 MR. RAYMOND OAKES: Has MPI performed any  
6 statistical analysis of the use of this table in Manitoba  
7 at all?

8 MR. DONALD PALMER: No.

9 MR. RAYMOND OAKES: In Manitoba when the  
10 -- when motorcycles are specified for rating purposes, or  
11 let's look at private passenger, does the assigned CLEAR  
12 rate group for private passenger consider most of the  
13 characteristics for the vehicle, for example, horsepower,  
14 age, theft rating, repairability, value and all of those  
15 factors?

16 MR. DONALD PALMER: Yes.

17 MR. RAYMOND OAKES: But when you do your  
18 rate group assignment for motorcycles, do you only  
19 consider value?

20 MR. DONALD PALMER: It's -- it's a little  
21 bit of an apples to oranges if you whole -- look at the  
22 whole rate consideration, it's value, it's body style,  
23 it's engine size.

24 MR. RAYMOND OAKES: I'm sorry, are you  
25 saying that the Corporation uses engine displacement as

1 part of the rate group determination?

2 MR. DONALD PALMER: Not rate group  
3 determination, but it's part of the -- the rate  
4 classification determination, yes.

5 MR. RAYMOND OAKES: As -- and I  
6 understand that MPI, and this follows from your response  
7 in CMMG Interrogatory 1-81, but I take it we can conclude  
8 that MPI hasn't conducted any analysis of risk or  
9 relativities across engine displacement ranges that it  
10 uses; is that correct?

11 MR. DONALD PALMER: Not recently. The --  
12 and we have many issues with motorcycle classifications,  
13 and...

14

15 (BRIEF PAUSE)

16

17 MR. DONALD PALMER: The main problem with  
18 motorcycle rates was extreme rate inadequacy. Before you  
19 start looking at the differentials in the relationships  
20 amongst the various classification categories, you've got  
21 to get up to some sort of level.

22 We are -- we were looking at rates that  
23 were probably half adequate, which -- and -- and I don't  
24 think I have to remind you that we have been seeking 15  
25 percent rate increases year after year, to get us to rate

1 adequacy.

2                   If we were to couple that with, on top of  
3 that, some of the differential analysis, the rate line  
4 changes, the body style differentials which we have  
5 started to -- to look at and basically been rejected by  
6 this Board, that you can't do everything at once.

7                   So the -- the analysis of the engine  
8 displacements will come in time. But I think there's  
9 other things that we have to look at first. The other  
10 thing that I will say in terms of whether or not we even  
11 use engine displacement is a bit of a moot point.

12                   We have three (3) categories -- three (3)  
13 size ranges of engine displacements, under a hundred  
14 (100), a hundred (100) to five hundred (500) and over  
15 five hundred (500).

16                   If you take out the mopeds from -- from  
17 that group probably about 90 percent of the bikes or more  
18 are in the five hundred (500) and above. So really there  
19 isn't an engine displacement differentiation. It's --  
20 the differentiation right now is on body style.

21                   MR. RAYMOND OAKES: It seems that there  
22 is a differentiation in the IBC table so; isn't that  
23 correct?

24                   MR. DONALD PALMER: Well, again, if you  
25 look at the IBC tables that the lower displacement range

1 is -- there's probably no bikes in there. So it probably  
2 would be a differentiation from rate group 3 to 5. So,  
3 sure, I'll -- I'll give you that.

4 MR. RAYMOND OAKES: You -- you indicated  
5 at the start of the hearing that based on preliminary  
6 numbers, with loss transfer, motorcycles should be at  
7 rate sufficiency next year.

8 Is there some comfort that you can give us  
9 that by then MPI will know whether the right rate is  
10 assigned to bikes based on engine size as well as just  
11 value?

12 MR. DONALD PALMER: Again, through  
13 meetings that we've had with the CMMG, engine size may be  
14 a determining factor but I don't know that it's  
15 necessarily the determining factor.

16 Sport bikes, for instance, which have had  
17 very bad experience, are generally lower engine  
18 displacements than some of the big cruisers. So to say  
19 that one is engine displacement is a determining factor,  
20 I think it's certainly something that we'll be looking at  
21 and maybe at some point in time, and I'm not promising it  
22 for next year or maybe even the year after, but  
23 eventually we will be refining those engine displacement  
24 sizes and ranges.

25 And if they're a determining factor in

1 risk then we'll use them. And if they're not then we'll  
2 -- we won't use them.

3 MR. RAYMOND OAKES: Let's talk about some  
4 of the things that the Corporation has been able to do.  
5 The creation of the new rate for pleasure use  
6 motorcycles; can you describe the process that MPI went  
7 through in creating the new rate levels for pleasure use  
8 motorcycles?

9 MR. DONALD PALMER: Although we called it  
10 an all purpose rate before, it really was a blended rate  
11 between pleasure use and all purpose. So when you split  
12 that apart into a pleasure and a pure all purpose there's  
13 two (2) assumptions that you have to -- have to make in  
14 order to determine those two (2) rates.

15 One is you have to make a determination of  
16 how many people you think are going to go into each  
17 category of pleasure and all purpose. Plus you have to  
18 have a differential in rate between the new pleasure and  
19 new all purpose.

20 We, as part of our insurance data, didn't  
21 have historical data for any -- for either one of those  
22 two (2) assumptions. So, in the absence of data, you --  
23 you go to other proxies and -- and the best you've got.

24 In our survey last year that we did for  
25 the motorcycle risk study, 37 percent of people indicated

1 that they did not use their vehicles for work -- to go to  
2 work or school. Again, in the absence of any other data,  
3 the survey data -- scientific survey, we said let's use  
4 that as a starting -- starting point.

5           The other assumption for the differential  
6 between pleasure and all purpose, we said, Let's look at  
7 private passenger as a proxy because there's something  
8 that we've got.

9           And that differential, if you -- if you  
10 look between pleasure, each corresponding rate group and  
11 all purpose, the differential is about 13 percent.

12           We said, you know, that's -- that's good  
13 as a guide, but let's be a little conservative on that  
14 differential knowing that the bigger the differential you  
15 have, the higher your all purpose rate is going to be and  
16 -- and somebody -- 63 percent of the people who are going  
17 to register at all purpose would see a greater increase,  
18 the higher the differential.

19           So, we said, let's cap that as a  
20 reasonable amount, at 10 percent. We did have a meeting  
21 with representatives of the CMMG in April; told them of  
22 our approach and although I don't know that I'd  
23 necessarily call it agreement, but heads were nodding in  
24 the room.

25           So, we said it's a very good starting

1 point. Experience will look after itself and that  
2 differential will find its own level and whether it's  
3 about the same as private passenger or something higher  
4 or, in fact, there may be no differential at all between  
5 pleasure and all purpose rates; it's hard to say.

6 But that will find it's own level. That  
7 was our proc -- our thought process to set those two (2)  
8 things.

9 MR. RAYMOND OAKES: One of the things,  
10 Mr. Palmer, I heard you say in that explanation was that  
11 all purpose motorcycles are paying higher rates than in  
12 2005 due to the rate blending.

13 Did -- is that correct?

14 MR. DONALD PALMER: That's not quite what  
15 I said. The -- the 2005 rate, the old rate, shows a  
16 blended rate. When we have the new all purpose rate for  
17 2006 it's higher than it would have otherwise have been  
18 if we didn't have the split rates between all purpose and  
19 pleasure, yes.

20 MR. RAYMOND OAKES: Thank you for that.  
21 I have some road safety questions.

22 MR. DONALD PALMER: Mr. Oakes, if I can  
23 just add one thing that my back row has supplied me with  
24 regarding your figure 2 on tab 19 or between tab 19 and  
25 20.





1 clarification. The gentlemen in the back rows can keep  
2 their jobs.

3 Mr. Oakes, I'd like to just go back to  
4 your conversation with respect to the reduction of 50  
5 percent on the MCT formula with respect to unrealized  
6 gains.

7 MR. BARRY GALENZOSKI: I've had a chance  
8 to consult with our external -- our external actuary in  
9 the last few minutes and I'm told that the 50 percent  
10 reduction for unrealized gains is not related to taxes.

11 In fact, he indicates that OSFI says the  
12 reduction is to reflect the uncertainty that the gain  
13 will be available when really needed.

14 The unrealized gains are historical  
15 numbers, subject to market swings in the future and  
16 that's been clearly demonstrated in the historical  
17 numbers for MPI. And I'll refer you to PUB -- PUB/MPI-2-  
18 21-80, attachment. And in there we've -- we were asked  
19 to provide the unrealized gains for a number of years,  
20 about ten (10) years, and for the low on -- on that ten  
21 (10) year time frame is unrealized gains of about \$21  
22 million to a high in 2005 of \$93 million.

23 So I think you can see that there is  
24 significant swing, first of all, in the -- in the number  
25 that might be available to reduce capital, as well the

1 uncertainty as to whether it would be there at the time  
2 when the capital was actually required is -- is an issue.  
3 So the taxes are not the consideration and the reduction  
4 for the 50 percent.

5 MR. RAYMOND OAKES: Mr. Galenzoski, was  
6 that an opinion provided by Mr. Christie?

7 MR. BARRY GALENZOSKI: Yes, I -- I just  
8 asked Mr. Christie some questions through the Blackberry,  
9 and he provided me with his -- his response.

10 MR. RAYMOND OAKES: If you could provide  
11 this Board with the reference to the OSFI documentation  
12 that supports Mr. Christie's opinion?

13 MR. BARRY GALENZOSKI: Well he's telling  
14 you, from the actuarial standpoint, he's the guy that  
15 calculates our -- or MCT on an official basis, that's the  
16 documentation that's been provided, I simply asked him  
17 for clarification on the treatment of income taxes, or --  
18 or the lack of income taxes, as it relates to the MCT  
19 that you brought forward.

20 He's indicated that that's not the  
21 consideration that OSFI would -- would take into account.  
22 They're looking more at the fact that the gains are  
23 unrealized, and therefore subject to change at the time  
24 that they're required. These are historical numbers  
25 we're talking about.

1                   And so what happens in -- in the situation  
2 such as MPI where we're doing this calculation on an  
3 annual basis, is that a number, like, 2005 where it was  
4 \$93 million, by the time we get a year or so out, or a  
5 half a year out, that number could have dramatically  
6 changed to a lower value.

7                   And so his contention is, is that the --  
8 the difference is not related to the income tax, as  
9 you've indicated, and the discussion that may have  
10 happened at ICBC, in his opinion, based on what OSFI's  
11 told him, that that is -- it's more related to the  
12 uncertainty that those gains would be there when they're  
13 really needed, to -- to be had.

14                   MR. RAYMOND OAKES:    Mr. Galenzoski, I'm  
15 going to repeat my question because if Mr. Christie is  
16 providing an opinion to this Board through you and  
17 indicating in his opinion that he's relying on OSFI's  
18 pronouncements in this respect, I would ask that you  
19 produce the source documentation from OSFI, that supports  
20 his opinion?

21                   MR. BARRY GALENZOSKI:   Well, you know, I  
22 guess it's equal to --

23                   MR. KEVIN MCCULLOCH:    If I could, Mr.  
24 Chairman, I really think that what we've got here is, we  
25 had Mr. Oakes produce for the first time, to this Panel,

1 this morning, a portion of the transcript from an ICBC  
2 Hearing that says OSFI told somebody that income tax was  
3 a consideration in calculating the unrealized gain figure  
4 that would go into the MCT calculation.

5                   This is the first opportunity that the  
6 Corporation had had to respond to that. In the  
7 information put by Mr. Oakes there is no reference to any  
8 OSFI direction, guideline, calculation. So, what we have  
9 before the Board this morning is two (2) competing views  
10 as to whether income tax plays a role in that  
11 calculation.

12                   I don't know that there's any obligation  
13 on -- on the Corporation to go beyond what it has done in  
14 Mr. Galenzoski's response this morning.

15                   THE CHAIRPERSON: Mr. Oakes, do you have  
16 anything else to say on this?

17                   MR. RAYMOND OAKES: I think the issue's  
18 fairly put by my Learned Friend, MPI counsel. It's  
19 really -- it is a hugely material difference involved in  
20 the calculation for the purposes of MCAD, if -- if the  
21 Board is satisfied with receiving the two (2) opinions,  
22 then we're prepared to leave it at that. Should the  
23 Board have a greater concern in going behind the  
24 opinions, then it will direct the Corporation as it needs  
25 to.

1                   We're really here to assist the Board by  
2 bringing issues that haven't been brought to the Board's  
3 attention, and I'm certainly not going to stamp my feet  
4 and require that the Board receive more than -- than a  
5 brief text message on a Blackberry, I'll leave that to  
6 the Board's consideration.

7                   THE CHAIRPERSON:    We'll think on it  
8 during the break, Mr. Oakes.

9                   MR. RAYMOND OAKES:    Thank you, Mr.  
10 Chairman.

11

12 CONTINUED BY MR. RAYMOND OAKES:

13                   MR. RAYMOND OAKES:    Moving to the less  
14 contentious issue of motorcycle road safety for the time  
15 being, I wonder, Mr. Bedard, since you've got to be more  
16 well rested than even I was yesterday, I wonder if you  
17 could describe some of the road safety programs MPI has  
18 engaged in with respect to motorcycles?

19

20   (BRIEF PAUSE)

21

22                   MR. WILF BEDARD:    Certainly.  Our road  
23 safety messages towards motorcycles has got to do with --  
24 with training of -- of individuals, direct mailers to  
25 people who ride motorcycles as well as public education

1 regarding the awareness of motorcycles on the road.

2 Those are basically the three (3) areas  
3 that we're trying to focus on.

4 MR. RAYMOND OAKES: And I understand from  
5 the materials that MPI is spending roughly ninety  
6 thousand dollars (\$90,000) on road safety for motor --  
7 specifically motorcycle initiatives; would that be  
8 accurate?

9 MR. WILF BEDARD: For the '05/'06 year,  
10 that's correct, yes.

11 MR. RAYMOND OAKES: And can you tell us  
12 how that -- how MPI plans to spend in 06/07?

13 MR. WILF BEDARD: We're anticipating  
14 roughly the same. The budget hasn't been formulated yet.  
15 But it'll be roughly the same.

16 MR. RAYMOND OAKES: And how much would  
17 you -- the Corporation spend on initiatives like the seat  
18 belt initiative that pertains only to private passenger  
19 vehicles?

20 MR. WILF BEDARD: It would be in the  
21 order of about two hundred and fifty thousand dollars  
22 (\$250,000).

23 MR. RAYMOND OAKES: And with respect to  
24 the ninety thousand (90,000) that you're spending on  
25 motorcycle safety initiatives, that figure has been

1 relatively flat? I recall it a few years ago being about  
2 seventy thousand dollars (\$70,000) but the number's been  
3 relatively flat over the last say five (5) or six (6)  
4 years; would that be accurate?

5

6 (BRIEF PAUSE)

7

8 MR. WILF BEDARD: Actually the amount  
9 that we've been spending on road safety targeted towards  
10 motorcycle operation has been increasing the last number  
11 of years. Increasing in terms of the training area that  
12 we've been speaking of earlier as well as our -- our  
13 public awareness.

14 So, I think it's been growing over the  
15 past number of years rather than arguably flat as you  
16 suggested.

17 MR. RAYMOND OAKES: It's going to be from  
18 your testimony this morning it's going to be relatively  
19 the same next year?

20 MR. WILF BEDARD: Generally speaking,  
21 yes. As I said, we haven't done the budget yet but I  
22 believe our expenditures will be in the same area.

23 MR. RAYMOND OAKES: And based on your  
24 knowledge in the area of road safety and Mr. Douglas'; is  
25 this comparable more or less to the effort put in by

1 ICBC?

2 MR. WILF BEDARD: We have no information  
3 as to what ICBC would spend on motorcycle road -- road  
4 safety.

5 MR. RAYMOND OAKES: How about our  
6 neighbouring province, SGI's activity?

7 MR. WILF BEDARD: We have no information  
8 as to what SGI would spend either.

9 MR. RAYMOND OAKES: Mr. Chairman, we've  
10 reached 10:30. When I come back I would propose to spend  
11 less than a half hour on questioning and then I should be  
12 able to complete my cross-examination.

13 THE CHAIRPERSON: Very good, Mr. Oakes.  
14 We'll stand down for fifteen (15) minutes.

15

16 --- Upon recessing at 10:30 a.m.

17 --- Upon resuming at 11:05 a.m.

18

19 THE CHAIRPERSON: Mr. Oakes, just before  
20 you commence, all we want to say on this sort of  
21 discussion between yourself and Mr. Galenzoski on the MCT  
22 is that the Board is very apprised of the significance of  
23 this MCT issue to the Corporation's Application and we'll  
24 leave it to the parties to say what they wish in closing  
25 argument.



1                   Okay, Mr. Oakes.

2                   MR. RAYMOND OAKES:    That's fine, Mr.  
3 Chairman.  Mr. McCulloch, he has some matters, I believe.

4                   MR. KEVIN MCCULLOCH:    Yes, Mr. Chair.

5                   THE CHAIRPERSON:    Mr. McCulloch...?

6                   MR. KEVIN MCCULLOCH:    Mr. Chairman, if I  
7 could, there are five (5) exhibits.  The first one is a  
8 response to Undertaking number 4, exhibit -- MPI Exhibit  
9 number 25.

10                  THE CHAIRPERSON:    Just a second, Mr.  
11 McCulloch.

12                  MR. KEVIN MCCULLOCH:    Oh, that's right.  
13 Mr. Barron hasn't had a chance to distribute them.

14

15                                       (BRIEF PAUSE)

16

17                  THE CHAIRPERSON:    There's been a lot of  
18 paper exchanged between the parties, and at least it  
19 helps to have it front of us.

20

21                                       (BRIEF PAUSE)

22

23                  THE CHAIRPERSON:    Thank you, Mr.  
24 McCulloch.

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

1 as I in -- started to indicate, the response to  
2 Undertaking number 4 would be MPI Exhibit number 25;  
3 response to Undertaking number -- number 5 would be MPI  
4 Exhibit 26; the PUB question number 1, this is from  
5 yesterday, MPI Exhibit number 27; PUB question number 3,  
6 MPI Exhibit 28, and PUB question number 4, Exhibit 29.

7 Ms. McLaren would like to make comment on  
8 at least one (1) of those exhibits, and then when she's  
9 done, Mr. Palmer would like to address an exhibit that  
10 was contained in the CMMG Book of Documents at Tab 8.  
11 This is for clarification.

12 This exhibit is a compendium of  
13 information drawn from the General Rate Application, the  
14 Corporation has just had an opportunity to review it and  
15 Mr. -- Mr. Palmer has some comments that might provide  
16 some clarification.

17 So those are the matters that we deal with  
18 now, please.

19 THE CHAIRPERSON: Thank you, Mr.  
20 McCulloch.

21

22 --- EXHIBIT NO. MPI-25: Response to Undertaking 4.  
23 --- EXHIBIT NO. MPI-26: Response to Undertaking 5.  
24 --- EXHIBIT NO. MPI-27: Response to PUB question 1.  
25 --- EXHIBIT NO. MPI-28: Response to PUB question 3.

1 --- EXHIBIT NO. MPI-29: Response to PUB question 4.

2

3 THE CHAIRPERSON: Ms. McLaren...?

4 MS. MARILYN MCLAREN: Thank you. With  
5 respect to PUB question 1, where you asked us to provide  
6 a complete list of the functions of DVL, I just wanted to  
7 -- to raise the issue of road safety. And if you look at  
8 the table attached to the response to Question 1, you'll  
9 see that there is very little identification of any of  
10 these functions, as related to road safety.

11 When you talk to the folks at DVL, they  
12 really believe that virtually everything they do is in  
13 the interests of road safety. The context that we were  
14 trying to put on it in this response, is that with only a  
15 couple of minor exceptions, the context of road safety  
16 within which they work is the legislative framework.

17 So, graduated driver license program, more  
18 than anything else, is a road safety program. But it --  
19 it's in the statutes, it's in the regulations. The  
20 vehicle inspection program is an effort to reduce risk on  
21 the road by getting unsafe vehicles off the road. It's a  
22 road safety program, but it's in statute.

23 So, we wanted to put that context on it,  
24 because -- and again, as it's clearly laid out in the  
25 master agreement between Manitoba Public Insurance and

1 the Government of Manitoba, they are not prepared, nor  
2 should they in my personal opinion, to sort of substitute  
3 our judgment for those of the legislators, when it comes  
4 to what are -- what is the bar, and what are the rules  
5 with respect to having access to the roadway.

6                   The effort to -- the decisions around  
7 balancing access and the need to mitigate risk is really  
8 in the hands of the people in the legislature. So that's  
9 why we put that context of the administration of  
10 legislation. But in the minds of DBL folks, everything  
11 they do is really related to road safety.

12                   I also wanted to speak to your second  
13 question, where you asked us --

14                   THE CHAIRPERSON: The material on DVL is  
15 helpful. Thank you.

16                   MS. MARILYN MCLAREN: Thank you. We will  
17 not be putting anything on the record in written form to  
18 respond to Question 2, so I did want to speak to that as  
19 well, where you asked us to indicate if there are  
20 functions that are not scheduled or intended to be  
21 reviewed in the upcoming business process review. The  
22 answer to that is, no, nothing is out of scope,  
23 everything is -- is fair game for having a good hard look  
24 at.

25                   We are not prepared though to make public

1 the terms of reference. As we have put on the record in  
2 the Corporation's Application, the first order of  
3 business and the thing that you know, the people here  
4 will likely hear about first, are efforts to work on the  
5 driver license system itself.

6 The business process review that is under  
7 way right now, and is scheduled to finish within this  
8 fiscal year is really a plan to plan. When we are in  
9 front of you again next year, we will have much more  
10 detail about what we have decided to do, and the  
11 timeframe within which we plan to do it.

12 But, when it gets right down to it, not  
13 only do we not have the authority to make a lot of the  
14 changes, we are talking about people's jobs, and -- and  
15 people's work environment, and a lot of it is fairly  
16 sensitive. We're not -- simply not in a position to be  
17 making that public at this point.

18 THE CHAIRPERSON: Thank you.

19 Mr. Galenzoski...?

20 MR. BARRY GALENZOSKI: Perhaps I can just  
21 add a -- a comment regarding PUB Question Number 3, which  
22 is Exhibit number 28.

23 And we've provided a considerable amount  
24 of information. Tis is where you ask us a concise  
25 question and we've given you an un -- not such a concise

1 answer. And so if the Board wants, we can provide a more  
2 concise answer.

3                   What you wanted was a listing that would  
4 show the gross premiums written for basic, the RSR  
5 balance, and then the net income loss for basic in the  
6 subsequent fiscal year, going back to inception.

7                   And unfortunately, the Corporation doesn't  
8 have the retained earnings of the Corporation broken out  
9 by line of business, going back to inception. That was  
10 all maintained as one (1) number, primarily related to  
11 the fact that investment income wasn't allocated among  
12 the line of businesses at that point in time. So, we  
13 didn't have all that break down.

14                   So, what we've provided you -- and -- and  
15 a couple of other little complicating factors is that our  
16 year end changed at a point in time from the end of  
17 October to the end of February. We have one (1) sixteen  
18 (16) month year embedded in there.

19                   So, with all -- with all my excuses that  
20 you've got, what I've given you under Schedule 1 is the  
21 basic premiums written by -- by year, going right back to  
22 inception. And it gives you the components, whether that  
23 was motor vehicle, driver's gas tax, less reinsurance  
24 ceded. So, all of that is provided.

25                   Then we give you the retained earnings or

1 deficit for the entire Corporation; that would be for all  
2 lines of business on automobile, not including the  
3 personal and commercial general lines of business. And  
4 those are shown on Schedule Number 2.

5 And Schedule Number 3 then gives you the  
6 Rate Stabilization Reserve from 1990 through to 2005.

7 Now, if you wish that we comply more  
8 concisely with your wording of your question we can do  
9 that, but that would have to happen after the Hearings  
10 probably are over.

11 THE CHAIRPERSON: This satisfies us.  
12 Thank you.

13 Anything else, Mr. McCulloch?

14 MR. KEVIN MCCULLOCH: Just the comments  
15 that Mr. Palmer wanted to make on that exhibit.

16 MR. DONALD PALMER: With respect to the  
17 exhibit that was put forth by the CMMG on claims incurred  
18 risk margins embedded on the balance sheet, there is a  
19 danger when you just compare the provision for adverse  
20 deviation with the total claims liabilities because  
21 really those -- that provision is part of the claims  
22 liabilities and there's a number of things that happen  
23 within the context.

24 And to just take one as a percentage of  
25 the other I think can be somewhat misleading in terms of

1 us increasing the margins. Because, as I've pointed out  
2 before, specifically for the interest rate margin, we  
3 didn't change it.

4 What, in fact, has happened is that the --  
5 what we did change was the claims payment pattern which  
6 increases the amount of discount, that's the second line  
7 in the -- in the exhibit.

8 So, in fact, from 2003 to 2005 the amount  
9 of discount has gone from \$214 million to \$322 million.  
10 The interest rate margin, or interest rate PFAD, in fact,  
11 has stayed pretty much a constant percentage of that  
12 amount, about 25 percent of the amount of discount is  
13 included in the margin.

14 So, in fact, the net effect of all that  
15 discounting change is, in fact, to reduce the liability  
16 to the Corporation. It doesn't increase the amount of  
17 capitalization.

18 It -- the two (2) are tied together and  
19 can't necessarily be -- be separated. So, in fact, the  
20 net effect of us changing the payment pattern was a  
21 decrease to the reserves of the Corporation.

22 We did not increase the margin by itself,  
23 it was in concert with the other.

24 THE CHAIRPERSON: Thank you. That's  
25 helpful.



1 Mr. Oakes...?

2

3 CONTINUED BY MR. RAYMOND OAKES:

4 MR. RAYMOND OAKES: I think Mr. Palmer  
5 got back to the PFAD at his own risk. I have a couple of  
6 quick questions relating to that.

7 When selecting the margin for the claims  
8 development PFAD is there a range of potential margins  
9 that are approved or suggested by the Canadian Institute  
10 of Actuaries?

11 MR. DONALD PALMER: Yes.

12 MR. RAYMOND OAKES: And for PIPP what  
13 would that range be?

14 MR. DONALD PALMER: The interest rate  
15 margin, I will check on it, I think it's from a half  
16 (1/2) a point to two (2) points.

17 MR. RAYMOND OAKES: And what is MPI  
18 selecting?

19 MR. DONALD PALMER: One (1) point.

20 MR. RAYMOND OAKES: And how about on the  
21 claims development PFAD?

22 MR. DONALD PALMER: The claims  
23 development is from five (5) to fifteen (15). And I can  
24 provide you a reference that the claim development margin  
25 that we've used -- the claims development margins that

1 we've used are shown in the actuarial reports of TI --  
2 AI.9 in Volume III, Part 2.

3                   Depending on the line of business they  
4 range from, I think from 5 to 15 percent. The PIPP ones  
5 are on the higher range of that.

6                   MR. RAYMOND OAKES: Mr. Chairman, it must  
7 be a fortunate sign, I'm moving to the last tab in the  
8 CMMG Exhibit Book. And the reference is that first  
9 Interrogatory shown there, CMMG/MPI-I-87.

10                   Mr. Palmer talks about the forecast for  
11 the ICAC forecast at two million forty-six thousand  
12 (2,046,000) which forecast it increased five (5) times to  
13 ten million two hundred and twenty-five thousand  
14 (10,225,000).

15                   Could you or Mr. Galenzoski please explain  
16 that -- those provisions and the change that's shown  
17 there?

18

19                   (BRIEF PAUSE)

20

21                   MR. DONALD PALMER: The calculation of  
22 the provision is also included in the actuarial report  
23 and is a -- is a calculation between -- based on the  
24 actual expenses and the current claims reserve, and there  
25 are some underlying assumptions of that. It's on that

1 basis that the amount of ICAC is calculated every year.

2                   And what we had -- had seen that over the  
3 past few years, when we're comparing actual to forecast,  
4 we had put in and used a provision of \$2 million as a  
5 forecast for quite some time. That was really not  
6 indicative of what was actually happening to the actual  
7 provision and, as you've seen, it's been over the last  
8 two (2) years in the \$9 million range.

9                   So that's just been reflected within our  
10 forecast.

11                   MR. RAYMOND OAKES: Could you advise, on  
12 average, or roughly speaking, how much higher the rates,  
13 the average rates would be due to this change?

14

15                   (BRIEF PAUSE)

16

17                   MR. DONALD PALMER: The extra provision  
18 of -- of \$9 million compared to a \$2 million forecast is  
19 just over a percent on rates.

20                   MR. RAYMOND OAKES: Thank you for that,  
21 sir. Some short snapper if I might. If a motorcycle --  
22 if a person has a motorcycle that's worth more than fifty  
23 thousand dollars (\$50,000), can you confirm for me that  
24 they would have to buy extension or SRE insurance?

25                   MR. DONALD PALMER: That would be their

1 choice if they wanted to insure above the fifty thousand  
2 dollars (\$50,000), yes.

3 MR. RAYMOND OAKES: And in the event that  
4 you have a car that's worth more than fifty thousand  
5 dollars (\$50,000), you don't have to purchase additional  
6 extension insurance; isn't that correct?

7 MR. DONALD PALMER: No, that's not true.  
8 Again, a maximum insured value is fifty (50).

9 MR. RAYMOND OAKES: Question, if someone  
10 calls the MPI call centre, asks a question about SRE,  
11 what does the call handler do?

12

13 (BRIEF PAUSE)

14

15 MR. BARRY GALENZOSKI: The call would be  
16 referred to the SRE. We have lines directed to SRE from  
17 -- from Winnipeg and so people would be directed there.

18 Specific questions regarding SRE are more  
19 technical in nature. They -- they usually involve  
20 vehicle fleets and are outside the handling that we would  
21 normally expect in our call centre.

22 MS. MARILYN MCLAREN: And if -- if they  
23 come at all, they come in extremely low numbers, because  
24 SRE clients deal virtually exclusively with their  
25 brokers. They don't deal with MPI directly.

1 MR. RAYMOND OAKES: And that would be the  
2 reason why there's no costs allocated to SRE is there for  
3 the claims -- for the call centres?

4 MR. BARRY GALENZOSKI: That's correct.

5 MR. RAYMOND OAKES: Questions relative to  
6 risk management.

7 Does anyone in the Corporation have  
8 financial risk management designations?

9 MR. BARRY GALENZOSKI: No, not that I'm  
10 aware of.

11 MR. RAYMOND OAKES: Or professional risk  
12 management designations?

13 MR. BARRY GALENZOSKI: No.

14

15 (BRIEF PAUSE)

16

17 MR. RAYMOND OAKES: There was discussion  
18 in the transcript about ongoing discussions with Crown  
19 Corporation's Council relative to the MCT.

20 I'm afraid I don't have a copy of the  
21 transcript, but it was page 350, lines 15 to 19 and I  
22 want to ask some questions about that.

23

24 (BRIEF PAUSE)

25

1 MS. MARILYN MCLAREN: Three fifteen  
2 (315)?

3 MR. RAYMOND OAKES: No, three five zero  
4 (350). It's Ms. McLaren's discussion with Mr. Saranchuk.

5 And if you have that, I wonder if you  
6 could elaborate on what were the discussions related to  
7 the MCT with the Crown Corporation's Council, was it with  
8 staff or with Board?

9 MS. MARILYN MCLAREN: My conversations  
10 have been with staff, not with the Board.

11 MR. RAYMOND OAKES: Is there any  
12 documentation that you can provide for this Board that  
13 confirms the premise or your statement that the Crown  
14 Corporation's Council, believes that adopting best  
15 practice is what the Corporation should do?

16 MS. MARILYN MCLAREN: As I said, I don't  
17 believe there's anything on the public record at this  
18 point, no.

19 MR. RAYMOND OAKES: And is there any  
20 documentation you can provide for this Board that  
21 confirms the premise that the Crown Corporation's Council  
22 views MCT as best practice?

23 MS. MARILYN MCLAREN: I'll just repeat my  
24 previous answer, there's nothing on the public record on  
25 that at this point, with respect to Crown Corporation

1 Council views of the Corporation's RSR target.

2 MR. RAYMOND OAKES: Are you aware, are  
3 there -- are there any staff at Crown Corporation's  
4 Council, who are experts on capital adequacy testing?

5 MS. MARILYN MCLAREN: I wouldn't know  
6 that.

7 MR. RAYMOND OAKES: Do they have  
8 actuaries?

9 MS. MARILYN MCLAREN: I'm not sure.

10 MR. RAYMOND OAKES: Do they have anyone  
11 who has worked for an insurance regulator or OSFI?

12 MS. MARILYN MCLAREN: Again, I'm not  
13 sure.

14 MR. WALTER SARANCHUK: Just for the  
15 record, if I can intervene, the reference to Crown  
16 Corporation's Council at pages 350 and 351 of the  
17 transcript, and indeed at this particular juncture in the  
18 transcript, council should be spelled C-O-U-N-C-I-L, it's  
19 an organization, the Crown's Corporation's Council.

20

21 CONTINUED BY MR. RAYMOND OAKES:

22 MR. RAYMOND OAKES: Moving to an issue  
23 that's arisen relative to data errors, and it would be --  
24 there would be material contained in the second last  
25 attachment in the last tabbed material. And that's with

1 respect to costs assigned to an insurance class under the  
2 proposed loss transfer approach for 2007/08, would a  
3 greater proportion of single vehicle relative to multi-  
4 vehicle accidents for a class, result in less costs being  
5 transferred from that class?

6 I -- I can shorten that question. I  
7 understand that single vehicle accidents are not being  
8 transferred; is that correct?

9 MR. DONALD PALMER: That's correct.

10 MR. RAYMOND OAKES: And so if there were  
11 more of them, then there'd be less costs being  
12 transferred from that class?

13 MR. DONALD PALMER: I don't know that you  
14 can necessarily say that, it would be -- it would depend  
15 on the severity of those accidents, just because there  
16 was more, they may be more minor, as opposed to less  
17 prevalent, but very serious. So it would be dependent on  
18 the severity as well.

19 MR. RAYMOND OAKES: Well, if you had ten  
20 (10) and it was a million dollars worth of -- of claims,  
21 contrast that with a situation where you have fifteen  
22 (15), the costs are going to be higher no matter what the  
23 size of them are, if you don't transfer them out, then  
24 doesn't it result in less costs being transferred?

25 MR. DONALD PALMER: If the accidents are



1 all the same severity, if you have more there will be  
2 less transferred, but they're not.

3 MR. RAYMOND OAKES: Earlier this year in  
4 the Loss Transfer Hearings, we had a discussion about the  
5 percent of single vehicle accidents in Manitoba versus  
6 other jurisdictions, are you -- do you recall that, sir?

7 MR. DONALD PALMER: I do remember the  
8 discussion, I don't remember the specifics.

9 MR. RAYMOND OAKES: In terms of the  
10 specifics, if I could refer you to the CMMG-1-48, the  
11 Interrogatory that you'll find is the second last  
12 document in the CMMG book.

13 Looking at --

14 MR. DONALD PALMER: I have it.

15 MR. RAYMOND OAKES: Thank you. Looking  
16 at single vehicle accidents as a percentage of all  
17 claims, prior to 1998 was the average in the 20 to 30  
18 percent range?

19 MR. DONALD PALMER: Yes.

20 MR. RAYMOND OAKES: And then did it rise  
21 to 36 percent in 1999 and then reach the 45 percent to 50  
22 percent range since then?

23 MR. DONALD PALMER: It has risen steadily  
24 since 1999, yes.

25 MR. RAYMOND OAKES: What year did MPI put

1 in the new claims processing system?

2 MR. DONALD PALMER: 1998, I'm advised.

3 MR. RAYMOND OAKES: Was it after that  
4 that we saw this steady increase?

5 MR. DONALD PALMER: Yes.

6 MR. RAYMOND OAKES: You indicated that  
7 you didn't recall the specifics, but do you recall the  
8 motorcycle risk study in which there is a discussion  
9 about other jurisdictions having a 20 to 30 percent range  
10 for single vehicle accidents?

11 MR. DONALD PALMER: I recall ours was  
12 higher, yes.

13 MR. RAYMOND OAKES: Has the Corporation  
14 undertaken any investigation of why the percentage of  
15 single vehicle accidents in Manitoba are recorded at  
16 roughly double what other jurisdictions were?

17 MR. DONALD PALMER: Just if I may correct  
18 that our risk study did not show that. There was  
19 evidence at the loss transfer hearing, it was not ours.

20 MR. RAYMOND OAKES: Has the Corporation  
21 undertaken any investigation of why the -- the disparity  
22 exists?

23 MR. DONALD PALMER: No.

24 MS. MARILYN MCLAREN: But I think one of  
25 the reasons for the disparity did come out during those

1 hearings. There was discussion around the fact, and I  
2 think, again, speaking from memory, one of the  
3 jurisdictions that I believe the CMMG had brought forward  
4 was one of the northeast US states.

5 One of those jurisdictions, in fact, that  
6 has legislation that provides -- or insists on providing  
7 no accident benefits for motorcyclists.

8 So I think really we have not conducted  
9 further analysis. But what we know from the  
10 Corporation's experience as a whole, all of our claims  
11 experience is higher than other jurisdictions because  
12 there is more coverage and fewer penalties for filing  
13 claims.

14 You're not going to find very many  
15 jurisdictions that have the claims of no fault accident  
16 benefits available to motorcyclists.

17 MR. RAYMOND OAKES: Mr. Chairman, I have  
18 one (1) last series of questions related to an issue and  
19 it requires the dissemination of the Interrogatory 1-09  
20 unless it's more convenient for everybody to locate it.  
21 I have it here.

22 That's correct.

23 THE CHAIRPERSON: Mr. Barron, if you  
24 could assist Mr. Oakes.

25 MR. RAYMOND OAKES: 1-109.

1 (BRIEF PAUSE)

2

3 MR. RAYMOND OAKES: Mr. Chairman, I'd ask  
4 that this be marked as the next exhibit. Mr. Hickson  
5 also indicates that attached to the Interrogatory are a  
6 series of tables that he's created from MPI's  
7 documentation and that would be then pages 1 to 9 that's  
8 attached.

9 THE CHAIRPERSON: So this would be CMMG-  
10 7, I believe.

11 MR. RAYMOND OAKES: Thank you, Mr.  
12 Chairman.

13

14 --- EXHIBIT NO. CMMG-7: Information Request for  
15 Application with 9-page  
16 attachment.

17

18 CONTINUED BY MR. RAYMOND OAKES:

19 MR. RAYMOND OAKES: The question for the  
20 Corporation's witnesses, in mid-July did the Corporation  
21 file a revision to its applied for rate file for  
22 motorcycles?

23 MR. DONALD PALMER: Yes.

24 MR. RAYMOND OAKES: And can you provide  
25 some details on the error and how it was uncovered?

1                   MR. DONALD PALMER:    The error came from  
2 the application of pleasure and all purpose rates.  And  
3 the fact -- the fact was that, by definition, for  
4 commuters there would be no pleasure rates.

5                   So, the calculation of -- of those all  
6 purpose new calculation, that blending that I -- they  
7 said by definition, the old rate was the new all purpose  
8 rate, because there can't be any pleasure rates.

9                   We had applied the 4.5 percent increase,  
10 if that was the exact number, to the commuter rate.  In  
11 fact, we should not have done that.

12                   In terms of uncovering that, I honestly  
13 can't recall how we discovered it.  I think it was our  
14 rate modeller waking up in the middle of the night  
15 saying, Oh no.

16                   But when that was discovered, we made that  
17 correction as soon as we could.

18                   MR. RAYMOND OAKES:    And are you certain  
19 that the file is correct now?

20                   MR. DONALD PALMER:    Yes.

21                   MR. RAYMOND OAKES:    The differential for  
22 sport bikes has been set at one point one zero (1.10); is  
23 that correct?

24                   MR. DONALD PALMER:    Yes.

25                   MR. RAYMOND OAKES:    I'd ask that you

1 review the nine (9) pages prepared by Dr. Hicks  
2 (phonetic) and the motorcycle sport bike rate comparison,  
3 if you would. You see that attached to Exhibit 7.

4 We've reviewed the rates there and the  
5 differentials appear to be different than one point one  
6 zero (1.10) and you'll see the range of the differentials  
7 and it's also indicated the amount on the premium basis  
8 as well of the error.

9 I wonder if you could review that document  
10 and advise, if possible, prior to argument, whether the  
11 Corporation acknowledges that those rates are still  
12 mistaken?

13

14 (BRIEF PAUSE)

15

16 MR. DONALD PALMER: Yes, we'll review it.

17 MR. RAYMOND OAKES: If you, during the  
18 course of that review, you could also indicate whether  
19 they were incorrect in the current year as well as the  
20 applied-for year.

21 MR. DONALD PALMER: We're not saying that  
22 they're incorrect at this point in time. We will come up  
23 with the explanation.

24 MR. RAYMOND OAKES: Appreciate that. Mr.  
25 Chairman, I just want to indicate those are all of our

1 questions and subject to anything the Board has as -- has  
2 requirements for us at this time, we'll be ending our  
3 cross-examination.

4 THE CHAIRPERSON: Thank you, Mr. Oakes.  
5 We'll move now to CAA.  
6 Ms. Shaw...?

7

8 (BRIEF PAUSE)

9

10 MS. PAM SHAW: Thank you, Mr. Chairman.  
11 I just have to get my questions up in front of me, sorry.

12 THE CHAIRPERSON: No problem, you were  
13 very patient. In saying that I'm not referring to Mr.  
14 Oakes, the length of his cross-examination.

15

16 (BRIEF PAUSE)

17

18 THE CHAIRPERSON: So for the interests of  
19 the parties, it would appear to us, at least, that this  
20 afternoon, depending on the length of CAA's cross-  
21 examination, we'll have the brokers, CBA, MBA and then  
22 Scootering and then we'll close with Mr. McCulloch's re-  
23 direct.

24 Ms. Shaw, any time you're ready.

25 MS. PAM SHAW: Thank you Mr Chairman.

1 CROSS-EXAMINATION BY MS. PAM SHAW:

2 MS. PAM SHAW: Members of the panel,  
3 ladies and gentleman, CAA has attended the hearings at  
4 this point and we have certainly been interested in all  
5 topics presented during the -- this year's Rate  
6 Application.

7 I just wanted to add that we just have a  
8 couple of questions, really just for our own  
9 understanding and clarification and this doesn't  
10 necessarily indicate that we're not interested in all of  
11 the topics.

12 On -- the questions that we have really  
13 are with relation to the DVL merger as well as the auto  
14 theft initiatives and a particular question on road  
15 safety.

16 Our first question's, really there may be  
17 some repetition, my apologies for that, we just wanted to  
18 clarify this for -- for the record.

19 You've stated that the DVL operating costs  
20 will be carried on the special extension side, and  
21 therefore will not cause any rate impact to the basic  
22 coverage. There's been a lot of discussion about that.

23 But just -- the question we have is  
24 whether or not the DVL, on the special extension side,  
25 will impair or reduce any surplus that might have



1 otherwise occurred there that would be available for  
2 transfer to the basic insurance side?

3 MR. BARRY GALENZOSKI: It's not the  
4 special risk extension that's absorbing those costs, it's  
5 the extension line of business. And there will be a  
6 reduction of the transfer to basic if there is a deficit  
7 resulting from DVL, and we're predicting that for this  
8 year and next year for sure.

9 MS. PAMELA SHAW: Thank you. So is it  
10 still the view then, like, just philosophically, of MPI,  
11 that the ongoing merged operations of DVL with MPI will  
12 not create any added costs to MPI, on either side of  
13 their business?

14 MR. BARRY GALENZOSKI: Well, we believe  
15 eventually that we'll overcome the situation that exists  
16 today, and we've got processes in place to ensure that  
17 that's going to happen, and we're moving forward on that  
18 basis.

19 MS. PAMELA SHAW: Thank you. Just taking  
20 an opposite perspective, is it possible that the merger  
21 of DVL, with economies of scale, could actually result in  
22 savings over the monies of \$20 million that was provided  
23 by the Government, if such would be available to the  
24 basic side?

25 MR. BARRY GALENZOSKI: Those -- we --

1 there is a good possibility that there will be savings,  
2 and we'll see how that develops over the next little  
3 while. And again, depending on how we account for this  
4 going forward, right now it's all in extension, that may  
5 not hold going forward, but any -- any of the  
6 improvements over the \$20 million would likely end up on  
7 the basic side in the RSR.

8 MS. PAMELA SHAW: Can you please confirm  
9 that your business analysis, the business process review  
10 of the merger of DVL will be completed and available in  
11 December 2005, given the comments that Ms. McLaren did  
12 make about not all will be public?

13 MR. BARRY GALENZOSKI: Well, I don't --  
14 I'm not sure we're going to make it public in 2005, we've  
15 got some plans underway, then we'll have an overall plan  
16 hopefully by that time, but whether that will be made  
17 public remains to be seen.

18 MS. PAMELA SHAW: We had some questions  
19 then about -- just about the Master Agreement. You'll  
20 have to forgive me, I did not review this particular  
21 part, those questions from our -- just our general  
22 review.

23 On the Master Agreement there was Section  
24 9 of the MPI DVL Agreement, it refers to a specific  
25 project, the sales tax project, the Government is paying

1 two hundred and two thousand dollars (\$202,000) for five  
2 (5) years.

3 We had a question: What was that project  
4 specifically about?

5 MR. BARRY GALENZOSKI: Yeah, that project  
6 is allowing customers to finance their retail sales tax,  
7 we can collect all the retail sales tax and the customers  
8 can now finance that through MPI, and the two hundred  
9 thousand dollar (\$200,000) payment you're referring to is  
10 the Provincial Government reimbursing us for the cost of  
11 the systems changes that were required to make this all  
12 possible.

13 MS. MARILYN MCLAREN: And just a -- just  
14 a little further on that, that was a component of the  
15 project, but the prime motivator for the Department of  
16 Finance wanting Manitoba Public Insurance to modify the  
17 functionality of Autopac on line, was really to automate  
18 the retail sales tax functions performed by insurance  
19 brokers.

20 So what the -- I think it's two hundred  
21 thousand dollars (\$200,000) over four (4) or five (5)  
22 years, and the cost to modify this system was that amount  
23 of money that they are then paying for the cost of  
24 modifying that system to get the added functionality that  
25 they believe will give them better ability to manage

1 their retail sales tax receivables from brokers.

2 And for the benefit to Manitobans is that  
3 now the retail sales tax component is just a transparent  
4 part of that vehicle registration process, it's not  
5 separate anymore.

6 And one (1) of the added advantages of  
7 having it better integrated is that they can finance,  
8 like you can all the rest of your Autopac premiums and  
9 your vehicle registration fees.

10 MS. PAMELA SHAW: Okay. Thank you very  
11 much.

12 There was just a little follow up on the  
13 Section 9. They refer to a Schedule C, which we couldn't  
14 actually see on the Master Agreement that was filed, so I  
15 don't know if that's something that's easily found right  
16 now. It's not a -- there's a reference to as per  
17 Schedule C.

18 MS. MARILYN MCLAREN: We'll follow that  
19 up.

20 MS. PAMELA SHAW: Thank you. We'd like  
21 to just, I guess, move on to -- a bit about auto theft.

22 As has been stated at these Hearings, CAA  
23 Manitoba is -- has been a supplier and a partner with MPI  
24 on producing, I guess, our position that we're now a  
25 partner with MPI on the Immobilizer program and while

1 this relationship has been still -- still developing, I  
2 would say, we just wanted to add that in our Intervenor  
3 role, when last year we did make comments about auto  
4 theft, I guess, we just wanted to followup on some of  
5 those aspects so -- and make mention that in our  
6 testimony last year we did mention that we were  
7 advocating on the importance to solve this problem.

8 That there is a tremendous related cost of  
9 theft to society as a whole and we are pleased to see the  
10 program is -- is essentially up and running.

11 But we just had a question about what was  
12 the take up on the program with regard to the top one  
13 hundred (100) high risk vehicles?

14 I can't recall if that's been asked in  
15 this -- or answered specifically and if you can point to  
16 something where just what the take up has been so far on  
17 the -- on the top one hundred (100) high risk vehicles?

18 MS. MARILYN MCLAREN: Of the people that  
19 have come forward to date, which I think there is about  
20 five thousand (5,000) about 20 to 25 percent of them are  
21 owners of the high risk, top one hundred (100) vehicles.

22 MS. PAM SHAW: Okay. And we know it's  
23 early in the program, but from what you've seen so far  
24 would the take up of the top one hundred (100) vehicles,  
25 would you see that as improving over the next few months;

1 is that expected?

2 MS. MARILYN MCLAREN: I think it's going  
3 to improve because we haven't started to proactively  
4 communicate with them to make sure they understand the  
5 program and encourage them to take part in it.

6 So we have not been proactive at all yet  
7 with the top one hundred (100). But we plan to do that  
8 within a couple of weeks actually, to start that process.

9 MS. PAM SHAW: Thank you. And would you  
10 agree that if we could achieve a greater and quicker take  
11 up on the top one hundred (100) high risk vehicles that  
12 the return in the way of reduced claims, reduced costs to  
13 society, along with the elimination of the other auto  
14 theft related funding that MPI is providing; that --  
15 those things being reduced it would provide a better  
16 long-term payback on the program?

17 MS. MARILYN MCLAREN: I think the long-  
18 term payback is the same. I think it would accelerate  
19 the benefits of reduced claims costs if we could  
20 accelerate the take up of the top one hundred (100)  
21 vehicles.

22 MS. PAM SHAW: Okay. Have you done any  
23 forecasting in this regard; that is, were you able to  
24 significantly improve the take up of the high risk  
25 vehicles?

1                   We're just asking if you had specifically  
2 forecasted the savings that would be in, you know, your  
3 current reduced claims costs?

4                   You're talking about it may accelerate  
5 things; is that something that's possible to forecast?

6                   MR. BARRY GALENZOSKI: Yes. We haven't  
7 got anything in our current forecast for that with  
8 respect to the general rate application here, mainly  
9 because we don't believe that we'll have enough vehicles  
10 immobilized that will make a difference to the theft  
11 patterns to any great degree.

12                   MS. PAM SHAW: Thank you.

13                   MR. BARRY GALENZOSKI: I can also provide  
14 a response to your question about Schedule C with respect  
15 to the Master Agreement. The Master Agreement is at AI-  
16 15 and point 9 there talks about the Schedule C.

17                   Schedule C is attached in that same tab  
18 right behind the signature page to that agreement. It's  
19 shown on a separate page, Schedule C, "Retail Sales Tax  
20 Project Agreement." And there's a page 17 noted at the  
21 bottom of that page. And then the following two (2)  
22 pages are that agreement.

23                   So, it's there for your -- your viewing.

24                   MS. PAM SHAW: Thank you. It may have  
25 been a technical difficulty. I believe we were using the

1 disk to refer to these things.

2 MR. DONALD PALMER: I'm just looking at  
3 my -- my electronic copy and it's not there. So we'll  
4 provide the hard copy.

5 MS. PAM SHAW: Right. Thank you.

6 Now, last year at these hearings -- or  
7 similar hearings, we advocated a surcharge on high risk  
8 vehicles as a strong incentive to promote the take up of  
9 a program, such as the auto theft Immobilizer Program and  
10 hence quicker and greater savings for claims. That did  
11 not occur.

12 Could you please advise why this approach  
13 was not used and if it will be implemented if MPI does  
14 not see an improvement in the take up on the high risk  
15 vehicles?

16 MR. BARRY GALENZOSKI: It's certainly --  
17 we've, as I indicated before, there are numerous other  
18 things that we believe that we can do to create  
19 incentives to get people to voluntarily go along with the  
20 program.

21 A surcharge is certainly something down  
22 the road that we may have to look at but it's not on the  
23 horizon right at the moment.

24 MS. PAM SHAW: Thank you. And then just  
25 to our last question on road safety. Has MPI -- well,



1 I'm aware that in previous hearings the topic of funding  
2 road improvements, especially -- particularly at  
3 intersections. High collision intersections is something  
4 that's come up in the past, particularly when you  
5 consider that ICBC funds roads where there's a  
6 demonstrated risk reduction that can be achieved,  
7 possibly claims reductions.

8                   We're wondering if you've considered  
9 analysing high risk traffic accident locations in  
10 Winnipeg and looking to funding road or traffic safety  
11 device improvements, investing, essentially, to reduce  
12 claim costs with the overall expectation that the savings  
13 would exceed the investment.

14                   Just wondering if you're aware -- if you  
15 have considered that?

16                   MS. MARILYN MCLAREN: The decision not to  
17 use insurance premiums to fix roads is very explicit  
18 decision on the part of the Corporation, so certainly it  
19 has been considered and not pursued.

20                   MR. WILF BEDARD: Just to add to that,  
21 we have conducted safety audits and have provided that  
22 information to the City of Winnipeg, so they do have that  
23 information to work with.

24                   MS. PAM SHAW: Thank you. Are you aware  
25 of any other programs, I should say, that have been

1 implemented by other insurance companies throughout North  
2 America.

3 We've just recently received some  
4 information about a Triple A club in the States that  
5 provides auto insurance programs where they're seeing an  
6 expenditure of maybe twenty thousand dollars US (\$20,000)  
7 to get some savings.

8 I don't actually have the -- the data  
9 here, but is that something you would be monitoring for  
10 and aware of?

11

12 (BRIEF PAUSE)

13

14 MR. WILF BEDARD: Yes. We understand  
15 that there is at least All-State in the US that does  
16 conduct that type of expenditure.

17 SGI, as well, has been just getting into  
18 funding infrastructure as well, but on a sliding scale.

19 MS. PAM SHAW: Thank you very much.

20 Mr. Chairman, that concludes our  
21 questions.

22 THE CHAIRPERSON: Thank you very much.  
23 Okay. Now we -- coming up now I don't see the brokers.  
24 We do have Mr. Dawson.

25 I understand that Scootering has a series

1 of questions that would take more than well into the  
2 lunch break so I'm wondering, Mr. Dawson, how much time  
3 do you think that you will take?

4 MR. ROBERT DAWSON: Good morning, Mr.  
5 Chairman. I expect that -- not to trans -- to cover the  
6 matters that have already appeared on the transcript, I  
7 think we may be able to be done in about forty-five (45)  
8 minutes to an hour.

9 THE CHAIRPERSON: Okay. Then we'll break  
10 now for lunch and we'll come back at, let's say 1:00, if  
11 that's suitable, and we'll be able to conclude this phase  
12 at that time, thank you.

13

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

15 --- Upon resuming at 1:05 p.m.

16

17 THE CHAIRPERSON: Mr. Dawson...?

18

19 (BRIEF PAUSE)

20

21 MR. ROBERT DAWSON: Thank you, Mr.

22 Chairman.

23 MR. KEVIN MCCULLOCH: Mr. Chairman, not  
24 that I want to interrupt Mr. Dawson before he starts, but  
25 I have undertakings -- three (3) filings. Let me quickly

1 check my number.

2                   The first one is response to Undertaking  
3 number 14, sorry that -- undertaking 14 would go in as  
4 MPI Exhibit 30.

5                   The response to Undertaking 18 would go in  
6 as MPI Exhibit number 31 and the response to the PUB  
7 question number 7 would go in as MPI Exhibit number 32.

8                   I also, Mr. Chairman, have, or Mr. Palmer  
9 has a response to CMMG Exhibit number 7. That was the  
10 exhibit filed by CMMG where they seemed to question  
11 whether the Corporation had properly applied the sport  
12 bike differential of 1.10 percent as ordered by the  
13 Board.

14                   So Mr. Palmer's in a position to respond  
15 to that at this time.

16                   THE CHAIRPERSON: Mr. Palmer...?

17                   MR. DONALD PALMER: That differential  
18 actually goes back to the 2003 Board Order. At that  
19 point in time, I think there was a 5 percent differential  
20 between sport bikes and -- and the base motorcycle rate,  
21 and the Order from the Board was that we would increase  
22 that to 10 percent.

23                   The Application that we had filed for that  
24 year was that all bikes were getting a 15 percent rate  
25 increase.

1                   The way that we applied the Order is that  
2 we -- we took that -- the Order was the motorcycle base  
3 rate. Now that was a bit ambiguous, because never have  
4 we ever defined what the base rate was and -- and our  
5 interpretation of that was the average rate.

6                   So, the way we applied it is that we  
7 increased the applied-for rate by 5 percent, from 15  
8 percent multiplied by five (5) gives you 20 3/4's  
9 percent.

10                   And then because we were still balancing  
11 back to the 15 percent, the all purpose bikes, other than  
12 sport bikes were rolled back to about a 13.75 percent  
13 increase or something in that nature.

14                   So, the intent was that the sport bike  
15 differential would be to the average bike rate, not to  
16 the all other bikes.

17                   And it -- and it's on that basis that we  
18 got the 11.4 percent.

19                   The other way that we could look at it in  
20 today's context, is that if the sport bike rate is meant  
21 to be 10 percent higher than the average rate, means it's  
22 going to be a little bit more than 10 percent higher than  
23 the all purpose rate, again because of our interpretation  
24 of the average.

25                   So, no, it's not an error, it's the way we

1 made the calculation, and we were in compliance with the  
2 PUB Order.

3 THE CHAIRPERSON: Thank you, Mr. Palmer.  
4 Mr. McCulloch, anymore?

5 MR. KEVIN MCCULLOCH: No, Mr. Chairman.

6 THE CHAIRPERSON: You remind me of the  
7 shoemakers and the elves, you remember the fable, we go  
8 away for lunch and you're working away and all these more  
9 undertakings arrive. Thank you.

10

11 --- EXHIBIT NO. MPI-30: Response to Undertaking 14.

12 --- EXHIBIT NO. MPI-31: Response to Undertaking 18

13 --- EXHIBIT NO. MPI-32: Response to PUB question 7.

14

15 THE CHAIRPERSON: Okay, Mr. Dawson...?

16 MR. ROBERT DAWSON: I believe My Learned  
17 Friend was adopting a strategy, namely recognizing that I  
18 was working on battery power for the laptop, that if he  
19 filed enough documents I'd have to run away without any  
20 power. But...

21

22 CROSS-EXAMINATION BY MR. ROBERT DAWSON:

23 MR. ROBERT DAWSON: Mr. Bedard, we're  
24 going to start if we can, talking about victims of  
25 personal injury claims. And I can indicate for the

1 purpose of the Board that's following along, I have four  
2 (4) main areas to cover, and two (2) very brief areas.

3           The four (4) areas are personal injuries,  
4 secondly, very briefly, touching up on reinsurance  
5 issues, thirdly, expanding personal injury lawsuits,  
6 fourthly, aspects of drive-as-you-go, and then two (2)  
7 quick snappers that I'll drop into the middle at some  
8 point.

9           So, Mr. Bedard, if you can refresh my  
10 memory. If I understand correctly before the  
11 introduction of PIPP, a significant proportion of  
12 personal injury claimants were assisted by lawyers in  
13 their dealings with MPI; is that right?

14           MR. WILF BEDARD: There was a percentage  
15 that were, yes.

16           MR. ROBERT DAWSON: And those lawyers who  
17 were helping such claimants, would have done a number of  
18 things, for example they might have for example, assisted  
19 the claimant in making the actual initial filing of the  
20 claim?

21           MR. WILF BEDARD: No, not generally.  
22 Usually lawyers would get involved much later in the  
23 process.

24           MR. ROBERT DAWSON: When they got  
25 involved at a later process -- later in the process, they

1 would have done things though such as advising their  
2 clients, that is the claimants, on the various options  
3 that were open to them; is that right?

4 MR. WILF BEDARD: I'm not sure what you  
5 mean by -- by options. Generally, as you know, in -- in  
6 the tort world, the clients would go to lawyers to  
7 maximize the amount that they could get in terms of  
8 settlement. How they strategized to do that, I wasn't  
9 privy to those conversations, so I don't know.

10 MR. ROBERT DAWSON: Well, you'd -- you'd  
11 agree with me that just thinking about what kind of  
12 services that the lawyers would have been providing to  
13 their -- to their clients, it would have been for  
14 example, they would have reviewed the documents that MPI  
15 was supplying, in support of its position?

16 MR. WILF BEDARD: Yes, that's true.

17 MR. ROBERT DAWSON: And lawyers in turn,  
18 would have helped clients and claimants. Marshal  
19 evidence that would have either rebutted or put forward  
20 an alternate viewpoint?

21 MR. WILF BEDARD: Yes, that's true.

22 MR. ROBERT DAWSON: And occasionally,  
23 although I'm sure you would say rarely, lawyers might  
24 have even been able to uncover errors or omissions that  
25 had been made on MPI's part.



1 MR. WILF BEDARD: Rarely -- rarely or  
2 occasionally, yes.

3 MR. ROBERT DAWSON: And even I'm sure  
4 more rarely you will say, lawyers sometimes would have  
5 even gotten more benefits for their clients than MPI had  
6 originally offered; is that right?

7 MR. WILF BEDARD: I wouldn't define it as  
8 benefits, I would define it as a cash settlement, some.

9 MR. ROBERT DAWSON: If I recall again  
10 before the introduction of PIPP, claimants were entitled  
11 to payments for pain and suffering; is that right?

12 MR. WILF BEDARD: If there was a  
13 responsible party insured by MPI, who had coverage, yes,  
14 that's true.

15 MR. ROBERT DAWSON: And those sorts of  
16 payments for pain and suffering were in addition to all  
17 loss of income, the cost of healthcare treatments, other  
18 actual financial losses; is that right?

19 MR. WILF BEDARD: Yes, that's correct.

20 MR. ROBERT DAWSON: And in some of those  
21 cases, these actual financial losses, that is loss of  
22 income, cost of health treatments, they might have only  
23 been a few hundred dollars in some cases?

24 MR. WILF BEDARD: Well, every case was  
25 different, they -- they varied, some were very small,

1 some were very large.

2 MR. ROBERT DAWSON: Let me rephrase it  
3 and ask a different way. Would you agree that in some  
4 cases at least, it was possible that pain and suffering  
5 might actually put more money in the hands of claimants,  
6 than the actual financial losses, as I've des --  
7 described them?

8 MR. WILF BEDARD: Again, some are that  
9 way, others weren't. I couldn't give you a guess as to  
10 what the split would be on average. Again, we're going  
11 back twelve (12) years now.

12 MS. MARILYN MCLAREN: Mr. Dawson, just  
13 speaking from memory, it seems to me that that was more  
14 likely to have been the case in minor injuries.

15 The more substantive the injury the more  
16 likely the economic losses would exceed pain and  
17 suffering payments. But for the smaller claims where  
18 there were often fairly limited economic losses but still  
19 cash settlements for pain and suffering.

20 MR. ROBERT DAWSON: Ms. McLaren, just  
21 following up on that and for my own use, would you think  
22 in terms of minor injuries that might have largely  
23 included lesser forms of whiplash injury?

24 MS. MARILYN MCLAREN: Yeah, anything that  
25 would qualify as -- as short-term, non-permanent.

1                   MR. ROBERT DAWSON:    If I can return to  
2 you, Mr. Bedard, and I don't mean to dwell on this too  
3 long, it's just to -- to -- to set up a comparison in a -  
4 - in a moment, would you agree that many of the people  
5 who had hired lawyers in the pre-PIPP days would have  
6 done so on what's called a contingency basis?

7                   MR. WILF BEDARD:    Yes, that's correct.

8                   MR. ROBERT DAWSON:    And by "contingency  
9 basis", just so that we're both speaking the same  
10 language, I mean the lawyers did work and they got paid  
11 only if they recovered monies on behalf of their clients  
12 from MPI.

13                                Would you agree with that definition?

14                   MR. WILF BEDARD:    Yes, I would.  
15 Generally it would be a percentage of the final  
16 settlement.

17                   MR. ROBERT DAWSON:    So, even on what  
18 we're describing as a minor injury claim that might have  
19 resulted in a settlement of low thousands of dollars, so  
20 three (3), four thousand dollars (\$4,000), a lawyer still  
21 would have been able to walk away from that with a  
22 thousand or more dollars as a fee; is that roughly what  
23 you would mean?

24                   MR. WILF BEDARD:    My understanding is the  
25 fees would be generally 30, 33 percent of the overall

1 settlement. So, yes, your math would be accurate.

2 MR. ROBERT DAWSON: And it's difficult  
3 for you in your position to know this for sure, but I --  
4 I wonder if you would just agree from commonsense, that  
5 presumably lawyers thought that sort of an arrangement  
6 resulted in adequate compensation for them and that was  
7 the reason that they were primarily willing to take on  
8 MPI personal injury cases at that pre-PIPP time?

9 MR. WILF BEDARD: I'll accept your  
10 premise. Sure.

11 MR. ROBERT DAWSON: Now, moving to after  
12 the days when -- well, let's move to the PIPP program and  
13 when it was introduced. There was a dramatic drop-off in  
14 the number of claimants who retained lawyers or continued  
15 to retain lawyers where their claims arose after the  
16 introduction of PIPP; isn't that right?

17 MR. WILF BEDARD: Yes, that's correct.

18 MR. ROBERT DAWSON: So it's -- today, for  
19 example, in your office it would be pretty rare that a  
20 lawyer would be involved in, what Ms. McLaren has  
21 helpfully described as, a minor injury claim?

22 MR. WILF BEDARD: Yes, that's true.

23 MR. ROBERT DAWSON: Now, let's just be  
24 clear that, as far as I can tell, there's no statutory  
25 bar on claimants who might want to hire a lawyer to deal

1 with MPI these days is there?

2 MR. WILF BEDARD: No, there's not.

3 MR. ROBERT DAWSON: And MPI certainly has  
4 no objection if a claimant wants to spend money hiring a  
5 lawyer to -- to be assisted on dealing with their claim  
6 of any sort; is that right?

7 MR. WILF BEDARD: Yes, that's right.

8 MR. ROBERT DAWSON: So, in short, as far  
9 as MPI is concerned, MPI's more than willing to deal with  
10 lawyers if claimants wish to retain them; is that right?

11 MR. WILF BEDARD: I'd like to think that  
12 there's very little reason to retain a lawyer given the  
13 PIPP system. But, if, on occasion, an individual does  
14 decide to hire a lawyer to represent them we have no  
15 difficulty dealing with them, no.

16

17 (BRIEF PAUSE)

18

19 MR. ROBERT DAWSON: You've made reference  
20 to, that claimants have little reason to retain a lawyer;  
21 could you explain why you think that?

22 MR. WILF BEDARD: Well, under the no-  
23 fault system it's not an adversarial system. The  
24 benefits are based on no-fault. There's open disclosure  
25 in terms of what the entitlements are.

1                   We give people ample opportunity through  
2 the various contacts with have with them to explain what  
3 their -- what their needs are. Coverage is provided --  
4 information on the coverage is provided to them in very  
5 simple language, brochures and what not.

6                   You know, the entitlements are -- are  
7 legislated far less discretionary than -- than tort would  
8 be so there -- in my mind, there's far less reason for  
9 differences of opinion as compared to in the tort world.

10                  MR. ROBERT DAWSON: Thank you for that  
11 clarification, Mr. Bedard. In fact, you would agree with  
12 me that MPI actually has a duty to advise claimants of  
13 the compensation to which they're entitled; isn't that  
14 right?

15                  MR. WILF BEDARD: Yes, that's true.

16                  MR. ROBERT DAWSON: And it also has a  
17 duty to assist claimants to obtain that compensation; is  
18 that right?

19                  MR. WILF BEDARD: Yes.

20                  MR. ROBERT DAWSON: And, of course, as we  
21 had mentioned in last year's hearing, this is a statutory  
22 duty, pursuant to Section 150 of the Act, not just good  
23 business sense. This is a statutory duty that MPI is  
24 fulfilling when it does those things; is that right?

25                  MR. WILF BEDARD: Yes.

1                   MR. ROBERT DAWSON:    You'll also remember  
2   in the course of last year's rate application, Mr.  
3   Bedard, that MPI provided in reply to, and I'll just set  
4   it for the record, Manitoba Bar Association first round  
5   Interrogatory number 69, a set of internal procedural and  
6   training documents on how MPI employees should handle  
7   personal injury claims.

8                   Do you remember that filing, just in  
9   general?

10                  MR. WILF BEDARD:        Yes, I do.

11                  MR. ROBERT DAWSON:    Mr. Chairman,  
12   although it forms part of last year's record, may I  
13   suggest, just for the sake of creating a record, that we  
14   mark last year's Information Request, Manitoba Bar  
15   Association I-69, the question as well as the answer, as  
16   an exhibit?

17                  I don't plan to refer to it in any great  
18   detail today, but it's just important, I think, that we  
19   have it on the record that it's there.

20                  THE CHAIRPERSON:     Mr. McCulloch, do you  
21   have any problem with that?

22                  MR. KEVIN MCCULLOCH:   Well, Mr. Chairman,  
23   it certainly wouldn't be the first time that information  
24   from previous hearings has been filed as exhibits, so no,  
25   there's no -- no objection to that.

1 THE CHAIRPERSON: Very good, so we'll  
2 call it CBA/MBA-1? Or what number have we reached?

3 MR. ROBERT DAWSON: I suggest two (2),  
4 Mr. Chairman.

5 THE CHAIRPERSON: Two (2), very good.

6  
7 --- EXHIBIT NO. MBA/MPI-2: Last year's Information  
8 Request, Manitoba Bar  
9 Association I-69; question  
10 and answer.

11

12 CONTINUED BY MR. ROBERT DAWSON:

13 MR. ROBERT DAWSON: Now one of the  
14 documents that comprised what is now MBA Exhibit 2,  
15 namely one (1) of the documents of the internal training  
16 procedures, was called a file triage script.

17 Do you remember what I mean when I refer  
18 to that document?

19 MR. WILF BEDARD: I don't recall what  
20 it says in the document, but I do know of the triaging  
21 script, yes.

22 MR. ROBERT DAWSON: I'd like to assure  
23 both the Board as well as the witness that I don't plan  
24 to go into great detail. Obviously, the witness doesn't  
25 have this document in front of him.



1 I'm simply proceeding on a very high level  
2 here. Could you just, in very general terms, explain  
3 what a file triage script is?

4 MR. WILF BEDARD: Certainly. When an  
5 individual phones a call centre to report their accident,  
6 a collision claim and their injury claim, there's a  
7 series of questions that take place asking the individual  
8 if anyone was injured and to what degree.

9 And we have more than one (1) injury  
10 department within MPI and each department handles  
11 different injuries by degree of injury severity, and with  
12 those series of questions, i.e. the triage script, the  
13 call taker determines what best department would handle  
14 the injury.

15 MR. ROBERT DAWSON: And another document  
16 that was part of that Information Request reply was  
17 entitled the PIPP manual and it included a statement of  
18 what's required to prove a claim.

19 It set out a number of what it called  
20 general principles.

21 Can you remember something along those  
22 general lines, Mr. Bedard?

23 MR. WILF BEDARD: I have no idea what  
24 you're referring to, but as far as the -- the PIPP  
25 manual, I'm familiar with it and I'm familiar that we

1 filed it in last year's application, yes.

2 MR. ROBERT DAWSON: We needn't dwell on  
3 that detail, then. Let me ask, more generally speaking,  
4 you would agree that one (1) of the principles that MPI  
5 uses in assessing a claim is that the onus of proving the  
6 claim rests with the claimant, him or herself; is that  
7 right?

8 MR. WILF BEDARD: Yes, that's right.

9 MR. ROBERT DAWSON: And last year, when  
10 we had a similar conversation, I asked you if you would  
11 agree with me that most people would not be familiar with  
12 those general principles, including the principle that  
13 the onus of proving a claim rests with the claimant.

14 And now subject to your confirming the  
15 accuracy of my summary of last year's conversation which,  
16 for the sake of the record, appears at page 1190, line 25  
17 and following.

18 Would you still agree with me, Mr. Bedard,  
19 that most people who contact MPI to file a claim are not  
20 familiar with the general principles of how to prove that  
21 claim?

22 MR. WILF BEDARD: I would agree with  
23 that, and that's why I was saying earlier why we spend a  
24 fair bit of time explaining to people what the coverage  
25 is all about. As soon as a minor injury is -- is

1 reported to us, we have individuals who contact that  
2 person to go over their injury, to go over the coverage  
3 and fully explain to them what the nature of -- of the  
4 program is.

5                   On the more serious losses, including  
6 injury or income replacement, we have, as I said,  
7 materials that we give people in easy language to -- to  
8 explain. Our case managers are there providing  
9 information, as well. So there is a lot of dialogue and  
10 material that takes place in the filing of -- of a claim.

11                   MR. ROBERT DAWSON: Now you've referred  
12 to these people, these individuals who provide such  
13 assistance, as you're describing it, correct me if I'm  
14 wrong, but these individuals of course are paid by MPI,  
15 they're in the employ of MPI?

16                   MR. WILF BEDARD: Yes, that's true.

17                   MR. ROBERT DAWSON: And of course they  
18 receive direction and work under the supervision of MPI?

19                   MR. WILF BEDARD: Yes, that's true.

20                   MR. ROBERT DAWSON: Their employment  
21 performance would in part be judged on, for example, how  
22 cost effectively they handle, in part, how cost  
23 effectively they can handle claims?

24                   MR. WILF BEDARD: No.

25                   MR. ROBERT DAWSON: Would their

1 performance be judged on the basis of how efficient they  
2 are in dealing with claims.

3 By that I mean, how many claims come to  
4 them, and how many are they able to clear, successfully?

5 MR. WILF BEDARD: The files come to them  
6 equally, you know, there's no -- there's no determination  
7 as to who can handle more claims. They're basically at  
8 random, everybody gets the same number of cases. There  
9 are clearly some people who are more efficient than --  
10 than others, in terms of handling them and resolving  
11 them.

12 But as far as a performance measure that  
13 we have on -- on rewarding people or recognizing the  
14 performance of people based on the number of cases they  
15 conclude, no, that's not the case.

16 We're looking at the quality in which they  
17 handle the individual, the effectiveness of handling the  
18 administration of the claim, making payments of  
19 entitlement to the individual, those types of things, not  
20 measured on how many you take or how many you settle.

21 MR. ROBERT DAWSON: So it's your position  
22 that the Corporation already provides all the assistance  
23 that would reasonably be necessary to claimants, in order  
24 for them to both apply for, as well as receive the  
25 entitlements or benefits to which -- well, the benefits

1 to which they're entitled?

2 MR. WILF BEDARD: We go to great lengths  
3 to make sure that people are as informed as they need to  
4 be, in order to process their claims. I'm not saying  
5 we're perfect in every case, but we do go to great  
6 lengths to try to provide as much information as the  
7 individual needs, in the handling of their claim.

8 MR. ROBERT DAWSON: Last year you told us  
9 that there was never an explicit statement to claimants,  
10 that they have the onus of proving the claim.

11 Do you still not explicitly tell claimants  
12 that particular fact?

13 MR. WILF BEDARD: I don't know if it  
14 comes up in conversation with case managers to that  
15 extent. Case managers are continually in contact with  
16 individuals, discussing their medical needs,  
17 rehabilitation needs, they have to demonstrate what their  
18 loss of income is, clearly.

19 I don't know if it -- if the conversation  
20 ever turns on, you know, the onus to prove terminology.  
21 Clearly we work with people, trying to get the  
22 information that we need to process the claim, looking  
23 for what it is that they are out of pocket, and -- and  
24 clearly apply the -- the entitlements under PIPP on that  
25 basis.

1                   MR. ROBERT DAWSON:    Is there still, as  
2 there wasn't last year, any suggestion to claimants, that  
3 they might, for example, consult another person, a lawyer  
4 or a community resource, to assist them with their claim?

5                   MR. WILF BEDARD:    Yes.  There's a number  
6 of people who are in the community, the Ombudsmen's  
7 office, our Fair Practices Office, which is an internal  
8 MPI office.  People do write to members of the  
9 legislature as well.

10                   There are a number of -- of avenues like -  
11 - like that, the advocacy office now of course.  There  
12 are a number of -- of means by which people can take  
13 their issues with MPI and have another party assist them.

14                   MR. ROBERT DAWSON:    Those -- those forms  
15 of assistance that you've just described certainly do  
16 exist.  But would you not agree that most claimants who  
17 would make use of those forms of assistance would do so  
18 only well into their dealings with MPI.

19                   It would be unlikely that the Ombudsman,  
20 the Fair Practices Office, the MLA's would be involved  
21 within the first week of filing a claim; wouldn't that be  
22 right?

23                   MR. WILF BEDARD:    That's right.  They  
24 wouldn't be involved at that -- at that level.  And  
25 certainly I would be of the view that our case managers

1 would be there to assist them and provide all the  
2 assistance that they would need at that early stage.

3 MR. ROBERT DAWSON: Are you familiar, Mr.  
4 Bedard, with the practices of the Workers' Compensation  
5 Board in the way that they provide assistance to  
6 claimants?

7 MR. WILF BEDARD: Only briefly.

8 MR. ROBERT DAWSON: Tell me what you  
9 know?

10 MR. WILF BEDARD: I know that they do  
11 have an internal advocacy office that people can go to if  
12 they have questions; that's basically all I know.

13 MR. ROBERT DAWSON: You have no  
14 information as to what kinds of persons Workers'  
15 Compensation is especially targeting to provide that  
16 particular assistance?

17 MR. WILF BEDARD: No.

18 MR. ROBERT DAWSON: And when I say "you"  
19 I should also indicate that I'm referring to the  
20 Corporation, not you personally. I do assume that that's  
21 the answer as well.

22 You have no information as to whether or  
23 not it was thought that claims would be better handled if  
24 an unrepresented person had the resources of assistance,  
25 such as Workers' Comp puts before them?

1                   MR. WILF BEDARD:    I'm not sure that --  
2   that is anything we need at MPI.  I'm not sure of the  
3   value of it at the Workers' Compensation.  I'm satisfied  
4   that the way we handle our claims and the information  
5   that we give our customers, at all phases of their claim,  
6   is sufficient to meet their needs.

7                   MR. ROBERT DAWSON:    You know that the  
8   Automobile Injury Appeals Commission has recently  
9   introduced claimant advisors; is that right?

10                  MR. WILF BEDARD:    The Government has, not  
11   the Appeal Commission.

12                  MR. ROBERT DAWSON:    Thanks for that  
13   clarification.

14                  Do you know anything more about that  
15   particular program?

16                  MR. WILF BEDARD:    Yes, I do.

17                  MR. ROBERT DAWSON:    Why don't you tell us  
18   what you know?

19                  MR. WILF BEDARD:    What I do know is that  
20   they've been put in place and have been active for a  
21   number of months now.  And they are there to assist  
22   claimants who have a disagreement with MPI; that  
23   disagreement having gone through our internal review  
24   process and were not given satisfaction, in their  
25   estimation.



1                   If they choose to appeal the case to the  
2 Appeal Commission they can go to the advocacy office and  
3 have them assist them in the development and presentation  
4 of their case to the Appeal Commission.

5                   MR. ROBERT DAWSON:    You understand that  
6 the claimant advisors at the Appeal Commission are  
7 independent, of course, of both the Commission as well as  
8 MPI?

9                   MR. WILF BEDARD:    Yes, that's correct.

10                  MR. ROBERT DAWSON:   And do you have any  
11 information as to the kinds of persons that that program  
12 of assistance was primarily targeting?

13                  MR. WILF BEDARD:    Again, only those  
14 people who have a dispute with MPI that want to pursue  
15 that dispute to the Appeal Commission.

16                  MR. ROBERT DAWSON:   And just to tie it in  
17 with an Information Request and a helpful answer that  
18 came back -- actually, no, I'm sorry, to tie it in with  
19 SM8.10, one of the other issues as MPI has called them,  
20 the Corporation has answered one of the recommendations  
21 in that area, if I can -- if correctly, starting, I  
22 think, at page 32 -- there's no need to turn to it.

23                  But I'm just saying, MPI have provided  
24 statistics on the nature of claims that go to the Appeals  
25 Commission; is that right?

1 MR. WILF BEDARD: Yes, that's true.

2 MR. ROBERT DAWSON: I don't think we need  
3 to dwell on that particular kind.

4 Has MPI ever studied the nature or the  
5 kind of person that causes it problems when it files  
6 claims?

7 MR. WILF BEDARD: No.

8 MR. ROBERT DAWSON: Would you agree with  
9 me that persons, for example, who are new to the English  
10 language might have more difficulty in dealing with MPI  
11 than native English speakers?

12 MR. WILF BEDARD: That may be true. But  
13 we have a number of case managers who speak different  
14 languages that -- and we hire them specifically with that  
15 skill set to deal with language barriers.

16 We also have interpreters that we hire  
17 where necessary, translators where necessary. We do our  
18 utmost to try and accommodate everyone.

19 MR. ROBERT DAWSON: Would you agree with  
20 me that another category of persons who might need  
21 assistance would be those who have less education, for  
22 example; difficulty reading for example; difficulty  
23 understanding longer documents or complicated words?

24 MR. WILF BEDARD: Again, I'm not  
25 certain. I haven't profiled those people who -- who file

1 appeals, so I wouldn't know.

2 MR. ROBERT DAWSON: Not to belabour the  
3 point, and going through each one line by line, I'll just  
4 lump them altogether.

5 When you say you haven't profiled the kind  
6 of people, so if I asked you the same question with  
7 respect to persons who might be unsophisticated; persons  
8 who are young; new drivers, for example; persons who are  
9 elderly; persons who may, in fact, may have some form of  
10 mental illness; or other persons who are simply  
11 frustrated by the challenge of the injury that they've  
12 sustained: you have no information on any of those and  
13 how they may or may not tax the MPI system?

14 MR. WILF BEDARD: As I said, we've --  
15 we've not profiled those people who pursue either  
16 internal review or appeal commission ways to resolve  
17 their dispute.

18 So, you know, I would only be speculating  
19 at this point.

20 MR. ROBERT DAWSON: There's no need for  
21 that kind of speculation. And I should say that I'm not  
22 only asking about those who actually file appeals or  
23 those who seek a review, I'm talking about anyone who has  
24 dealings with MPI in terms of filing a claim.

25 I'm correct then, to say that MPI just has

1 no information about the kind of person who might need  
2 assistance beyond that which is currently offered in  
3 filing a claim?

4 MR. WILF BEDARD: No, other than to say  
5 that we offer whatever assistance an individual would  
6 need.

7 MR. ROBERT DAWSON: Would it be fair to  
8 say that it also follows that MPI has no idea how many  
9 hours of staff time it spends, perhaps, providing  
10 assistance to these sorts of persons as opposed to more  
11 streamlined cases?

12 MR. WILF BEDARD: No, there's regular  
13 contact between our case managers and their clients on a  
14 regular basis. There's communication with everyone.  
15 Many people need more assistance than others. People  
16 require more explanation of -- than -- than others.

17 You know, there's a variety of dependency.  
18 Some people need very little assistance; others need a  
19 great deal more.

20 We're there to accommodate everybody.

21 MR. ROBERT DAWSON: Is it your view that  
22 those who require more assistance than the others should  
23 properly be dealt with by the existing case managers in  
24 the existing system?

25 In short, there's no need to set up a

1 claims advisory system?

2 MR. WILF BEDARD: Well, certainly  
3 disputes do occur and, you know, there's a -- there's a  
4 variety of disputes in nature that -- that can come up.

5 We try and explain to people in great  
6 detail what it is that the dispute is, where the  
7 legislation may limit their entitlement or where the --  
8 this agreement occurs, we document those decisions in a  
9 lot of detail, in written letters to individuals.

10 So, there's no ambiguity or speculation in  
11 terms of why the Corporation rendered a particular  
12 decision. That information is given to them in writing.

13 If it's a relatively complicated case or  
14 if the individual, perhaps, needs more assistance in  
15 understanding, then -- then another -- case managers will  
16 often go out to meet with individuals and explain to them  
17 the decision that they're making, that they will be  
18 getting the written record of, show them in the  
19 legislation where the limitations are, whatever the case  
20 may be, and then follow it up with a written letter.

21 Again, we go, you know, really above and  
22 beyond to try and provide people with the understanding  
23 as to why the Corporation has rendered any particular  
24 decision.

25 MS. MARILYN MCLAREN: To further

1 elaborate, Mr. Dawson, Mr. Bedard's comments focussed  
2 mostly on situations where there would be a dispute.

3 I think your question more directly asked  
4 about people who may, for a variety of reasons, simply  
5 have a greater challenge in dealing with the Corporation.

6 The Corporation believes it has a  
7 statutory responsibility to help those claimants and,  
8 where necessary, modify its business processes to better  
9 meet those claimants' needs.

10 So, yes, the Corporation's position is  
11 that those claimants are well served by the existing  
12 system and do not need an advisory office.

13 MR. ROBERT DAWSON: If I may follow-up on  
14 that with you, Ms. McLaren, because you did grasp that  
15 I'm not only focussing on disputes, I'm trying to deal  
16 with every kind of claim -- contact that a claimant might  
17 have.

18 The Corporation has never studied the  
19 question of whether or not it would be in many ways,  
20 cheaper to offload the extensive discussions and  
21 explanations, such as Mr. Bedard has explained, onto  
22 persons other than adjusters, or those who would normally  
23 have contact with any claimant.

24 You've never conducted a study to that  
25 extent, have you?

1 MS. MARILYN MCLAREN: No, we have not.

2 MR. ROBERT DAWSON: So, MPI then,  
3 effectively, has no idea if it would be cost effective,  
4 meaning it would lower rates for ratepayers, or perhaps  
5 even increase them, who knows.

6 MPI has no idea if it would be cost  
7 effective to provide the kind of help that I'm  
8 suggesting, such as claims advisors, in this particular  
9 context?

10 MS. MARILYN MCLAREN: We haven't done  
11 that for a particular reason. It is not our intention,  
12 it's not our mandate to simply find ways to provide the  
13 lowest cost claims service. There are a number of  
14 examples within the Corporation's realm of activities,  
15 where we have made decisions on how we organize and how  
16 we provide service to provide to the extent possible,  
17 cohesive one-stop shopping, cohesive service.

18 There's any number of ways, in other  
19 organizations, that -- that segregate the service so that  
20 the claimant talks to a different person, based on what  
21 it is they need at that particular moment.

22 The information that we have is that that  
23 does not meet claimant's overall needs, nor does it meet  
24 policyholder needs. We do the same kinds of service on  
25 the policyholder side, as we do on the claims side.

1 Integrated cohesive service is our responsibility, and  
2 exceeds important in our mind, over finding a low cost  
3 way to provide the service.

4 MR. ROBERT DAWSON: You're surely not  
5 telling this Board that you're not concerned about the  
6 costs of the services that you provide are you?

7 MS. MARILYN MCLAREN: Absolutely not. We  
8 do not necessarily trade off service to achieve cost  
9 savings, that was my point.

10 MR. ROBERT DAWSON: I just want to see  
11 where we're disagreeing, if I may. Do you accept the  
12 premise that there are some individuals, that is, some  
13 claimants, who not trying to be disruptive or otherwise,  
14 but genuinely have a difficulty in understanding either  
15 how to obtain the benefits to which they're entitled, or  
16 how to understand that they have in fact received the  
17 benefits that they have been entitled to and entitled to  
18 know more?

19 MS. MARILYN MCLAREN: Yes.

20 MR. ROBERT DAWSON: And if I understand  
21 the way the MPI system currently is set up, these sorts  
22 of claimants would raise issues of entitlement or  
23 satisfaction with among others, their case managers,  
24 adjusters or otherwise, persons who are in the -- in the  
25 field, in the line of business; is that right?



1 MS. MARILYN MCLAREN: Yes.

2 MR. ROBERT DAWSON: You would agree with  
3 me that if -- and I will call them field operators, for  
4 lack of a better word.

5 If the field operators spend a lot of time  
6 with many of these claimants, they are necessarily not  
7 able to serve as many claimants as possible, right?

8 MS. MARILYN MCLAREN: Well, they -- they  
9 would be serving as many claimants as possible, given the  
10 makeup of the claimant pool. If -- if they had a mix of  
11 claimants that readily understood everything that was  
12 presented to them, and didn't need that extra assistance,  
13 all else being equal, they could handle more of those  
14 kinds of claimants.

15 MR. ROBERT DAWSON: And as far as I  
16 understand the way MPI has structured its operations, it  
17 collects -- it assigns claimants, regardless of their  
18 ability to grasp their entitlements to any field  
19 operator, as opposed to concentrating those who might be  
20 especially a drain on the system, in the hands of persons  
21 who might be specifically designated to handle that; is  
22 that right?

23 MS. MARILYN MCLAREN: In a general way,  
24 but not in a specific way. Mr. Bedard mentioned that  
25 some case managers are multilingual. So, certainly those

1 would be assigned to people able to help them in their  
2 native language.

3 MR. ROBERT DAWSON: I think I'll just  
4 focus on the point that you had made one (1) answer  
5 earlier, namely you said to me that if a claims manager  
6 only had to deal with claimants who did not suffer some  
7 of the understandable impediments that I had described  
8 such a language difficulties, illness or otherwise, that  
9 person would be able to deal with more claims than  
10 somebody who is required to handle claims who have those  
11 sorts of burdens, right?

12 MS. MARILYN MCLAREN: Yes.

13 MR. ROBERT DAWSON: So, if you had  
14 difficult claims being offloaded onto persons who have  
15 particular training or special ability to -- or perhaps  
16 even just more time, wouldn't this mean that claims could  
17 be dealt with more quickly and, therefore, more  
18 efficiently?

19 MS. MARILYN MCLAREN: Not necessarily.  
20 And this is the part where the cohesive integrated  
21 service comes back in because whether it's related to  
22 someone phoning the call centre to find out what they owe  
23 on their time payments, whether it's somebody served by  
24 that specialist that you just mentioned, understanding in  
25 terms of the logistics and the specifics, understanding

1 that better, they will still need to come back to the  
2 case manager.

3 That person cannot replace the case  
4 manager or they would be a case manager. So, now you  
5 have probably three (3) people who have to talk amongst  
6 themselves instead of just two (2) people. There's no  
7 guarantee that's going to be faster or more cost  
8 effective.

9 That's -- what we often find is that our  
10 claimants and our policyholders still want to come back  
11 to the one (1) source. They expect that one (1) source  
12 to have a full grasp and a full understanding of their  
13 personal situation.

14 MR. ROBERT DAWSON: Do you believe that  
15 bodies, such as the Workers' Compensation Board or the  
16 Appeal Commission, have introduced independent advisors  
17 because those bodies recognized it would be more  
18 efficient to handle the claims that way, or do you think  
19 there are other reasons or perhaps you simply haven't  
20 considered, that is the Corporation, hasn't considered  
21 that point?

22 MS. MARILYN MCLAREN: I can't speak at  
23 all to why the Workers' Compensation Board of Manitoba  
24 has organized the way it has. The one I do know a little  
25 bit about is the SAC in Quebec which administers the prob

1 -- the same program that we administer here, virtually.

2                   They have made a -- a decision to  
3 structure themselves in terms of claimant issue  
4 complexity. So, it's very, very likely that an  
5 individual claimant may need to talk to four (4) or five  
6 (5) or six (6) different people depending on what  
7 question they have at a particular time.

8                   That's simply not a model that we've  
9 chosen. Not only because we don't believe that provides  
10 cohesive integrated service, but we don't believe it's  
11 any more efficient.

12                   MR. ROBERT DAWSON: Thank you for that.  
13 I think we can move on.

14                   Mr. Barron, I understand you have an  
15 exhibit that you could hand out if you would, please.

16                   Mr. Chairman, I'll propose that we  
17 circulate this, explain it and then I'll propose that it  
18 be marked as an exhibit subject to any comments from My  
19 Learned Friend.

20                   THE CHAIRPERSON: That's fine, Mr.  
21 Dawson.

22

23                   (BRIEF PAUSE)

24

25 CONTINUED BY MR. ROBERT DAWSON:

1                   MR. ROBERT DAWSON:   Seeing that Mr.  
2 Bedard has the sheet, I think I can start. Mr. Bedard,  
3 this is a summary that's been extracted from MPI's annual  
4 reports relating to fatalities over the year.

5                   We'll go through this in more detail, but  
6 will you confirm, subject to checking that the numbers on  
7 the attachments, in fact, match up, that the document  
8 before you is, in fact, a listing of fatalities that have  
9 occurred and have been reflected as MPI claims from 1996  
10 until, well, the last current year?

11                  MR. WILF BEDARD:   Yes, it looks right,  
12 subject to check.

13                  MR. ROBERT DAWSON:   Before I go any  
14 further then, Mr. Chairman, I'll suggest that this be  
15 marked as Manitoba Bar Association Exhibit number 3,  
16 subject to any comments that my Learned Friend, Mr.  
17 McCulloch, may have.

18                  THE CHAIRPERSON:   Mr. McCulloch...?

19                  MR. KEVIN MCCULLOCH:   No objection.

20                  THE CHAIRPERSON:   Very good, Mr. Dawson,  
21 number 3.

22

23 --- EXHIBIT NO. MBA/MPI-3: Summary from MPI's annual  
24 reports relating to  
25 fatalities over the year.

1

2 CONTINUED BY MR. ROBERT DAWSON:

3 MR. ROBERT DAWSON: Just very quickly for  
4 the sake of explanation, this document, Mr. Bedard, shows  
5 how many fatalities had occurred in each of the past  
6 years and that's the way it was reported in the annual  
7 reports; is that correct?

8 MR. WILF BEDARD: Yes.

9 MR. ROBERT DAWSON: We can move on. My  
10 next quick snapper, Ms. McLaren, relates to the  
11 collective bargaining agreement between the Corporation  
12 and some of its employees who are represented by the  
13 Manitoba Government Employees Union.

14 What can you tell us as to the status of  
15 any discussions there?

16 MS. MARILYN MCLAREN: They are in  
17 progress.

18

19 (BRIEF PAUSE)

20

21 MR. ROBERT DAWSON: Is there any expected  
22 outcome or a date by which an outcome might be  
23 anticipated?

24 MS. MARILYN MCLAREN: We certainly would  
25 hope to have a negotiated contract before the existing

1 one expires and as -- expired last year?

2 This month? September, that's right.  
3 Often we go a little beyond the exploration. Sometimes  
4 we've settled it beforehand, but negotiations,  
5 discussions are in progress.

6 MR. ROBERT DAWSON: Thank you, Ms.  
7 McLaren. Mr. Galenzoski, if I may turn to just some  
8 points that arise out of your earlier discussion with Mr.  
9 Saranchuk on reinsurance.

10 You had described how MPI buys reinsurance  
11 and, if I understand correctly, you've described the --  
12 those from whom you buy reinsurance, certainly as a for  
13 profit -- profit business operation in that casualty  
14 insurers are aiming to collect more premiums than they  
15 pay out, obviously; have I got that right?

16 MR. BARRY GALENZOSKI: Yes. Over time  
17 they'll want to make money.

18 MR. ROBERT DAWSON: And did I also  
19 understand it correctly to say that -- you correctly,  
20 rather, to say that if reinsurers do not perceive  
21 coverage as profitable over the long run, it may result  
22 either in future premium increases or, frankly, even  
23 refused coverage in future?

24 MR. BARRY GALENZOSKI: Generally  
25 speaking, what'll happen is that if you want a given

1 level of coverage they'll price it regardless, but it may  
2 be priced to the point where the purchaser may not think  
3 that that's advantageous and so therefore you're not  
4 going to buy it.

5 MR. ROBERT DAWSON: And if that happened,  
6 namely MPI's reinsurance premiums increased, you'd agree  
7 with me that that would increase MPI's expenses overall,  
8 right?

9 MR. BARRY GALENZOSKI: It would increase  
10 MPI's risk. We've identified that as one of the factors  
11 affecting the level of Rate Stabilization Reserve.

12

13 (BRIEF PAUSE)

14

15 MR. ROBERT DAWSON: Companies that  
16 provide reinsurance to MPI, of course, also provide  
17 reinsurance to other insurance companies across,  
18 presumably, North America; is that right?

19 MR. BARRY GALENZOSKI: Particularly the  
20 domestic market concentrates on Canada and then we also  
21 deal with some of the international reinsurers who would  
22 concentrate worldwide.

23 MR. ROBERT DAWSON: And many of those  
24 reinsurance companies would also, of course, be doing --  
25 doing business with other insurance companies, such as



1 MPI, but perhaps not monopolies like MPI; is that right?

2 MR. BARRY GALENZOSKI: They would deal  
3 with everyone, yes.

4 MR. ROBERT DAWSON: In your discussion  
5 with Mr. Saranchuk, you've already gone through the  
6 differences between MPI and what I'll call non-monopoly  
7 insurers, and I just want to highlight a couple of quick  
8 points.

9 You've said that, unlike non-monopoly  
10 insurers, MPI focusses upon viability and not shareholder  
11 profitability, right?

12 MR. BARRY GALENZOSKI: We're not  
13 focussing on shareholder profitability; we're focussing  
14 on stable rates.

15 MR. ROBERT DAWSON: And would I be --  
16 would it be fair to say that it follows, from that  
17 requirement, that while non-monopoly insurers might be  
18 able to cut corners with claimants in order to meet  
19 forecasted profits for their shareholders, MPI doesn't  
20 feel that same pressure?

21 MR. BARRY GALENZOSKI: I don't believe  
22 that the private sector would feel that same pressure  
23 either.

24

25

(BRIEF PAUSE)

1                   MR. ROBERT DAWSON:    Can you explain what  
2 would support that conclusion?

3                   MR. BARRY GALENZOSKI:   Well, in a tort  
4 environment, for instance, if the claimant wasn't happy  
5 with what the private sector insurer was providing them,  
6 they'd get a lawyer and sue them.

7                   MR. ROBERT DAWSON:    I'm suggesting that  
8 many insurance companies, especially those that are  
9 publicly traded, will forecast their anticipated earnings  
10 for a quarter.

11                                Would you agree that that often happens?

12                   MR. BARRY GALENZOSKI:    For the few that  
13 are publicly traded in Canada, that would happen, yes.

14                   MR. ROBERT DAWSON:    And I'm suggesting  
15 further that where actual doesn't seem to be matching up  
16 to forecast, there may be an urgent need to attend to  
17 expenses or increase revenues; wouldn't that be likely?

18                   MR. BARRY GALENZOSKI:    Well they would --  
19 they would take varying degrees of action, I guess,  
20 depending on what they thought was controllable.  
21 Controlling their claims costs in the short term may be  
22 possible, but again they -- they still have to get sign  
23 off from their external actuaries and their auditors for  
24 their financial statements.

25                                And I -- I suggest to you that that means

1 that there's a process in place that would override any  
2 immediate concerns regarding share price.

3 MR. ROBERT DAWSON: So in what ways then  
4 would a non-monopoly insurer differ from MPI when it  
5 deals with these reinsurance companies, or are you  
6 suggesting that there's no difference in considerations?

7 MR. BARRY GALENZOSKI: I would suggest to  
8 you that the reinsurers would not deal differently with  
9 us than they would with the private sector insurer, they  
10 still want to make money in the long term, and they would  
11 -- they would price their products, based on the risk  
12 that they perceived was being brought to the table.

13 MR. ROBERT DAWSON: Thank you. I think  
14 we can move on.

15 Ms. McLaren, if I could trouble you to  
16 turn to SM.8.10.3, that's SM.8.10.3, which appears at  
17 page 35.

18

19

(BRIEF PAUSE)

20

21 MR. ROBERT DAWSON: SM.8.10.3 appears as  
22 a result of a recommendation that this Board made as a  
23 result of last year's Hearings, that recommendation  
24 appears at the head of the page.

25

May I trouble you, Ms. McLaren, to read

1 that in for the record?

2 MS. MARILYN MCLAREN: The Order itself?

3 MR. ROBERT DAWSON: If you would please?

4 MS. MARILYN MCLAREN: "Order Number  
5 148/04, Public Utilities Board  
6 recommended that Manitoba Public  
7 Insurance undertake a study to identify  
8 any increases in revenue or expenses  
9 that would result from legislative  
10 changes to enable personal injury  
11 lawsuits against uninsured motorists,  
12 extra-territorially insured drivers,  
13 and the manufacturers of defective  
14 motor vehicles."

15 MR. ROBERT DAWSON: And what follows from  
16 page 35 until 38 is the Corporation's entire reply; is  
17 that right?

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

19 MR. ROBERT DAWSON: And forgive me for  
20 bluntly stating it, but I see no study of increases in  
21 revenue there; am I missing something?

22 MR. WILF BEDARD: We understood that what  
23 the Board was looking for is if, in fact, such suits were  
24 allowed, whether there would be an increased recovery  
25 from MPI, if -- if, in fact, in Manitoba the legislation

1 was amended to allow such actions.

2 MR. ROBERT DAWSON: That might be, but my  
3 question is, Ms. McLaren, is there a study on the  
4 increase in revenue that might result within pages 35 and  
5 38, that I've missed?

6

7 (BRIEF PAUSE)

8

9 MS. MARILYN MCLAREN: Yes. The response  
10 speaks for itself on the pages you referenced, 35 through  
11 to 38, that is the Corporation's response.

12 MR. ROBERT DAWSON: That might be the  
13 response, but the recommendation was to produce a study  
14 relating to increases in revenue. If that's the  
15 response, I can't find a study on increases in revenue.

16 Can you point it out to me please?

17 MS. MARILYN MCLAREN: Without rereading  
18 it all word for word, I can see at the bottom of page 37  
19 it references the fact that allowing suits against  
20 manufacturers of defective motor vehicles would -- would  
21 not yield much in the way of financial advantage, there  
22 are other, I imagine, other comments like that on some of  
23 the other issues as well.

24 MR. ROBERT DAWSON: So when the Board  
25 recommended that you conduct a study of increases in

1 revenues, or increases in expenses, you took that to mean  
2 that a one (1) line sentence, or a couple of one (1) line  
3 sentences, would discharge the recommendation; is that  
4 right?

5 MR. BARRY GALENZOSKI: I think, Mr.  
6 Dawson, that if you look at the fact that the response  
7 was provided in the information at the onset of the  
8 application and there were no questions raised by the  
9 Public Utility Board advisors that they were satisfied  
10 with the response.

11 MR. ROBERT DAWSON: I'm going to suggest  
12 to you, Ms. McLaren, that really this isn't an adequate  
13 reply. And, in fact, instead, we have two (2) excuses  
14 that appear here.

15 The first is a -- is that the  
16 recommendation raises policy issues, and I assume by that  
17 it's meant that the proposal to be studied has nothing to  
18 do with rate setting so this was what the Corporation  
19 decided to submit; is that fair to say?

20 MS. MARILYN MCLAREN: No, I don't think  
21 that's fair. I think they clearly are policy issues and  
22 not fiscal issues because I think as -- as this  
23 discussion lays out there are few, if any, substantive  
24 opportunities to have a fiscal impact.

25 If they were policy issues and still

1 financially substantive that would have been laid out  
2 here as well.

3 MR. ROBERT DAWSON: So it's your view, at  
4 least the initial view, that it's a matter of public  
5 policy whether or not a personal injury lawsuit should be  
6 lifted -- or the bar on personal injury lawsuits should  
7 be lifted in any way; is that right?

8 MS. MARILYN MCLAREN: That would  
9 certainly be true, yes.

10 MR. ROBERT DAWSON: Do I understand that  
11 the DVL merger is considered to be, in part, a matter of  
12 public policy?

13 MS. MARILYN MCLAREN: Yes.

14 MR. ROBERT DAWSON: Nevertheless, you'd  
15 agree with me that the DVL merger decision certainly has  
16 an impact on the Corporation's bottom line; doesn't it?

17 MR. BARRY GALENZOSKI: Not with respect  
18 to the basic rate application.

19 MS. MARILYN MCLAREN: But again, I said  
20 if, as is laid out here, there are, in the Corporation's  
21 view, few, if any, opportunities for any sort of  
22 financially substantive outcomes.

23 If it had been clearly and only policy  
24 issues, but still there was significant financial  
25 impacts, we still -- we would have identified those. So

1 it's not fair to say that we just did what we did because  
2 it's policy.

3 We laid that out up front. But we also  
4 went on to say that in the Corporation's view there are -  
5 - you know, we went through it. There is -- it would not  
6 necessarily yield much in the way of financial advantage;  
7 that's the other part of it.

8 In the middle of page 37 again, refers to  
9 Section 77(1):

10 "There would be no financial benefit to  
11 MPI."

12 So, it's not simply that these are policy  
13 issues.

14 MR. ROBERT DAWSON: Okay. So the first  
15 excuse that's given relates to it's policy issues and I -  
16 - I take your point.

17 Let's move to the Corporation's second  
18 excuse for dealing with the recommendation without  
19 specifically studying, as I'm suggesting, revenues and  
20 disbursements.

21 The Corporation, I think, says at  
22 paragraph 3 on page 35, that the recommendation is  
23 unclear; do you see that?

24 MS. MARILYN MCLAREN: Yes.

25 MR. ROBERT DAWSON: And it says, and I'll



1 quote:

2 "It's not clear whether the phrase  
3 'personal injury lawsuit' refers to an  
4 action taken by the injured claimant or  
5 by MPI on a subrogated basis to recover  
6 PIPP benefits paid to the claimant."

7 So let's go through those one (1) by one  
8 (1).

9 On a high level overview basis, what would  
10 be the issues if personal injury lawsuit refers to an  
11 action that would be taken by the injured claimant?

12 MS. MARILYN MCLAREN: Do you want someone  
13 from the Panel to read the questions here that are on  
14 page 35?

15 MR. ROBERT DAWSON: I see the questions  
16 at the bottom of page 35 but I couldn't have imagined  
17 that that would be the answer I'd receive.

18 MS. MARILYN MCLAREN: Then I would ask  
19 you to repeat the question?

20 MR. ROBERT DAWSON: Well, let's just make  
21 sure that we're all on the same page, so to speak. I've  
22 suggested to you that there are two (2), I'm calling them  
23 excuses, that the Corporation has put forward for failing  
24 to produce a study on the increases of revenues or  
25 expenses.

1                   The first excuse is the one that we've  
2 already dealt with and that is it raises public policy  
3 issues.

4                   Do you agree with me so far?

5                   MS. MARILYN MCLAREN: I don't agree with  
6 your characterization of excuses, but other than that  
7 I'll agree with you.

8                   MR. ROBERT DAWSON: I'm prepared to  
9 substitute the use of the word 'reasons', then, for  
10 'excuses'.

11                   The second 'excuse' in my language,  
12 'reason' in yours, appears in the third paragraph and it  
13 says, essentially, that we don't know enough about what  
14 you're asking.

15                   Would you agree with that very broad  
16 characterization?

17                   MS. MARILYN MCLAREN: Yes. And I would  
18 specifically draw your attention to the concluding  
19 sentence in that paragraph:

20                   "The issues and the cost consequences  
21 are clearly not the same in the two (2)  
22 possibilities that we inferred."

23                   MR. ROBERT DAWSON: Exactly, so what I'd  
24 like to do is to go through what makes you, the  
25 Corporation, say that the issues, the consequences, are

1 clearly not the same in the two (2) cases, strikes me  
2 that we create a matrix. The variables or simple.

3 If personal injury law suit means and  
4 action taken by an injured claimant or a subrogated basis  
5 by MPI then we apply that question to first issues and  
6 then the cost consequences.

7 So, the first question that I have just  
8 asked was: On a high level overview, what are the issues  
9 that arise if personal injury lawsuit refers to an action  
10 taken by the injured claimant?

11

12 (BRIEF PAUSE)

13

14 MS. MARILYN MCLAREN: The issues that  
15 arise are those posed at the bottom of thirty-five (35).

16 First of all, we need to consider, are  
17 they entitled to the PIPP benefits and the law suit or do  
18 they have to take legal action to get any benefit  
19 whatsoever?

20 I mean, if they don't have to elect, if  
21 they can go after both, who will move -- who takes that  
22 action?

23 We do have a significant subrogated  
24 interested in most of those claims. Some of these  
25 parallels, I would suggest, to situations where

1 Manitobans are injured by others outside of Manitoba.

2 I think the policy issue, clearly, is --  
3 is the fourth one that's posed here and that really takes  
4 us back up to the top of the page. Because there are  
5 fundamental policy issues related in the scenario that  
6 would look such as this one where it would be the injured  
7 claimant who sometimes has the right to top up PIPP  
8 benefits and other claimants who don't have that right or  
9 opportunity.

10 It's -- it's a very significant policy  
11 issue.

12 MR. ROBERT DAWSON: So, I'll take your  
13 answer, then, to the question of what are the issues if  
14 personal injury lawsuit refers to an action taken by the  
15 injured claimant as being, especially the first three (3)  
16 that appear there at the bottom of page 35, and the  
17 fourth one, I'll suggest, because it relates to public  
18 policy, I'll take your first answer that you gave earlier  
19 and we'll ignore that, just because we've already gone  
20 through it.

21 So, if I look at the first question that  
22 appears at page 35 at the foot, the question there reads:

23 "Is the claimant entitled to both PIPP  
24 benefits and the personal injury law  
25 suit or must the claimant make an

1 election."

2 Let's go through that one, then, and  
3 answer the question.

4 If, in fact, the claimant is entitled to  
5 both PIPP and tort damages, what cost consequences does  
6 that have for MPI?

7 MS. MARILYN MCLAREN: That would drive up  
8 the Corporation's costs.

9 MR. ROBERT DAWSON: And can you explain  
10 how it would increase its costs?

11 MS. MARILYN MCLAREN: In all likelihood,  
12 there would be another MPI insured party there.

13 So, if the PIPP benefits are a first-party  
14 coverage that the person would be eligible and the  
15 Corporation expects to have those costs now, depending on  
16 the nature of the personal injury lawsuit, the person may  
17 have the right to sue an MPI insured party carrying MPI  
18 funded third-party liability.

19 MR. ROBERT DAWSON: So, if I may  
20 summarize then, if the claimant's entitled to both PIPP  
21 and tort, the idea of lifting the bar in specific areas  
22 on personal injury lawsuits likely, in your view, would  
23 result in increased expenses to MPI; is that right?

24 MS. MARILYN MCLAREN: In general terms,  
25 yes. If we go back up specifically to this

1 recommendation by the PUB, uninsured motorists, that  
2 wouldn't drive up MPI's costs nor would extra-territorial  
3 insured drivers. And assuming the action against the  
4 manufacturer of defective motor vehicles was solely  
5 against the manufacturer and not against the insurer of  
6 the owner, or against the owner, and therefore bringing  
7 in the insurer, we don't insure those vehicles either.

8 So, those three (3) specific ones, if the  
9 suits were narrow, and did not involve the owners of the  
10 vehicles, we would not be there.

11 MR. ROBERT DAWSON: And now let's take  
12 the other possibility, which is that the claimant decides  
13 to make an election. You can take whichever one (1) you  
14 want first, and let's go through those and talk about the  
15 cost consequences.

16 MS. MARILYN MCLAREN: If the claimant  
17 made an election to pursue the tort action, MPI would  
18 have no role to play in that. They would be trying to  
19 somehow claim against an uninsured individual, or they'd  
20 be claiming against someone insured elsewhere, or they'd  
21 be trying to claim against some manufacturer. MPI would  
22 not have a role to play there.

23 And if they elected PIPP, then that  
24 naturally defaults I guess, if they were going to go  
25 after the PIPP, accept the PIPP benefits, but somehow

1 still start a tort action, I guess they would be doing  
2 that mostly to our benefit. Because if they had a  
3 judgment to recover the PIPP costs, we would be the ones  
4 that spent that money, and therefore we would get it  
5 back.

6

7 (BRIEF PAUSE)

8

9 MR. ROBERT DAWSON: I'm just giving the  
10 Panel a chance in case you have -- I have a follow-up  
11 question, but I want to make sure that you've had a  
12 chance to discuss if you want. No?

13 You've made use of the phrase 'no role to  
14 play there', the Corporation would have no role to play  
15 there. By that I think you mean that it would neither  
16 cost the Corporation anything, nor would it generate a  
17 revenue -- or would increase the revenues for the  
18 Corporation.

19 Is that right, when you say no role to  
20 play there?

21 MS. MARILYN MCLAREN: Well, I -- and I  
22 guess from today's situation, we may avoid some costs,  
23 because if they're electing not to take benefits to which  
24 they would otherwise be entitled, that would save us some  
25 money.

1                   The one (1) thing I would add to the  
2 earlier discussion though, is the fact that we do have a  
3 right of subrogation against extra-territorial insured  
4 drivers today. We have that.

5                   MR. ROBERT DAWSON: Let me turn to  
6 question number 2 that appears there, and it asks the  
7 question, who will have carriage of the action? And of  
8 course you've just mentioned MPI's subrogated interest.

9                   Let's assume for the purposes of  
10 discussing cost consequences, that MPI has a carriage of  
11 the action. How would that affect overall costs?

12                   MR. WILF BEDARD: If I could answer that,  
13 Mr. Dawson.

14                   We would have the cost of -- of pursuing  
15 that -- that action, carrying the litigation forward.

16                   MR. ROBERT DAWSON: Now, let's ask the  
17 flip question, suppose carriage rested with the claimant,  
18 how would that impact upon the cost consequences for the  
19 Corporation?

20                   MR. WILF BEDARD: I don't believe it  
21 would.

22                   MR. ROBERT DAWSON: And then the third  
23 point that appears at the foot of page 35 is the  
24 question, who is responsible for costs?

25                   The answer presumably is either the



1 claimant or MPI. Let's go through them one-by-one.  
2 Let's assume that the claimant is responsible for the  
3 costs of the litigation, how would that impact upon the  
4 Corporation's overall cost consequences?

5 MR. WILF BEDARD: I don't believe that it  
6 would.

7 MR. ROBERT DAWSON: And lastly, let's  
8 assume that MPI is responsible for the costs, how would  
9 that impact upon costs?

10 MR. WILF BEDARD: Again, we would be  
11 carrying the costs of -- of the litigation, going  
12 forward, whatever it took to pursue.

13 MR. ROBERT DAWSON: Thanks to almost  
14 everyone except Mr. Palmer, who had no role whatsoever in  
15 answering these questions. That -- those are some of the  
16 questions that I -- I would have hoped had appeared in  
17 that answer, but at least we now have some general  
18 information on that point.

19 You'd agree with me, Ms. McLaren, you'd  
20 agree with me that whenever there's a question of  
21 manufacturer liability, giving rise to a claim, that  
22 triggers a loss or rather it triggers an expense, in the  
23 terms of paying out benefits by MPI; is that right?

24 MR. WILF BEDARD: We would pay out  
25 damages in a circumstance like that, yes.

1                   MR. ROBERT DAWSON:    If MPI chooses not to  
2 pursue a manufacturer of a defective motor vehicle or a  
3 defective motor vehicle part, doesn't that mean that  
4 ratepayers are effectively underwriting the negligence of  
5 an out-of-jurisdiction manufacturer?

6                   MR. WILF BEDARD:    Well, that's an  
7 assumption on your part.  We do pursue those.  I mean,  
8 if, in fact, our investigation into a loss would suggest  
9 that there was something defective in the manufacturing  
10 of the vehicle, then MPI would pursue such a claim.

11                   Giving, of course, consideration to the  
12 costs of pursuing that -- the litigation against a  
13 manufacturer.

14                   MR. ROBERT DAWSON:    Well, indeed, that's  
15 exactly what the answer that the Corporation gives in the  
16 Manitoba Bar Association first round Interrogatory number  
17 14.

18                   But if I remember correctly, first round  
19 Interrogatory number 13 tells me that MPI doesn't know  
20 how many of these claims involve defective manufacturers;  
21 am I misreading that?

22                   MR. WILF BEDARD:    No.  You're quite  
23 right.  When we prepared the answer to -- to your  
24 question number 14 on the first round we didn't know the  
25 answer for that.  And, as you know, our records don't

1 keep track of our recoveries by -- by recovery type.

2 But I was interested as well to learn what  
3 we had and I had our special accounts people physically  
4 go through all of their records and give me an indication  
5 as to how many we have currently.

6 And I can tell you that the answer is  
7 thirty-seven (37). We have thirty-seven (37) cases  
8 involving recoveries from -- from manufacturers totalling  
9 approximately six hundred thousand dollars (\$600,000) in  
10 recoveries. We are pursuing those currently.

11 Now, most of them are minor. Most of them  
12 are, you know, defective hood latch, a wiring harness  
13 problem causing a bit of a fire. An ignition switch. I  
14 know there's a couple there where there is faulty fridges  
15 in motorhomes, we're pursuing recovery against the  
16 manufacturer of those fridges.

17 Those types of things do occur and we do  
18 pursue recovery of them against the manufacturers.

19 MR. ROBERT DAWSON: To deal neatly with--

20 MS. MARILYN MCLAREN: Sorry, there are --  
21 there's no injury claims on any of those. They're not  
22 PIPP claims. So they are all physical damage only. And  
23 I don't believe to this point in time we've had to  
24 actually make -- take formal legal action. We're dealing  
25 with the manufacturers directly and successfully.

1                   MR. ROBERT DAWSON: I think the neatest  
2 way for us to move along would simply be to ask, by way  
3 of undertaking, if you could file with the Board the  
4 following information: For each of the claims that  
5 you've outlined the amount of the claim as it has been  
6 filed and adjusted by MPI, the demand for payment that  
7 MPI has made upon the manufacturers and, to the extent  
8 that it's available, the internal costs to MPI to pursue  
9 each of those claims?

10                   MR. KEVIN MCCULLOCH: Mr. Chairman, the  
11 difficulty that I have with that is that Mr. Bedard has  
12 just stated that none of these claims involve injury  
13 payments. And the recommendation related to instituting  
14 personal injury lawsuits against extra-territorial  
15 drivers, uninsured motorists and manufacturers of  
16 defective motor vehicles.

17                   And Mr. Dawson is seeking to expand that  
18 to include claims involving property damage. It's a  
19 totally different issue that was -- than was dealt with  
20 both in his presentation last year to the Board and the  
21 recommendation that came from that.

22                   MR. ROBERT DAWSON: If I could save the  
23 Board some time, I take My Learned Friend's point. And  
24 I'll suggest that I simply raise this in the form of  
25 closing argument. The Board in its due consideration can

1 decide whether or not to make a further recommendation.

2 THE CHAIRPERSON: Thank you, Mr. Dawson.

3

4 CONTINUED BY MR. ROBERT DAWSON:

5 MR. ROBERT DAWSON: If I may close on the  
6 question of drive-as-you-go. In the Manitoba Bar  
7 Association first round Information Request number 15 my  
8 client raised privacy concerns relating to changes to  
9 drivers' licences.

10 Let's review that same issue of privacy,  
11 but in the context of drive-as-you-go. Now, I'd like to  
12 emphasize and this won't take me very long to go through  
13 all of this, that everyone appreciates, at this stage,  
14 this is a highly speculative project. It hasn't gone  
15 very far, if at all, and I'm undoubtedly asking some of  
16 the witness panel to engage in conjecture and speculation  
17 and it's merely to raise, I think, some privacy concerns.

18 If I have read the transcript correctly,  
19 Mr. Palmer had earlier referred to the need to police a  
20 drive as you go system, and if I understand that  
21 correctly, Mr. Palmer, I think you meant you -- there  
22 would be some need for a -- an authoritative way to  
23 determine exactly how many kilometres a car or a vehicle  
24 have travelled in order to determine the appropriate  
25 premium to charge.



1 in many of these pilots that track, not only the  
2 kilometres, but where they're driven and when they're  
3 driven.

4 So it -- yes, it is invasive.

5 MR. ROBERT DAWSON: So you'd agree with  
6 me that, even if we don't go with an honour system, it  
7 wouldn't be adequate merely to, shall we say, conduct  
8 annual vehicle inspections and read the odometer.

9 More is needed than that to make this kind  
10 of a program effective; is that right?

11 MS. MARILYN MCLAREN: For a legitimate  
12 risk based system, the way some insurers have constructed  
13 them to this point, yes.

14 MR. ROBERT DAWSON: You've talked about  
15 the invasive nature, to use your phrase, of this kind of  
16 a program.

17 I would assume that any data that might be  
18 collected by an insurer such as that, would be obviously  
19 retained for a fairly long period of time in order to  
20 calculate premiums?

21 MS. MARILYN MCLAREN: Well, again, you  
22 know, it's so dependent on who's doing it and the purpose  
23 for which they're doing it.

24 The pilots that have been a -- at least  
25 one of the pilots that I know that's been constructed

1 that uses the very sophisticated technology that has all  
2 this detailed information about where you go and when you  
3 go is completely on a self selected, voluntary basis on  
4 the part of the policyholders.

5           They volunteer to have the device  
6 installed in their car. They also volunteer when they  
7 decide to send the data to the insurers. So they can  
8 blow the data away and decide not to send it at all.

9           So, that, when it comes, will have a very  
10 direct impact on that particular policyholder's rates.  
11 The extent to which it would be saved, I don't know.

12           In a larger context, though, when data  
13 like that is saved in databases for future analysis and  
14 future rate calculations, the identifying features are  
15 virtually always eliminated from that.

16           So, if it's used in a larger pool for  
17 larger purposes, the identifying characteristics are --  
18 are not kept.

19           MR. ROBERT DAWSON: Despite that  
20 encouraging concession to anyone who might be worried,  
21 you'd agree with me, though, that you'd have to link the  
22 data with an identifier for at least the period of time  
23 that a ratepayer might complain later on that you -- that  
24 is the Corporation or an insurer, had overcharged him.

25           So the statutory limitation period in



1 Manitoba runs six (6), seven (7) years. You'd have to  
2 hang on to identifiable data for at least that long to  
3 rebut a challenge, wouldn't you?

4 MS. MARILYN MCLAREN: In a scenario where  
5 the specific data from a specific policyholder had a  
6 direct impact on their rate, yes, we agree.

7 MR. ROBERT DAWSON: And would you agree  
8 with me that a collection, a long term collection of such  
9 data would certainly be an inviting target for subpoenas?  
10 For example, the divorcing wife who wants to prove her  
11 cheating husband went to a seedy motel; the religious  
12 school that wants to fire a staff member because that  
13 person frequents churches of a less rigid denomination.

14 Are these not collections that are just  
15 screaming, subpoena me?

16 MS. MARILYN MCLAREN: They might be, but  
17 I don't know whether under, you know, a FIPPA  
18 legislation, that -- that we are subject to, would allow  
19 disclosure in those situations. I don't know that.

20 MR. ROBERT DAWSON: With that scary  
21 insight into our future, Mr. Chairman, that concludes our  
22 questions, thank you.

23 THE CHAIRPERSON: Thank you, Mr. Dawson.  
24 Mr. Souza, before we begin, I think we'll just take a  
25 short break, give you a chance to prepare yourself and

1 collect your thoughts.

2

3 --- Upon recessing at 2:25 p.m.

4 --- upon resuming at 2:40 p.m.

5

6 THE CHAIRPERSON: Mr. Sousa, we saved the  
7 last spot for you. We were waiting for two (2) weeks for  
8 this, so we're really looking forward to it.

9 MR. CLAUDIO SOUSA: Last but not least.  
10 For the benefit of Mr. Evans and anyone who does not  
11 recognize me from last year, as I was absent from the  
12 opening statement, my name is Claudio Sousa. I'm the  
13 Club President of Scootering Manitoba, which I'm proud to  
14 say is now the largest scooter club in Western Canada.

15 I think the flat terrain here makes us  
16 seek out something different in our lives or something.  
17 There's quite an affinity for scooters and mopeds in this  
18 city.

19 Hopefully we don't hold the record for the  
20 fewest questions asked in the first and second rounds.  
21 My discussions today should be relatively brief.

22 We'll focus primarily on two (2) exhibits  
23 which I believe have been entered into the hearing as --  
24 as evidence; Scootering Manitoba's first round  
25 Information Requests and the pre-ask questions.

1                   Have these both been entered formally?

2                   MR. DONALD PALMER:    Yes.

3                   MR. CLAUDIO SOUSA:    Okay.  I'll give you  
4 a few moments to reach for them.  They're difficult to  
5 find because it's such a thin stack.  I had to look for  
6 it twice in the -- in the responses to find it.

7

8   (BRIEF PAUSE)

9

10                   MR. CLAUDIO SOUSA:    While you're  
11 gathering those items I'll just, if I can just address  
12 the Board briefly on the nature of what I'll be  
13 discussing today.

14                                   Our organization is -- is pleased with  
15 last year's ruling which capped the increase or decrease  
16 to insurance classes at 20 percent.  Last year we stood  
17 before you in opposition to the 110 percent increase that  
18 was sought for the moped class and we're pleased with  
19 that -- the 20 percent is a -- is a fair increase this  
20 year.

21                                   My discussions today and questions for --  
22 for the Panel will be primarily focussed on rental use of  
23 mopeds which is, in the opinion of our organization, an  
24 emerging trend.  More and more operations are springing  
25 up renting mopeds by the hour and we do have some -- some

1 genuine concerns in that area and how it affects our  
2 rates.

3

4 CROSS-EXAMINATION BY MR. CLAUDIO SOUSA:

5 MR. CLAUDIO SOUSA: I'd like to begin  
6 with Ms. McLaren by reviewing, just in general, the basis  
7 upon which insurance rates and risks are determined.

8 In reviewing any public information from  
9 MPI whether that be a brochure or the website it's quite  
10 clearly documented and communicated by the Corporation  
11 that rates are largely determined by a few factors, the  
12 type of vehicle and presumably the experience --  
13 insurance experience of that vehicle, where I live, how  
14 my vehicle is used, and my driving record; would you  
15 agree?

16 MS. MARILYN MCLAREN: Yes.

17 MR. CLAUDIO SOUSA: Can you elaborate --  
18 elaborate a little bit on vehicle use? Can we conclude  
19 that vehicle use should in general terms normally be  
20 correlated to an insurance class it appears -- as it  
21 appears within the MPI rate application?

22 MR. DONALD PALMER: It's through the  
23 insurance use category that we define use of the vehicle.  
24 So, we -- we also go above that in major uses or major  
25 classifications where we have private passenger,

1 commercial, public vehicles, motorcycles, mopeds and  
2 trailers. And then below that is the insurance use  
3 level.

4           The one -- the example we use most often  
5 is the difference between pleasure and all purpose, but  
6 certainly some of the other uses would be -- incorporate  
7 types of vehicles as well, school buses a use in the  
8 public use category.

9           MR. CLAUDIO SOUSA: All right. So, could  
10 we conclude then that if we take the same vehicle all of  
11 the factors remain equal, but subjected to different use,  
12 according to the -- the definition you've just provided  
13 that and certainly the risk profile and possibly the  
14 experience and possibly the rates would be determined  
15 largely by that one (1) differentiating factor?

16           MR. DONALD PALMER: Yes, I would accept  
17 that. It -- it could make a difference, sure.

18           MR. CLAUDIO SOUSA: Historically, and --  
19 and perhaps you can enlighten me as having to been privy  
20 to a lot of the -- the history of MPI, why has a separate  
21 U-drive been created for a variety of types of vehicles;  
22 passenger vehicle, buses, motorhomes?

23           MR. DONALD PALMER: I think you're pre-  
24 dating my experience with MPI as well, but for those  
25 types of vehicles and -- and through subsequent

1 experience evaluation the risk is different.

2 MR. CLAUDIO SOUSA: Okay.

3 MR. DONALD PALMER: Now, because of the  
4 volume of -- of those vehicles we're able to measure that  
5 -- that risk difference. So, with U-drive passenger  
6 vehicles, I'm not sure the exact -- exact number, but  
7 there's a few thousand U-drive private passenger vehicles  
8 so we're able to fairly accurately measure that risk.

9 MR. CLAUDIO SOUSA: Fair enough. Direct  
10 your attention briefly to the first round interrogatories  
11 from Scootering Manitoba, it's labelled SM/MPI-1-1.

12 Whether we're -- we posed the question  
13 whether you can confirm whether or not scooter/moped  
14 rental fleets have been placed in an appropriate  
15 commercial or a segregated class for that type of use.  
16 And I'll quickly paraphrase the Corporation's response  
17 that you didn't have any information regarding customers  
18 operating rental fleets and that you currently don't have  
19 a U-drive moped classification.

20 But, the Corporation did go on to suggest  
21 that in answering this question the identification of a  
22 vehicle which belongs to an individual versus a corporate  
23 customer is relevant to answering that question.

24 Could you -- can you comment on that?

25 MR. DONALD PALMER: Sure. Sometimes when

1 you don't have the data that's asked for you look for  
2 proxies. And again I went through the explanation of  
3 splitting the pleasure and all purpose motorcycle class  
4 this morning. We didn't have data, we looked for  
5 proxies.

6 For -- for this particular question again  
7 we don't have data on -- on U-drives. Looked to see what  
8 we did have, and we have the Corporate versus individual  
9 customers.

10 I recognize that that may not be a perfect  
11 proxy, but it certainly gives us some -- some indication,  
12 again, the assumption that it's companies that are  
13 renting mopeds, rather than individuals.

14 Is that a good -- good assumption, bad  
15 assumption, I'm not sure.

16 MR. CLAUDIO SOUSA: I'd like -- I'd like  
17 to explore how -- how perfect or imperfect that -- that  
18 proxy is, if we can for a moment.

19 MR. DONALD PALMER: Sure.

20 MS. MARILYN MCLAREN: Sorry, Mr. Sousa,  
21 just before you do that --

22 MR. CLAUDIO SOUSA: Yes.

23 MS. MARILYN MCLAREN: -- may I expand a  
24 little bit on Mr. Palmer's answer, because another part  
25 of the conversation around the classification of risks

1 within a major category, we got into that a little bit  
2 this morning, as well, with respect to engine size,  
3 engine displacement, things like that.

4 I think we're certainly cognizant of your  
5 concerns in this area, and it's something that we  
6 acknowledge we need to pay attention to. But the fact of  
7 the matter is, the moped class, overall, is significantly  
8 deficient, no matter what we did with U-drive or -- or  
9 corporate vehicles, the bulk of the privately owned and  
10 used, individually owned, privately owned, not rented  
11 mopeds, significantly outnumbered any that might be  
12 rented. And those ones, the privately owned, privately  
13 used, are still significantly underpaying in terms of  
14 their claims costs.

15 As we go through the years, and  
16 particularly, given recent experience, as the moped class  
17 continues to grow, we need to continue to watch this.  
18 And as we start to approach rate sufficiency, that's when  
19 you start looking in more detail within. Do we need to  
20 separate U-drive and not -- maybe there needs to be a,  
21 you know, a pleasure and all purpose type  
22 differentiation. Maybe there's other things that need to  
23 happen within the moped class.

24 But it's virtually a moot point until you  
25 start to approach rate sufficiency.



1                   MR. CLAUDIO SOUSA:    You can appreciate  
2   our -- our concern, particularly since we -- we do -- we  
3   do hear, and it's -- I acknowledge that it would be  
4   hearsay, but we do know of operators operating as sole  
5   proprietors, who do have rental fleets between six (6) to  
6   ten (10) vehicles, that would likely in -- in your -- the  
7   proxy that you present here of individual versus  
8   corporate, would show up as individual.

9                   Such, any claims experience, whether small  
10   or large, would be taxed to the single all purpose class  
11   today, even though there might actually be legitimate  
12   rental use occurring within that all purpose class; would  
13   you generally agree with that possibility?

14                  MR. DONALD PALMER:    It's a possibility,  
15   sure.

16                  MR. CLAUDIO SOUSA:    One (1) of the things  
17   that we looked at, or to say quickly examined some of the  
18   other U-drive classes, in the response to our first round  
19   questions, I'd like to just highlight something here for  
20   -- for the Board.

21                  The Corporation responds that although the  
22   corporate experience is worse, there's not sufficient  
23   data to justify a split.

24                  So, I'd like to understand the  
25   justification process for splitting a class like that?

1 MR. DONALD PALMER: Okay.

2 MR. CLAUDIO SOUSA: Is it -- is it -- can  
3 you outline very briefly, what generally is considered in  
4 making a split like that, given that we've acknowledged  
5 that perhaps a proxy of individual versus corporate is  
6 perhaps not the most ideal way to look at -- at that  
7 class?

8 MR. DONALD PALMER: There's -- there's  
9 many factors that could precipitate it. And, for  
10 example, for motorcycles and mopeds, pleasure versus all  
11 purpose, Board Order -- PUB Board Order is a pretty good  
12 incentive for us to do that.

13 So that's -- you know, that's the most  
14 recent example of -- of where we've created a new  
15 insurance use, and that was what started it, was -- was a  
16 PUB Order.

17 Beyond that it's -- it's a question of  
18 reporting just -- just in our own investigation through,  
19 you know, how widespread this may be. How many vehicles  
20 there might be involved.

21 Again, there's no hard and fast rules to  
22 say you have to have a hundred (100) vehicles for a -- a  
23 separate class or a thousand (1,000) or ten (10). It's  
24 recognition of -- of a different risk.

25 And so that certainly comes into play. So

1 to say that it's -- it's definite one (1) trigger or  
2 another trigger we'll sort of know it when we see it.

3 MR. CLAUDIO SOUSA: Fair enough.

4 MS. MARILYN MCLAREN: The last time the  
5 Corporation looked at doing something like this based on,  
6 I guess -- first triggered our attention based on some  
7 anecdotal information.

8 We did some further research and we  
9 identified the fact that we had a bit of a incongruity  
10 and therefore potentially inequitable situation, was with  
11 small passenger type courier vehicles and we introduced a  
12 new class for -- for courier vehicles.

13 But I think, when we talked about this at  
14 these hearings last year, you know, I think -- I think  
15 the Corporation's position was that, you know, if you had  
16 information available to -- to give us specifically, we  
17 would certainly welcome that information.

18 If they are single propriety or privately  
19 operated rental companies they have to be advertising.  
20 You know, there must be ways to identify them. So we are  
21 certainly willing to take information that your  
22 organization has available to it because I think it's --  
23 you know, we talk about a risk classification system that  
24 is a reasonable and legitimate and actuarially sound way  
25 to differentiate risk and set rates.

1                   But, you know, the part of that that has  
2 always worked so well from the Corporation's larger  
3 policy role is that creating actuarially sound rates in a  
4 legitimate classification system is also, by definition,  
5 fair and equitable.

6                   You know, we're interested in the issue.  
7 And if you have specific information we're certainly  
8 willing to meet with you to -- to pursue that.

9                   MR. CLAUDIO SOUSA: I will -- thank you,  
10 Ms. McLaren. I'll definitely take that as an action item  
11 to communicate to MPI in writing all the information that  
12 we have about different rental operators operating in --  
13 in various resort areas in Manitoba, you know, along the  
14 beaches and even one operator which is actually mobile  
15 that operates simply out of their truck. So we'd be  
16 happy to provide that.

17                   I wanted to just quickly look at your  
18 response in a little bit more detail, Mr. Palmer, on sort  
19 of what it takes to have actuarial sound rates for a U-  
20 drive class and the fact that we are using individual  
21 versus corporate which is a suspect proxy, isn't yielding  
22 any way to accurately determine whether there would be  
23 sound or -- or fair rates there.

24                   Is it not true that there are U-drive  
25 classes which -- with as few as thirty-eight (38) or

1 fewer than a hundred (100) vehicles in them?

2 MR. DONALD PALMER: Those would be  
3 grouped with other categories. I think you may be  
4 talking U-drive motorhomes or U-drive buses, I think are  
5 in there.

6 MR. CLAUDIO SOUSA: Those -- those are  
7 the two (2) that stand out.

8 MR. DONALD PALMER: And for rating  
9 purposes those are lumped with U-drive private  
10 passengers, I believe.

11 MR. CLAUDIO SOUSA: And because they are  
12 separated is it -- is it correct in suggesting that any  
13 experience adjustment could still be applied in -- in  
14 that specific U-drive class or how is that apportioned?

15 MR. DONALD PALMER: No. Their experience  
16 would be lumped with the other categories. You know,  
17 certainly -- the categories of U-drive for those specific  
18 instances.

19 Whenever, just like the -- the mopeds  
20 which may be U-drives right now are lumped in with all  
21 purpose moped use. You know, you -- you pick -- you have  
22 two (2) -- two (2) choices when you've got a -- a class  
23 which doesn't stand on its own.

24 You can make some informed judgment  
25 because the emerging experience of -- is incredible.

1                   So you make some -- some measurement as to  
2 how credible that is and -- and make some choices  
3 accordingly or you group them with something else that  
4 you believe has the same risk characteristics.

5                   So in those smaller U-drive categories  
6 they have been grouped with larger U-drive categories in  
7 the case of the mopeds. They've been grouped with the  
8 all purpose moped class.

9                   MR. CLAUDIO SOUSA:    Mr. Palmer...?

10                  MR. DONALD PALMER:   I'd like to just very  
11 briefly review the response to Scootering Manitoba's pre-  
12 ask question.

13                  And in doing so, I -- I simply want to  
14 confirm a few things and to explain why our organization  
15 has a heightened sensitivity to the potential that U-  
16 Drive use within the all purpose moped class has for us.

17                  I'm not going to go through the pre-ask  
18 line by line here. What I've asked the Corporation to do  
19 and -- and they've done so exactly the way that we had  
20 hoped the response would come back is simply outline on a  
21 per accident or per incident basis what experience moped  
22 mobility vehicles have over the years that are -- are  
23 part of the application.

24                  A few things stand out in that claims  
25 experience. In 2001, incident number 3, which represents

1 approximately nineteen thousand dollars (\$19,000) as a  
2 total incident claim is driving 40 percent of the claims  
3 experience for the moped class for that year,  
4 approximately; would you agree?

5 MR. DONALD PALMER: Sure.

6 MR. CLAUDIO SOUSA: In 2002 we see a --  
7 very much a more profound example of an exceptional  
8 incident.

9 Line item number 9, in the year 2002, is a  
10 total cost of forty-nine thousand eight hundred and  
11 fifteen (\$49,815), is driving just under 78 percent of  
12 the total claims experience for the moped class that  
13 year.

14 MR. DONALD PALMER: I'll acknowledge  
15 that.

16 MR. CLAUDIO SOUSA: In 2003 and 2004 we  
17 see similar examples where a single item in the case of  
18 2003 number 17 drives 33 percent of the cost. And in  
19 2004 item number 20 is driving roughly a quarter of the  
20 cost.

21 In examining that quickly would it --  
22 would it be a fair conclusion to say that if some -- and  
23 I'll qualify "some" -- two (2) or three (3) of these  
24 accidents were incurred by a U-Drive use of a moped and  
25 they were separated as a separate class, would the gap,

1 if you will, in insurance premiums being sought by MPI  
2 from moped class, be so great?

3 And I'll rephrase the question if it's  
4 simpler.

5 If any of these were actually to be  
6 classified as rental use or were the result of rental use  
7 and were removed from private or all purpose use would  
8 the overall rate increases sought for all purpose use be  
9 diminished or potentially reduced?

10 MR. DONALD PALMER: It's somewhat  
11 speculative because I don't know. I don't have  
12 information on that.

13 Again we're trying to, for any risk  
14 category, come up with the expected value of claims. And  
15 that, for example, we may have -- expect to have one (1)  
16 fifty thousand dollar (\$50,000) claim every ten (10)  
17 years, in which case the expected value of that is to  
18 charge one-tenth (1/10) of that every year; that's the  
19 definition of expected value.

20 Knowing that there is, in smaller groups  
21 especially, some volatility we have many rules to -- to  
22 diminish the -- the effect of one (1) single claim. We --  
23 - we average out, over longer periods of time, five (5)  
24 years for most of it, but in the case of any serious  
25 accidents, which up until the end of the 2004 loss year,



1 there has not yet -- had not yet been a serious claim for  
2 a driver of -- for a rider of a moped. But, if there was  
3 that would be averaged out over a longer period of time.

4 On top of that, we also have some  
5 credibility rules, and a credibility rule is essentially  
6 how much do we believe the experience. And we have some  
7 actual actuarial formula around that, to determine how  
8 much belief you could put into -- to some of this  
9 experience.

10 So, it's a little premature for me to say  
11 whether one (1) or all or none of these would be U-drive  
12 accidents, what that might mean, but I will acknowledge  
13 there would be a difference.

14 MR. CLAUDIO SOUSA: I simply wanted to  
15 highlight really the source of our concern, when we look  
16 at these numbers we know that there are U-drive accidents  
17 happening out there with mopeds. We don't know if it's  
18 the big ticket items that are really driving our 20  
19 percent increase year over year.

20 Conversely, in the interest of fairness, I  
21 would just like to, sort of, conclude this -- this topic  
22 quickly.

23 The -- the issue of fairness can be seen  
24 from -- from two (2) perspectives. For the -- the  
25 operator of a rental business, if they legitimately have

1 a more positive claims experience than private use, then  
2 arguably they should be paying less premiums.

3                   Would you generally agree with that --  
4 that principle?

5                   MR. DONALD PALMER:    It's -- it's our  
6 stated intent that we're trying to measure risk, yes.

7                   MR. CLAUDIO SOUSA:    And conversely, if in  
8 fact some of these exceptional accidents were in fact  
9 seen to be part of a different insurance use, if they  
10 were segregated, it would result in a lowering of  
11 personal use premiums for mopeds?

12                   MR. DONALD PALMER:    The --

13                   MR. CLAUDIO SOUSA:    It's -- I recognize  
14 that it's speculation, but it can -- the speculation can  
15 occur both to our advantage and our disadvantage.

16                   MR. DONALD PALMER:    Let -- let me just as  
17 well, say that for -- in our methodology, it's multi-  
18 level, that there is a measurement of all  
19 motorcycle/mopeds in one (1) major class.

20                   So, there is some -- some affect on  
21 motorcycle experience, moped experience and, in your  
22 example, U-drive moped experience, which sort of -- it  
23 contributes to all of them. So, there isn't just one (1)  
24 focussing in on one (1) set of experience and say, look  
25 at that, divide by the number of vehicles and that's our

1 rate. So, it's not quite that simple.

2 MR. CLAUDIO SOUSA: I wasn't suggesting  
3 it's simple, I -- just to wrap up, Mr. Chairman.

4 In -- in looking at this issue, would it  
5 be fair to say that MPI really has no data to fully and  
6 accurately support the examination of this class and its  
7 claims experience to know whether certain losses were  
8 attributed to certain types of insurance use?

9 MR. DONALD PALMER: I will acknowledge  
10 that.

11 MR. CLAUDIO SOUSA: And isn't that  
12 somewhat inconsistent with the fact that insurance use is  
13 one (1) of the fundamental cornerstones of how rates  
14 should be set?

15 MR. DONALD PALMER: We go with the data  
16 we have. There are -- in any classification category,  
17 there are different levels of use. And we can look at  
18 pleasure use as an example of that.

19 Where you will have young drivers, and I  
20 can probably name a good example in my own household who  
21 has pleasure use but drives -- doesn't drive to school or  
22 work but is on the road a fair amount.

23 That, in contrast, with the classic little  
24 old lady who drives to church on Sunday, there is  
25 variation with any -- with any class -- category. For us

1 to be able to define exactly and specifically the risk  
2 categorization of every vehicle or even small groups of  
3 vehicles out there is essentially an impossible task.

4 We do -- we have our own categories that  
5 we have set now. We are continuing -- continuing to look  
6 at those, to review them. As Mrs. McLaren stated, that  
7 we had a situation with delivery cars sometime ago that -  
8 - and -- and that experience has borne out the fact that  
9 there's difference.

10 We have had categories in the past --  
11 business use of private passenger vehicles, for instance,  
12 which did not bear out separate classification and -- and  
13 we got rid of them and amal -- amalgamated them with  
14 other uses.

15 So, they are under review. If we have  
16 information that -- that comes to us that -- that we can  
17 review and -- and make some decisions based on that then  
18 absolutely we're happy to do that.

19 In the absence of that, we go with what  
20 we've got.

21 MR. CLAUDIO SOUSA: Thank you, Mr.  
22 Palmer.

23

24

(BRIEF PAUSE)

25

1                   MR. CLAUDIO SOUSA:    I just have one (1)  
2 final point.  It's more to determine whether we agree or  
3 disagree on a certain point.

4                   Would you agree that someone renting a  
5 moped, let's say at Falcon Lake for an hour, helmet  
6 supplied by the rental operator, sandals and bathing suit  
7 supplied typically by the renter, is more likely to  
8 suffer personal injury damages in a collision than  
9 someone who, perhaps, owns their own scooter and wears  
10 protective gear?

11                  MR. DONALD PALMER:    To some degree  
12 that's, again -- some speculation.  If I look in -- if  
13 I'm comparing the rider at Falcon Lake driving around  
14 some of the back country roads where there's no other  
15 traffic that's certainly different than driving down  
16 Portage Avenue.

17                  So, certainly I will acknowledge that  
18 safety equipment and proper gear provides protection for  
19 the rider and that would be a risk factor.  Experience of  
20 the rider certainly will come into play as well.

21                  If -- if the information is that renters  
22 of mopeds are less experienced, I don't have any  
23 information one way or the other to refute that.

24                  MR. CLAUDIO SOUSA:    Would it be a fair  
25 assumption that if you're renting for an hour versus

1 owning one that you are likely to perhaps be less  
2 experienced over time?

3 MR. DONALD PALMER: Again, that's  
4 somewhat speculative but, you know, if you were to  
5 suggest that, I can't refute it.

6 MR. CLAUDIO SOUSA: In responding to the  
7 question about segregation of U-drive mopeds in your  
8 response you seemed to suggest that there -- you require  
9 a justification to split which -- the total of the  
10 response seems to imply that there's some burden, cost or  
11 otherwise, that the Corporation incurs by either  
12 splitting a class based on insurance use or perhaps some  
13 work that needs to be done.

14 Is that -- is that in fact true?

15 Is there -- you know, do you -- do you  
16 require overwhelming evidence to engage in a -- in a  
17 splitting of a class or am I reading more into the  
18 response here than was intended?

19 MR. DONALD PALMER: Whenever you change  
20 the classification plan there is some work regarding some  
21 computer coding and splitting of our data. We would --  
22 you know on an ongoing basis not only would we split the  
23 data from -- if we created a new category today onwards,  
24 we would try the best we could to split the historical  
25 data too if that -- in any way possible that that's the

1 best indicator of -- of future rate requirements.

2                   So there is -- there is some extra work.  
3 For me to quantify and -- and say that it's ten thousand  
4 dollars (\$10,000) worth of work, I can't do that, but  
5 there is some -- some extra background work that would be  
6 required with the creation or elimination of any new  
7 classification category, especially a -- a new -- a new  
8 use category because it's in -- within the same structure  
9 as what we have.

10                   It's probably not really onerous. It  
11 would be different than if we were to introduce a brand  
12 new classification variable that we hadn't used before,  
13 then it would be very difficult and costly to -- to do  
14 that, but just creation of an insurance use, it's  
15 probably not a huge endeavour, but again we need some  
16 justification in order to do that.

17                   MR. CLAUDIO SOUSA: I appreciate your  
18 response.

19                   Mr. Chairman, that concludes my cross-  
20 examination.

21                   THE CHAIRPERSON: Thank you, Mr. Sousa.

22                   Mr. McCulloch, do you have any re-direct?

23                   MR. KEVIN MCCULLOCH: Yes, Mr. Chairman,  
24 I have one (1) item on re-direct I'd like to address to  
25 Ms. McLaren.

1 RE-DIRECT EXAMINATION BY MR. KEVIN MCCULLOCH:

2 MR. KEVIN MCCULLOCH: Ms. McLaren, during  
3 the course of cross-examination earlier this week some  
4 comments were raised with respect to the yields on MPI's  
5 investment portfolio, particularly with reference to  
6 lower yields on the bond portion compared with other  
7 forms of investment and the possible impact on our  
8 projected yields and the forecasts of investment income.

9 Could you respond to those concerns?

10 MS. MARILYN MCLAREN: I think I have more  
11 of question than anything else. I'll give you a little  
12 bit of context for that first.

13 As we've talked about, you know, through -  
14 - through the last number of days starting, I think, when  
15 these comments were first made, I think it was early last  
16 week, the Corporation has an investment policy and has an  
17 investment portfolio that's changed significantly since  
18 1998. The Corporation will continue to do, you know,  
19 what it believes in its sort of best -- best interest of  
20 its policyholders and -- and stakeholders with respect to  
21 the investment portfolio and I expect through time it  
22 will continue to evolve as -- as it has since 1998.

23 But the -- the question that comes to mind  
24 is really one more specific to this regulatory framework  
25 that we have here. Clearly, the -- the way we think



1 about it within the Corporation is that the investments  
2 themselves are there to the benefit of the claimants;  
3 they're there to make payments to claimants through the  
4 long term.

5 Investment income is to the benefit of  
6 ratepayers and when I think about the context of the  
7 comments that were made earlier last week, but also some  
8 of the comments in last year's Board Order with respect  
9 to there being a couple of kinds of investment risk.

10 You know, there's the risk of the  
11 investment, but also the risk that you may not have  
12 maximized the return that otherwise could have been  
13 available to you. That tends to focus on the investment  
14 income and the ratepayers.

15 Now, with the system that we have,  
16 clearly, the claimants will be made whole, the claimants  
17 are not in jeopardy. But in this sort of regulatory  
18 framework if you have -- I think what we have and what we  
19 see with many insurance companies is they significantly  
20 reduce the risk that your -- your capital is exposed by  
21 investing in bonds and if you have a different form of  
22 investment mix you might be in a position, in the future,  
23 where not necessarily your claimants are exposed, but the  
24 ratepayers of the future.

25 So in the context of regulatory framework

1 that we've come to understand in this forum very, very --  
2 a lot of importance placed on the need to mitigate,  
3 wherever possible, inter-generational subsidization or  
4 inter-generational transfers.

5                   And if -- what it may sound, and I guess  
6 it's a question -- I -- I -- we -- the Corporation does  
7 not want to be inferring and does not want to be trying  
8 to guess at where this Board might be coming from, but if  
9 there is a -- a lesser or a lessening emphasis on the  
10 need to avoid intergenerational subsidization into the  
11 future and more of a desire to maximize potential returns  
12 to ratepayers in the here and now, it would be important  
13 for the Corporation to clearly understand where this  
14 Board is coming from within that specific context.

15                   MR. KEVIN MCCULLOCH: That completes the  
16 re-direct evidence and completes the case for the  
17 Applicant.

18                   THE CHAIRPERSON: Thank you, Mr.  
19 McCulloch, and the MPI witnesses; we appreciate that.

20                   On the investment matter that you were  
21 just discussing the Board has no position. We're  
22 wrestling to understand the perspective that you're just  
23 laying out and considering the likelihood of the future  
24 forecasts occurring, given the current investment  
25 portfolio and circumstances. But we're mindful of the

1 goals that you point out.

2 I have a few remarks on behalf of the  
3 Board before we shut down. We've reached the close of a  
4 major phase of this general rate application and now  
5 approach closing arguments which are scheduled for next  
6 Monday at nine o'clock.

7 On behalf of the Board I want to thank all  
8 those that have participated through the hearing to-date  
9 and in particular MPI and its witnesses for their  
10 forthrightness, attention to detail, and quickness of  
11 response. Their familiarity with the application and the  
12 details of their overall operations and related matters  
13 is very helpful and reassuring to the Board.

14 The experience of MPI's witnesses and  
15 their comfort with each other responding without undue  
16 hesitation is both notable and commendable and we note  
17 that Mr. Palmer now seems firmly planted in MPI's front  
18 row and we find him an effective addition that is not  
19 preoccupied with arcane actuarial terminology, not to say  
20 that there's not a place for that.

21 As with all our proceedings without the  
22 full cooperation of the regulated company undue risks  
23 ensue. Whether or not the Board and other parties agree  
24 with MPI, the reliance placed on its witnesses cannot be  
25 overestimated.

1                   The purpose of this process is to identify  
2 and further the public interest and we recognize that in  
3 this effort the frequency of general rate applications is  
4 one (1) issue. We have a GRA now on an annual basis and  
5 no considerable costs are incurred for ratepayers account  
6 as a result of the process. We think, to date, that the  
7 regulatory process has proved useful.

8                   That being said the Board is now  
9 completing its review of its rules of practice and  
10 procedures which will end its previous longstanding  
11 status of being draft and any suggestions received to  
12 further improve regulatory matters, whether related to  
13 our rules or other topics would be received with thanks.

14                   We have a few comments and requests prior  
15 to our coming back for closing argument. First we have a  
16 question to MPI and it's one that we would appreciate a  
17 response to next Monday.

18                   If the Board were, the operative word in  
19 this is, "were," to conclude the RSR is in excess of  
20 reasonable requirements and that a return to  
21 policyholders should occur, how would MPI propose the  
22 excess best be returned, say, for three (3) levels for  
23 illustrative purposes, the rate equivalent of an excess  
24 was deemed to be 1 percent, 5 percent, 10 percent?

25                   Also please outline MPI's view as to

1 whether a return of excess RSR, if such were to be  
2 discovered and implemented, would best be paid to all  
3 policyholders or only to those belonging to major classes  
4 not having a premium insufficiency?

5 Any identification of other approaches  
6 given a return to policyholder situation would be  
7 appreciated.

8 As well, our recent request for  
9 information as issued from the chair are germane to our  
10 thought processes and we look forward to receipt of the  
11 Corporation's responses to the remaining outstanding  
12 requests.

13 And if I've missed one that you've  
14 recently given to us, I apologize.

15 A) With respect to DVL, we want to help  
16 you understand where we're coming from. We're attempting  
17 to understand the perspective that would consider the end  
18 of the commission offset payment and the contract terms  
19 governing the DVL transfer to MPI, fair, from the  
20 perspective of MPI's policyholders.

21 MPI has placed certain information before  
22 us and we find that helpful, but we look forward to any  
23 more contributions that MPI may have to make.

24 B) The liability and asset duration  
25 matching schedule. This too, towards supporting MPI's

1 investment asset mix. We understand your comments with  
2 respect to the obligations to the claimants.

3 C) A schedule listing adjustments to the  
4 provisions for claims as a result of the annual actuarial  
5 review and external audit process. We were asking for  
6 this towards the formation of a view with respect to  
7 MPI's forecasting and as to its RSR requirements.

8 D) Confirmation of Mr. Palmer's  
9 preliminary assessment, because we know that he spoke  
10 from his chair, of the likely impact of the Board's loss  
11 transfer decision on the actuarially indicated rates for  
12 two (2) wheeled vehicles and dealer plates; and

13 E) MPI's perspective on its obligations  
14 under the Sustainable Development Act. Particularly in  
15 cases when insurance principles conflict or appear to  
16 conflict with environmental objectives. We have this in  
17 some other fields as well, you should know.

18 In addition, prior to or at closing  
19 argument, we would appreciate from MPI, and this too  
20 speaks to the adequacy of the RSR, things of that nature.  
21 Confirmation that it is unaware of any material pending  
22 change to benefits or coverage.

23 B) With respect to inter --  
24 interprovincial trucks, a smaller point, granted, we  
25 understand annual PIPP costs in the range of 1 million

1 are not met by premium revenue. We would appreciate  
2 MPI's view as to whether or not this represents  
3 subsidization by policyholders and, if so, whether that  
4 is reasonable.

5 C) It's view as to its responsibility to  
6 propose act, regulation or policy changes to government  
7 with or without public transparency on benefit coverage  
8 or other substantive issues. The question there is to  
9 what degree can policyholders look to MPI to drive  
10 beneficial changes.

11 And, finally, of course, any other  
12 undertakings not already delivered on. These comments  
13 clearly do not cover all the interests of the Board and  
14 we look forward, at closing argument to hear, MPI and the  
15 Intervenors' positions on matters of interest.

16 So, see you next Monday. We stand  
17 adjourned. Thank you.

18

19 --- Upon adjourning at 3:30 p.m.

20

21 Certified Correct

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Carol Wilkinson