

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
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MANITOBA PUBLIC UTILITIES BOARD

Re: 2005 MANITOBA PUBLIC INSURANCE
RATE APPLICATION

Before Board Panel:

- Graham Lane - Board Chairman
- Denyse Cote - Board Member
- Eric Jorgensen - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 18th, 2004

Pages 629 to 818

APPEARANCES

1
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25

	TABLE OF CONTENTS	
		Page No.
1		
2		
3	List of Exhibits	632
4	List of Undertakings	633
5		
6	MPI PANEL, Resumed	
7	Continued Cross-Examination	
8	by Mr. Byron Williams	635
9	Re-Cross-Examination by Mr. Walter Saranchuk	724
10	Cross-Examination by Mr. Raymond Oakes	734
11		
12	Certificate of Transcript	818
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

	LIST OF EXHIBITS		
	No.	Description	Page No.
1			
2			
3	CAC/MSOS-6	Table marked MPI Injury	
4		Claims Data.	652
5			
6	CAC/MSOS-7	Summary of Claims Incurred	698
7	CAC/MSOS-8	Document with 3 Tables on it.	
8		1. Net Claims Incurred. 2. Frequency,	
9		3. Claim Severity	698
10	CMMG-5	CMMG Book of Materials	735
11	MPI-9	Information from the Motorcycle and Moped	
12		Industry Counsel regarding motorcycle	
13		registrations by Province.	745
14	CMMG-6	Material that shows the very large	
15		reduction in single-vehicle	
16		accidents as a percentage of all	
17		claims filed by the Corporation	
18		comparing 2000 and 2003.	809
19			
20			
21			
22			
23			
24			
25			

LIST OF UNDERTAKINGS		
NO.	DESCRIPTION	PAGE NO.
8	Whether the results of the assessment of driver's training education program has been filed.	673
9	Provide business case for new programs.	681
10	A breakdown of the sixty-five thousand (65,000) in terms of promotional items within the corporate marketing budget and road safety expenditures for the years '02/03 and '03/04	693
11	To determine if there was a Request for proposals for service.	694
12	Provide results of Public surveys to determine the level of public support for MPI investing in various road safety initiatives or programs.	696
13	Analysis to allocate the rise in PIPP cost by percentages of each of the three (3) factors: one (1) being the Retirement Income Benefit, two (2) being the changes in frequency and three (3) being the indexation of benefit	706
14	Calculation of adjusted base rate per vehicle for '03/04, '04/05, and '05/06.	729

LIST OF UNDERTAKINGS- Continued

1			
2			
3	15	Provide a calculation of Private	
4		passenger claims frequencies and	
5		the average over the seven (7)	
6		years of data.	745
7	16	Corporation to file not only the	
8		graph that it indicates that it	
9		used in 1-34, but also the data	
10		which it calculates it.	753
11	17	Dollar amount of cross-subsidization	
12		of the commercial class due to dealer	
13		plate changes	818
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

1 --- Upon commencing at 9:01 a.m.

2

3 THE CHAIRPERSON: Good morning everyone. Mr.
4 Saranchuk, I believe we should start right in with Mr.
5 Williams; is that correct?

6 MR. WALTER SARANCHUK: Yes, sir.

7 THE CHAIRPERSON: Mr. Williams, good morning.

8 MR. BYRON WILLIAMS: Good morning, Mr. Chair
9 and members of the Panel. I have a five (5) hour cross-
10 examination prepared on the sport of Lacrosse. So, if you'll
11 bear with me.

12 I think the -- just -- I had thought I
13 finished up on the subject of the overall strength of the
14 Corporation but I am going to return there very quickly and
15 ask Mr. Galenzoski to make sure he has at hand the most
16 recent quarterly financial report of MPI being AI-11. Do you
17 have that, sir?

18 MR. BARRY GALENZOSKI: Yes, I do.

19

20 CONTINUED CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

21 MR. BYRON WILLIAMS: And I just want to refer
22 you to -- in the top right hand corner of the -- of this
23 document, the Statement of Basic Insurance Rate Stabilization
24 Reserve. And if I look for the six (6) month ended August
25 31st, 2004, I see a balance being about hundred and two

1 thousand (102,000) -- or 102.5 million; is that correct, sir?

2 MR. BARRY GALENZOSKI: Yes, it is.

3 MR. BYRON WILLIAMS: And that compares
4 favourably to the balance of the year previous August 31st,
5 2003, which was about 65 million; is that correct?

6 MR. BARRY GALENZOSKI: Yes, it is.

7 MR. BYRON WILLIAMS: In my understanding in
8 terms of the income for the first six (6) months of the
9 '04/05 year for the Basic insurance program recognizing of
10 course that there's a winter yet to come, but the net income
11 to date on the Basic program is -- it's been about 25.9
12 million; is that correct?

13 MR. BARRY GALENZOSKI: Yes, that's right.

14 MR. BYRON WILLIAMS: Assuming all goes as
15 forecast for the remainder of the year, the Corporation is
16 still looking at a loss in the -- in the range of \$9 million;
17 is that right?

18 MR. BARRY GALENZOSKI: Yes, that's correct.

19 MR. BYRON WILLIAMS: So, is this --

20 MR. BARRY GALENZOSKI: It's just for Basic,
21 of course.

22 MR. BYRON WILLIAMS: Just for Basic, of
23 course. So, essentially what your ...

24

25

(BRIEF PAUSE)

1 MR. BYRON WILLIAMS: My home is located under
2 hydro wires. I don't know if that has anything to do with
3 it.

4 THE CHAIRPERSON: You're truly electric this
5 way, Mr. Williams.

6

7

(BRIEF PAUSE)

8

9 CONTINUED BY MR. BYRON WILLIAMS:

10 MR. BYRON WILLIAMS: Essentially, Mr.
11 Galenzoksi, before my aura interrupted us, we were -- we were
12 -- we were looking at a situation where the Corporation has a
13 fairly healthy reserve in -- in the rate stabilization right
14 now, but it's looking at having about somewhere in the range
15 of that amount declining and based upon best forecasts to --
16 by about 35 million over the next six (6) months. Would that
17 be fair?

18

19

(BRIEF PAUSE)

20

21

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

22

MR. BYRON WILLIAMS: It's been so long since
23 the question, I'm not sure I recall it, but I believe were
24 discussing that the expectations that the reserves will be
25 depleted by somewhere in the range of \$35 million on the

1 Basic side in the last six (6) months.

2 MR. BARRY GALENZOSKI: The rate stabilization
3 reserve will be -- should be reduced by that amount, yes.

4 MR. BYRON WILLIAMS: So, based upon the best
5 forecasts even declining by 35 million, the RSR will still be
6 in the range, somewhere sixty (60) and 70 million and still
7 within the PUB approved target, correct?

8 MR. BARRY GALENZOSKI: Yes, that's our
9 expectation.

10 MR. BYRON WILLIAMS: Now, in terms of the
11 Corporation's policy of rebuilding the Basic RSR in part
12 through transfers from Extension and SRE, my understanding is
13 that that has been communicated to the Crown Corporation's
14 Counsel?

15 MR. BARRY GALENZOSKI: Yes, that's been
16 communicated to -- to the Crown Corporation Counsel.

17 MR. BYRON WILLIAMS: And has the Corporation
18 received any written expressions of concern from Crown Corp
19 with regard to that policy?

20 MR. BARRY GALENZOSKI: Not that I'm aware of.

21 MR. BYRON WILLIAMS: And has the Corporation
22 received any written expressions of concern from the Minster
23 responsible for MPI in terms of that policy?

24 MR. BARRY GALENZOSKI: Again, not that I'm
25 aware of.

1 MR. BYRON WILLIAMS: Just a -- a last
2 question on a related subject, just if you can confirm for me
3 based upon the corpora -- and you don't need to turn here but
4 the Corporation's response to CAC/MSOS/Second Round-25, that
5 the Corporation's market share for Extension and SRE per the
6 2003 annual report is approximately 89 percent?

7 MR. BARRY GALENZOSKI: It would be in that
8 neighbourhood, yes.

9 MR. BYRON WILLIAMS: And over the short term
10 the -- without going into too many details the Corporation
11 doesn't expect that percentage of market share to materially
12 change, would that be correct?

13 MR. BARRY GALENZOSKI: No we're not expecting
14 that to change.

15 MR. BYRON WILLIAMS: Thank you, Mr.
16 Galenzoski. Just quickly turning, I have a few short
17 snappers in the area of deductibles. I'm not looking to get
18 into it a policy debate on that subject, but I do want to
19 turn there quickly and -- in the CAC Book of References,
20 Volume 1 at the tab numbered 5, there is an excerpt from AI-9
21 of the Corporation's filing, namely page 12 and it's in the
22 middle of the page and I suspect it's been very prettily
23 circled by yours truly.

24 And Mr. -- and I'm not sure if this goes to
25 Mr. Galenzoski or not, but my understanding is that in the

1 middle paragraph on that page starting with the words 'in
2 March 2001', the Corporation is discussing the impact of
3 increasing the deductible for glass coverage on Extension
4 from one hundred (\$100) to two hundred dollars (\$200) and the
5 Corporation is making the point that the actions it took with
6 regard to the deduction on Extension spilled over and had an
7 impact upon Basic -- the Basic Autopac Program as well. Is
8 that correct?

9 MR. BARRY GALENZOSKI: Yes, that's correct.

10 MR. BYRON WILLIAMS: And I guess the point is
11 that when we're looking at the overall strength of the
12 Corporation and we're also looking at potential program or
13 coverage changes, one thing the Corporation has to keep in
14 mind is how closely related the Extension and Basic program
15 are and that the impact of -- of one -- that change to one
16 program may spill over into the next program. Is that
17 correct?

18 MR. BARRY GALENZOSKI: Yes, that can occur.

19 MR. BYRON WILLIAMS: Just moving onto Tab 6
20 of the same -- same document. There was a pre-ask posed to
21 the Corporation in terms of -- and I'm going to ask you to
22 turn to the second pre-ask, CAC/MSOS pre-ask number 2, which
23 is two (2) pages in.

24 And Corporationally this -- this interrogatory
25 was trying to in question 'D' trying to indicate the amount

1 of claims expense that could be avoided if the deductible
2 level was increased at two hundred dollar (\$200) increments
3 based upon the last two (2) years of claims experienced.

4 And I'd direct you to page 7 of this response.
5 Do you have that, Mr. Galenzoski?

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

7 MR. BYRON WILLIAMS: Again, I'm not looking
8 to get into a debate into the merits of increasing the
9 deductible by two hundred dollars (\$200) but if I go to page
10 7 into the table in the middle of the -- of that page, I see
11 a deductible increase of two hundred dollars (\$200).

12 And I take that all the way to the right hand
13 side, that suggests that there would be a total reduction in
14 -- in expenses in the range of \$18 million, would that be
15 right?

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

17 MR. BYRON WILLIAMS: But in particular I want
18 to direct your attention to the note at the bottom of that
19 page because the Corporation's point seems to be that this
20 \$18 million saving would be to the Basic program only and
21 it's -- the Corporation's expressing the concern that these
22 costs would be transferred to the Extension program and
23 therefore total savings would be or could be minimal, is that
24 correct and -- is that the Corporation's position?

25 MR. BARRY GALENZOSKI: Yes, that's the

1 Corporation's position. It -- it would probably mean that
2 there would have to be a transfer or an increase in premiums
3 on the Extension side to cover the increased costs on that
4 side.

5 MS. MARILYN MCLAREN: And in that regard we
6 weren't talking just about the savings to the Corporation,
7 we're talking about savings to the consumers is really the
8 attempt of that statement. Because if you lose costs in the
9 Basic, you have to increase rates on the Extension, it's a
10 net sum game. There's -- there's no impact on the consumer
11 whatsoever.

12 MR. BYRON WILLIAMS: Just so I understand, so
13 -- so just that mean for policy purposes when the -- the --
14 the Board is trying to be aware of coverage -- proposed
15 coverage changes, it should be mindful both of the change to
16 Basic and Extension?

17 MS. MARILYN MCLAREN: No, and -- and it
18 doesn't matter whose Extension products are being purchased
19 as long as there's someone offering one hundred (100), two
20 hundred (200), three hundred dollar (\$300) deductibles in
21 Manitoba, the -- the effect of increasing the deductible on
22 Basic is -- is really mitigated.

23 MR. BYRON WILLIAMS: So, does that suggest
24 that the Basic deductible is one that should remain stagnant
25 over time that it -- that there's no -- no situations which

1 might justify changing that or raising it in response to the
2 other rising costs in the industry?

3 MS. MARILYN MCLAREN: No, it changed in 1997;
4 it hasn't changed since. I think it's likely that we will
5 see proposals for change again in the future. I don't think
6 it should stay stagnant forever, no.

7 MR. BYRON WILLIAMS: And what kind of
8 criteria would guide an assessment of -- of when it should
9 change?

10 MS. MARILYN MCLAREN: One (1) of the key
11 criteria is really the need to mitigate rate increases. The
12 last time we raised the deductible and times before that, it
13 was really as -- as a way to mitigate what otherwise would
14 have been larger rate increases.

15 Although we talk about Extension and Basic
16 from that consumer perspective, knowing that most Manitobans
17 choose to buy down their deductible, and many of them choose
18 to do that through Manitoba Public Insurance, the cost of
19 auto insurance -- the cost of putting a vehicle on the road,
20 purchasing the minimum coverage required by law is always a
21 consideration. So the key decision about when you would
22 increase the deductible is largely driven by the need to
23 mitigate the need for rate increases.

24 MR. BYRON WILLIAMS: I -- I take it another
25 factor would be the relationship between the deductible and -

1 - and the rising costs in the industry?

2 MS. MARILYN MCLAREN: It's -- it's a
3 consideration, certainly, but I think the primary
4 consideration really ties back to the earlier discussion
5 that we had.

6 MR. BYRON WILLIAMS: Okay, I don't intend to
7 dwell on that subject. Mr. Saranchuk dealt at some length
8 with the issue of DDVL on -- on Friday and it was a helpful
9 discussion, but it did leave me somewhat confused on a couple
10 of points. So I'm -- I'm going to try an revisit that and
11 stir -- and I'm -- Mr. Galenzoski's nodding at me, so I'm
12 going to nod back to him and direct my questions to -- to
13 him.

14 Mr. Galenzoski, I just took the liberty of
15 flipping through the annual reports of DDVL over the -- the
16 weekend -- the last couple of them. And -- and in terms of
17 the -- what is described there as the Manitoba Public
18 Insurance Cost Sharing Agreement -- am I right in suggesting
19 to you that the Commission was paid for each new issue and
20 renewal of vehicle registration/insurance certificate?

21 MR. BARRY GALENZOSKI: Yes.

22 MR. BYRON WILLIAMS: So, just in terms -- as
23 -- as I try and get my head around the transition -- the move
24 from DDVL to MPI, the function of the vehicle registration
25 process, will that be the responsibility now of the Extension

1 Program or the Basic Program?

2 MR. BARRY GALENZOSKI: No, that will largely
3 fall on the -- on the Basic Program. You're -- you're
4 talking about the computer systems. That's all built into
5 the Autopac online system at the moment. Those costs are --
6 are part and parcel of the Basic Program right now. This --

7

8 (BRIEF PAUSE)

9

10 MR. BARRY GALENZOSKI: That's why the
11 commission was credited to the -- against the Basic. The
12 recovery that was made from DDVL, the \$5.7 million, was
13 credited against the commissions that were paid for by Basic,
14 recognizing that that's where the work is done.

15 MR. BYRON WILLIAMS: Now, there's also a --
16 the -- for the -- the service that the one hundred and
17 seventy-eight (178) rural insurance brokers perform in terms
18 of renewing drivers' licences.

19 Are they paid a commission or a service fee
20 for that service?

21 MR. BARRY GALENZOSKI: Yeah, there's a small
22 commission that they're paid for that.

23 MR. BYRON WILLIAMS: And am I right in
24 assuming, then, that that function will now be paid to them
25 by the Extension Program?

1 MR. BARRY GALENZOSKI: Yes.

2

3

(BRIEF PAUSE)

4

5

6 MR. BYRON WILLIAMS: Turning to the '03/'04
7 report of DDVL and I just want to make sure that it's
8 consistent with the evidence I -- I heard from you in
9 response to some of my questions on Friday. My understanding
10 was that for the '03/04 year, the fee paid to MPI by the --
11 by DDVL was capped at four point (4.) -- about \$4.6 million.
12 Is that right?

13

14 MR. BARRY GALENZOSKI: For which year is
15 that?

16

17 MR. BYRON WILLIAMS: That's for the '03/04
18 year.

19

20 MR. BARRY GALENZOSKI: No, I believe that
21 they -- we received the five point seven (5.7). At least
22 that's what we were budgeting for, for the current year.

23

24 MR. BYRON WILLIAMS: Would you just double-
25 check that figure, Mr. Galenzoski, at your leisure?

26

27 MR. BARRY GALENZOSKI: Yes, we'll double-
28 check the figure. A lot of times DDVL would cap a number and
29 then they would get a supplementary appropriation from the
30 government to pay the balance.

31

32 Here's our actual commission recovery from

1 Driver and Vehicle Licencing for the year ending February
2 29th, '04 -- \$5,277,527 dollars and for the year before that
3 ending February 28th, 2003; \$5,078,511 dollars.

4 Just one (1) additional point with respect to
5 the driver's commission. That portion that was the
6 responsibility of DDVL will be included in the transfer that
7 we'll receive from the Provincial Government on an ongoing
8 basis. So that's why it's in the Extension side now.

9 MR. BYRON WILLIAMS: So the Province is
10 paying the -- the transfer related to the driver registration
11 fee, but it's no longer paying the transfer or any commission
12 related to the vehicle registration system.

13 MR. BARRY GALENZOSKI: That's correct.
14 We're talking a very small amount of money involved in the
15 driver's commission.

16 MR. BYRON WILLIAMS: Thank you. I want to
17 turn to the issue of road safety and Ms. McLaren -- and
18 through -- Mr. -- Mr. Chairman, just to advise you, there's
19 three (3) potential exhibits with regard to road safety that
20 we provided to Manitoba Public Insurance in advance. I
21 believe they had the opportunity to review them on Friday and
22 I will hopefully seek to enter them as -- as exhibits.

23
24
25

(BRIEF PAUSE)

1 MR. BYRON WILLIAMS: Kevin, do you mind if we
2 -- Mr. Chairman, I'm advised by Counsel for MPI that they
3 have no objection to them being distributed, so I'd ask Mr.
4 Barron to provide three (3) tables, the first being MPI
5 injury claims data, which should have a table at the top and
6 a graph at the bottom.

7 The second being -- the second being ICBC and
8 MPI injury claims. And the third, being a graph
9 demonstrating ICBC and MPI injury claims per one hundred
10 thousand licensed drivers.

11

12 (BRIEF PAUSE)

13

14 THE CHAIRPERSON: So, Mr. Williams, would
15 four (4) be the injury claims data by the ICBC chart and six
16 (6) be the comparison between ICBC and MPI injury claims?

17 MR. BYRON WILLIAMS: That would be
18 acceptable, Mr. Chairman. I was going to have a little
19 discussion with MPI just to comfort the Panel that -- that
20 the data was acceptable. But that's certainly what I would
21 propose that they be marked as exhibits.

22 THE CHAIRPERSON: Okay.

23

24 (BRIEF PAUSE)

25

1 MR. BARRY GALENZOSKI: Mr. Barron, I don't
2 believe MPI has them on their desks yet either.

3
4 (BRIEF PAUSE)

5
6 MR. BYRON WILLIAMS: Thank you, Mr. Chairman.
7 And I appreciate Mr. Barron's assistance.

8 Ms. McLaren, I -- I was going to spend some --
9 Ms. McLaren, I'm going to spend some time on road safety with
10 you this morning so I thought this might be helpful to
11 provide a bit of context to start out with. So I'm going to
12 ask you to turn your mind first of all to the -- what's been
13 I guess tentatively marked as CAC Exhibit Number 4, the table
14 which has MPI Injury Claims Data at the top. And MP -- and a
15 graph at the bottom, MPI Injury Claims per one hundred
16 thousand licensed drivers.

17 Do you have that, Ms. McLaren?

18
19 --- EXHIBIT NO. CAC/MSOS-6:

20 Table marked MPI Injury Claims Data.

21
22 MS. MARILYN MCLAREN: Yes, I do.

23 MR. BYRON WILLIAMS: And again you'll --
24 you'll agree with me that this is provided -- the source for
25 this is MPI Annual Report Information and that MPI has had an

1 opportunity to verify that the information is correct?

2 MS. MARILYN MCLAREN: Yes.

3 MR. BYRON WILLIAMS: And I understand Mr.
4 McCulloch has no objections to this being entered as an
5 exhibit?

6 MR. KEVIN MCCULLOCH: That's correct, Mr.
7 Chairman.

8 MR. BYRON WILLIAMS: Ms. McLaren, I just want
9 to direct your attention then to the table at the top first
10 of all. And we can see that the -- basically it's a year by
11 year for the years 1995 through 2003 of injury claims data,
12 is that correct?

13 MS. MARILYN MCLAREN: Yes.

14 MR. BYRON WILLIAMS: And the second column
15 indicates licensed drivers in Manitoba. And we can see that
16 they've grown gradually from about six hundred and eighty
17 thousand (680,000) in 1995, through to about seven hundred
18 and twenty thousand (720,000) in the year 2003, is that
19 correct?

20 MS. MARILYN MCLAREN: Yes.

21 MR. BYRON WILLIAMS: Now the third column
22 sets out MPI injury claims and we can see that for the
23 initial year of this table being 1995, the injury claims were
24 about thirteen thousand nine hundred and sixty-three (13,963)
25 is that right?

1 MS. MARILYN MCLAREN: Yes.

2 MR. BYRON WILLIAMS: Moving down a couple of
3 years we see that in 1997 that number had actually dropped to
4 about ten thousand three hundred and thirty-nine (10,339),
5 correct?

6 MS. MARILYN MCLAREN: Yes.

7 MR. BYRON WILLIAMS: Again, moving into the
8 future -- into the future -- that's wrong, moving forward in
9 time to 2001 we see that injury claims again appear to be on
10 the rise, at least according to this data and for 2001 we see
11 them at fourteen thousand five hundred and fifty-eight
12 (14,558), is that right?

13 MS. MARILYN MCLAREN: Yes.

14 MR. BYRON WILLIAMS: And this information
15 suggests that they've continued to rise being -- at least in
16 absolute numbers, being fifteen thousand six hundred and
17 ninety-three (15,693) in 2003, correct?

18 MS. MARILYN MCLAREN: Yes.

19 MR. BYRON WILLIAMS: Now the -- you'll agree
20 with me that the 4th column basically takes that -- that
21 figure of MPI injury claims and divides it by the licensed
22 drivers in Manitoba to give some sense of the claims per
23 hundred thousand (100,000) licensed drivers, is that right?

24 MS. MARILYN MCLAREN: Yes.

25 MR. BYRON WILLIAMS: So this is a more

1 relative measure of the number of claims per driver.

2 MS. MARILYN MCLAREN: Right.

3 MR. BYRON WILLIAMS: And moving to that, we
4 see that in 1995, the injury claims for a hundred thousand
5 (100,000) drivers was about -- or was two thousand fifty-
6 three (2053), is that right?

7 MS. MARILYN MCLAREN: Yes.

8 MR. BYRON WILLIAMS: And we see that happy
9 trend for a few years anyways that the numbers actually
10 decline in 1996 and 1997 with the injury claims per one
11 hundred thousand (100,000) licensed drivers in 1997 being one
12 thousand five hundred and four (1504), correct?

13 MS. MARILYN MCLAREN: Yes.

14 MR. BYRON WILLIAMS: I might have misspoken
15 and said 1994, I meant to say in 1997. And again we see that
16 figure rising so that by 2003 the injury claims per one
17 hundred thousand (100,000) licensed drivers is two thousand
18 one hundred and seventy-nine (2179), correct?

19 MS. MARILYN MCLAREN: Yes.

20 MR. BYRON WILLIAMS: And that figure is
21 slightly higher than when we started this table back in 1995,
22 correct?

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

24 MR. BYRON WILLIAMS: And if we go to the
25 bottom graph, that's merely a graphical representation of the

1 4th column, being the injury claims for one hundred thousand
2 (100,000) licensed drivers, is that right?

3 MS. MARILYN MCLAREN: Yes, it is.

4 MR. BYRON WILLIAMS: And again, we see this
5 -- the same kind of trend emerging being a fairly high level
6 in 1995, a decline through to 1997 and then a gradual but
7 steady increase towards 2003. Would you agree with that?

8 MS. MARILYN MCLAREN: Yes.

9 MR. BYRON WILLIAMS: Ms. McLaren, I'd like
10 you to the second page -- or the second document which is I
11 believe marked as CAC Exhibit Number 5, that's ICBC and MPI
12 Injury Claims. Do you have that, Ms. McLaren?

13 MS. MARILYN MCLAREN: And that's the table?

14 MR. BYRON WILLIAMS: That's a table marked
15 ICBC and MPI Injury Claims.

16 MS. MARILYN MCLAREN: Yes, I have that.

17 MR. BYRON WILLIAMS: And again, my
18 understanding is that MPI has had an opportunity to examine
19 the information and has no objection to its being admitted as
20 an exhibit?

21 MR. KEVIN MCCULLOCH: That's correct, Mr.
22 Chairman.

23 MR. BYRON WILLIAMS: Ms. McLaren, again we
24 won't go through this in painful detail but we'll see that
25 again we're looking at the years 1994 through 2001, correct?

1 MS. MARILYN MCLAREN: Yes.

2 MR. BYRON WILLIAMS: And the 1st column --
3 the 2nd column sets out ICBC injury claims whereas the third
4 column sets out ICBC injury claims for one hundred thousand
5 (100,000) licensed drivers, correct?

6 MS. MARILYN MCLAREN: Yes.

7 MR. BYRON WILLIAMS: The 4th column sets out
8 MPI injury claims and the 5th sets out MPI injury claims per
9 one hundred thousand (100,000) licensed drivers, correct?

10 MS. MARILYN MCLAREN: Yes.

11 MR. BYRON WILLIAMS: And in terms of the --
12 the experience that ICBC is reporting, you'll agree with me
13 that ICBC starts out at a high of two thousand and six (2006)
14 injury claims for one hundred thousand (100,000) licensed
15 drivers in 1994, is that right?

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

17 MR. BYRON WILLIAMS: And over time we see the
18 ICBC figures declining so that in 2001 they're approximately
19 one half the 1994 total for one hundred thousand (100,000)
20 licensed drivers?

21 MS. MARILYN MCLAREN: Yes.

22 MR. BYRON WILLIAMS: Mr. McCulloch may not be
23 totally agreeing with my math, so I'll just -- for the -- for
24 year 2001, the total is one thousand and seventy (1,070)
25 injury claims for -- per one thousand (1,000) (sic) licenced

1 drivers, which is substantially lower than the total in 1994.
2 You'll agree with that?

3 MS. MARILYN MCLAREN: Yes.

4 MR. BYRON WILLIAMS: And again, we've seen
5 the information for Manitoba, but again we see that the level
6 -- there's a level of two thousand three hundred and twenty-
7 three (2,323) in 1994, and then a decline down to 1997.
8 Correct?

9 MS. MARILYN MCLAREN: Yes.

10 MR. BYRON WILLIAMS: And then injury claims
11 for a hundred thousand (100,000) licenced drivers reported in
12 Manitoba by MPI again is on the rise through to 2001.
13 Correct?

14 MS. MARILYN MCLAREN: Yes.

15 MR. BYRON WILLIAMS: Ms. McLaren, I -- I just
16 want to take you to the -- the -- the third document, been
17 marked -- which I believe has been marked as ICBC -- MPI
18 injury claims per one hundred thousand (100,000) licenced
19 drivers and you'll agree with me that that's merely a
20 graphical representation of the data we saw on the previous
21 table?

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

23 MR. BYRON WILLIAMS: Now as we -- as we look
24 to this table, I wonder if you would agree with me that for
25 the period between 1994 and -- excuse me -- this graph --

1 from the period 1994 through to 1997, there seems to be a
2 certain symmetry between the MPI and ICBC experience in that
3 there's a decline in both down to 1997. Would that be right?

4 MS. MARILYN MCLAREN: Yes.

5 MR. BYRON WILLIAMS: And then in 1997, you'll
6 agree with me, that we see a divergence in the experience of
7 injury claims for one hundred thousand (100,000) licensed
8 drivers with ICBC continuing to slightly decline, whereas the
9 MPI figures appear to be rising through to 2001. Is that
10 right?

11 MS. MARILYN MCLAREN: Yes, this shows that
12 MPI numbers started to rise in 1998.

13 MR. BYRON WILLIAMS: I wonder, as -- as one
14 looks at the MPI experience, would it be your perception that
15 the -- the change between 1994 through 1997 may reflect the -
16 - the impact of the introduction of the no-fault regime?

17 MS. MARILYN MCLAREN: Yes, I think that's
18 fair. It's certainly one (1) of the factors I would expect
19 would be reflected in that kind of experience.

20 MR. BYRON WILLIAMS: And as we -- as we look
21 to the -- the change moving forward from 1998 with the MPI
22 experience through to 2001, would you agree with me that part
23 of that change will simply be due to increased collision
24 trends?

25 MS. MARILYN MCLAREN: Possibly, but I'm not

1 sure that -- that is too much of a factor.

2 MR. BYRON WILLIAMS: Well, has MPI conducted
3 an analysis of what's behind the -- the change in the injury
4 claims for one hundred thousand (100,000) licenced drivers
5 from 1998 moving forward?

6 MS. MARILYN MCLAREN: If you look at the
7 Corporation's history of injury claims by type, you'll see
8 that the broken bones, paraplegic and, with the exception of
9 last year, brain injury claims, all the categories have
10 remained relatively stable through time.

11 The one (1) area that's grown is the soft
12 tissue whiplash injury claims. So I'm not sure that that
13 really means that we're getting more injury claims of that
14 nature because there are more crashes.

15 MR. BYRON WILLIAMS: So, just I 'm clear, the
16 -- the one (1) point you suggested that it may be possible
17 that there's an increased frequency of collision, but you're
18 -- you're not -- definitive about that.

19 MS. MARILYN MCLAREN: That's right. If it
20 was simply as a result of more crashes, you would expect that
21 you would see the growth across the spectrum of type of
22 injuries; we don't. So that leads me to believe that crashes
23 or collision claims is -- is really not too much of a factor.

24 MR. BYRON WILLIAMS: So, your suggestion --
25 now, has MPI prepared any written analysis of this trend?

1 MS. MARILYN MCLAREN: Well, the -- the trends
2 are there on all our -- our statistical data. So I'm not
3 sure that we put in writing exactly what I've just shared
4 with you, but it -- it is -- is clearly there for us to see
5 through the statistical data.

6 MR. BYRON WILLIAMS: So, is your conclusion
7 that the -- the growth is merely related to greater
8 experience with the no-fault program?

9 MS. MARILYN MCLAREN: A greater awareness on
10 the part of at least some Manitobans as to what compensation
11 is available through no-fault, yeah. I think it's really
12 important to draw the distinction that claims frequency is
13 not the same as accident frequency. I think that's a really
14 important point to make.

15 MR. BYRON WILLIAMS: And in terms of data of
16 accident frequency, the data that the Corporation relies upon
17 are the Transport Canada statistics?

18
19
20

(BRIEF PAUSE)

21 MS. MARILYN MCLAREN: No, the transport data
22 information, I believe, comes from DDVL with respect to the
23 traffic accident reporting forms that the police are
24 obligated to collect. So, we have our own claims data that
25 we rely on.

1 We understand that not every collision will
2 result in a claim, but we also clearly know that not every
3 collision results in a traffic accident report filed with the
4 police too, so, I don't know that that's directly any more
5 dependable than our own claims data.

6 MR. BYRON WILLIAMS: I don't -- I intend to
7 get more into the road safety program, but I wonder if you
8 would agree with me that many road safety professionals look
9 to the number of injury claims per one hundred thousand
10 (100,000) drivers as a critical measure in terms of an
11 overall assessment of the health of the -- the -- driver
12 safety situation in the jurisdiction?

13 MS. MARILYN MCLAREN: Yes, they do. But I
14 think that really often underestimates the impact of the
15 compensation systems, the insurance coverage systems in
16 place.

17 MR. BYRON WILLIAMS: Would be it your view
18 that when one looks at jurisdictions like ICBC being a public
19 insurance Corporation as well as MPI being a public insurance
20 Corporation, that the data from those jurisdictions is more
21 comparable because of the fact that they're both public
22 insurers?

23 MS. MARILYN MCLAREN: Yes, certainly more
24 directly comparable than, for example, Manitoba and Ontario,
25 Manitoba and New Brunswick, something like that. But there's

1 one big difference between those two jurisdictions; BC is
2 still in a tort environment while we have the true no-fault
3 system. There are significant differences with that as well.

4 MR. BYRON WILLIAMS: So in an environment
5 like Saskatchewan, for example, Manitoba would feel to be
6 almost directly comparable.

7 MS. MARILYN MCLAREN: That would be the most
8 similar in Canada, yes.

9 MR. BYRON WILLIAMS: Now, you've acknowledged
10 that many road safety professionals place weight on injury
11 claims for one hundred thousand (100,000) drivers. What
12 other measures does MPI consider important in terms of trying
13 to get a sense of the overall frequency and severity of
14 accidents within the unique Manitoba jurisdiction?

15 MS. MARILYN MCLAREN: One of the most
16 important things that we look at, really, is the frequency of
17 the broad spectrum of injury types, really, outside of the
18 whiplash area, because there's -- there's significant
19 different factors going on there. I think we try to keep an
20 eye on, you know, broken bones and -- and other measurable
21 factors like that through time to really get a handle on
22 what's happening with respect to injuries in Manitoba.

23 MR. BYRON WILLIAMS: Okay, I want to go to --
24 thank you for that -- I want to turn to the CAC/MSOS Book of
25 References, Tab 8, and I'll probably, Mr. Chairman, be going

1 through to the break in terms of road safety expenditures and
2 it may be another thirty (30) -- thirty (30) minutes or so.
3 I always hesitate to make those estimates and I probably
4 shouldn't make them unsolicited, but there you go.

5 The -- if we look at PUB-148 in -- in the --
6 Ms. McLaren -- in response -- this is a response to a -- a
7 request by the Public Utilities Board to MPI to provide a
8 breakdown of the load safety loss prevention expansions --
9 expenses by major program for 2004/05 and '05/06. Is that
10 right?

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

12 MR. BYRON WILLIAMS: And if we go to the
13 second page of this document we see that road safety is
14 forecasting expenditures of about 7.2 million for '04/05 and
15 about 7.3 million for '05/06. Correct?

16 MS. MARILYN MCLAREN: Yes.

17 MR. BYRON WILLIAMS: And it sets down some of
18 the major elements of -- of these expenditures, some of the
19 most prominent being driver safety and education, auto crime
20 and theft prevention. Is that right?

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

22 MR. BYRON WILLIAMS: I -- I just want to flip
23 one (1) tab over -- the -- to CAC/MSOS-2-40 and if one is
24 trying to get a sense of the split in the road safety budget
25 between education and enforcement, this Interrogatory

1 conforms that the split is approximately 69 percent weighted
2 towards education and 31 percent weighted towards
3 enforcement. Is that right?

4 MS. MARILYN MCLAREN: Yes.

5 MR. BYRON WILLIAMS: And that's leaving aside
6 departmental expenses, which are -- are not included in this
7 figure?

8 MS. MARILYN MCLAREN: Right.

9 MR. BYRON WILLIAMS: If we flip over just one
10 (1) page from that Interrogatory, you see the response to
11 CAC/MSOS first round Interrogatory 38, and you'll agree with
12 me that this Interrogatory is attempting to get a sense of
13 the road safety expenditures of the Corporation broke -- over
14 time -- broken down into major priorities such as seat belts,
15 impaired driving, unsafe speed and auto theft. Is that
16 correct, Ms, McLaren?

17 MS. MARILYN MCLAREN: Yes.

18 MR. BYRON WILLIAMS: And if you turn to Page
19 2 of that response, you'll agree with me that in terms of
20 auto theft programs, we've seen a -- a fairly steady growth
21 from the '97/98 actuals of two hundred and forty-one thousand
22 (241,000) up to the projected figure for '05/06 of 1.2
23 million. Correct?

24 MS. MARILYN MCLAREN: Yes.

25 MR. BYRON WILLIAMS: If we move to driver --

1 driving programs, you'll agree with me that the high figure
2 is the '97 -- excuse, me I misspoke -- impaired driving
3 program. Do you agree with me that the high figure is the
4 '97/98 -- or the low figure is the '97/98 figure of two
5 hundred and seventy-six thousand (276,000), whereas the high
6 is the eight hundred and forty-five (845,000) which occurs in
7 the next year, '98/99?

8 MS. MARILYN MCLAREN: Yes.

9 MR. BYRON WILLIAMS: Would you also agree
10 with me that for the other years set out in this table, the -
11 - the numbers bounce around a little bit from a low of four
12 hundred thousand (400,000) up to about six hundred and fifty
13 thousand (650,000)?

14 MS. MARILYN MCLAREN: Yes.

15 MR. BYRON WILLIAMS: If we go to the -- the
16 next column again, Speed Management Strategies, we see that
17 the high point was '98/99 and -- being eight hundred and
18 thirty-one thousand (831,000). Correct?

19 MS. MARILYN MCLAREN: Yes.

20 MR. BYRON WILLIAMS: We also see a fair -- or
21 a little bit of bouncing around in the subsequent years with
22 the low being a hundred and fifty-seven thousand (157,000)
23 and the high being the projected figure for '05/06 of two
24 hundred and seventy-five thousand (275,000)?

25 MS. MARILYN MCLAREN: Yes.

1 MR. BYRON WILLIAMS: And again, for
2 seatbelts, or occupant restraint usage, the -- the high
3 appears to be the '05/06 projected of two eighty (280), but
4 there's a fair range from as low as 50 million -- or fifty
5 thousand (50,000) in 2000/2001. Correct?

6 MS. MARILYN MCLAREN: Yes.

7 MR. BYRON WILLIAMS: So, when we look at the
8 total -- and I'm just trying to get a sense of how this has
9 changed over time -- when we look at -- on the big -- on the
10 so-called big four (4) we see that in '97/98 the
11 Corporation's expenditure was about a little less than \$1
12 million and now it's risen to a bit over \$2 million projected
13 for '05/06, correct?

14 MS. MARILYN MCLAREN: Yes.

15 MR. BYRON WILLIAMS: And you'll agree with me
16 that over time an increased percentage of this 2.2 million
17 has been assumed by the enforcement program of auto theft
18 programming?

19 MS. MARILYN MCLAREN: Yes.

20

21 (BRIEF PAUSE)

22

23 MR. BYRON WILLIAMS: Ms. McLaren, just -- and
24 we'll get through this burdensome detail fairly shortly but
25 if you -- moving along in this same interrogatory response to

1 page 11, you'll see that the Corporation -- it's page 11 and
2 set out at the bottom in the middle.

3 You'll see that the Corporation has done a
4 graph -- graphical explanation of the relationship road
5 safety expenditure and auto theft claims. And you'll agree
6 with me that both road safety expenditure and the number of
7 theft claims have been rising fairly consistently from '97
8 through to 2003, is that right?

9 MS. MARILYN MCLAREN: Yes, that's right. I
10 should point out that one of the reasons the auto theft
11 expenditure was as low as it was in the first three (3)
12 perhaps four (4) years on this graph is that the cost of the
13 Winnipeg Police Theft Program used to reside in claims.

14 So while it has definitely still grown
15 significantly from perhaps \$700,000 to \$1 million, it's not
16 as extreme as shown in this graph or the table.

17 MR. BYRON WILLIAMS: And just for -- and
18 we'll get to that program in a few minutes but just for the
19 purposes of assisting the comparison, that the Winnipeg
20 program, it's costs were what, in the range of half a million
21 dollars over -- historically?

22 MS. MARILYN MCLAREN: Yes, approximately.

23 MR. BYRON WILLIAMS: Ms. McLaren, just moving
24 over one (1) page from that -- that data, we have the inter
25 jurisdictional comparison for casualty rates which is

1 provided by Transport Canada. And I understand you -- in
2 your previous comments, you took some issue with this
3 information?

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

5 MR. BYRON WILLIAMS: But while we -- while we
6 have it in front of us, if we look at the -- the injuries for
7 -- for the years of 2000, 2001, and 2002, you'll agree with
8 me that if we compare Manitoba to the Canadian figures we'll
9 see that the Manitoba casualty rates are higher than the
10 Canadian figures in all three (3) years, is that right?

11 MS. MARILYN MCLAREN: Yes.

12 MR. BYRON WILLIAMS: So while you may take
13 issue with -- with the numbers, the -- at least in terms of
14 whether it's the comparison with ICBC injury claims or when
15 one looks at the injuries across Canada, you'd agree with me
16 that if not cause for concern, these numbers certainly are --
17 are something that are worthy of the Corporation's attention?

18 MS. MARILYN MCLAREN: Yes, certainly.

19 MR. BYRON WILLIAMS: I want to get -- I'm
20 going to go into a little more detail on road safety actual
21 expenditures. I just want to get a sense of the organization
22 for a couple of -- couple of minutes and as I understand the
23 ultimate control of road safety expenditures
24 organizationally, the -- those are under the VP of Public
25 Affairs, is that correct?

1 MS. MARILYN MCLAREN: Yes.

2 MR. BYRON WILLIAMS: And under his purview
3 are the areas of road safety, communications and corporate
4 marketing and strategic relations, is that right?

5 MS. MARILYN MCLAREN: Yes.

6 MR. BYRON WILLIAMS: And when I -- I've
7 always looked at these budgets, Ms. McLaren, and I've always
8 thought that all the road safety money was kind of controlled
9 by road safety, but I -- I -- I understand I may be wrong.

10 Would I be fair in saying that in terms of the
11 road safety area itself, they're responsible for drivers'
12 education and for program development. Is that right?

13 MS. MARILYN MCLAREN: Program development,
14 priority setting, and driver education. Was that the -- the
15 one that you mentioned? Yeah.

16 MR. BYRON WILLIAMS: Whereas other road
17 safety services such as advertising, research, grants and
18 sponsorship, those would come under corporate marketing and
19 strategic relations?

20 MS. MARILYN MCLAREN: That's right, so that
21 we always can have a very good sense of what we're spending
22 on those kinds of things corporately across all aspects of
23 the operation. Any funding, any spending that happens in
24 those areas with respect to road safety is based on the
25 priorities established through the road safety department.

1 MR. BYRON WILLIAMS: But the actual control
2 comes from the corporate marketing and strategic relations?

3 MS. MARILYN MCLAREN: It -- it's -- they're
4 service departments. The -- the control comes from executive
5 management; it comes from road safety.

6 MR. BYRON WILLIAMS: Just so I'm clear, so is
7 -- is it your evidence that the control for programs such as
8 corporate -- corporate market and strategic relation programs
9 for motorcycle safety education, safety grants and
10 sponsorships -- that's done by corporate marketing and
11 strategic relations under the direction of road safety?

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

13 MR. BYRON WILLIAMS: The -- the road safety -
14 - I'll use the word branch, that might be the incorrect word.
15 that's administered by the Road Safety Manager; is that
16 right?

17 MS. MARILYN MCLAREN: Yes.

18 MR. BYRON WILLIAMS: And can you -- without
19 going into the individual's name -- can you detail the road
20 safety program -- programming experience of that individual?

21 MS. MARILYN MCLAREN: The individual has been
22 in road safety, I guess, closing in on about two (2) years
23 now and that is his direct experience with road safety
24 programming. Prior to that he worked in the claims side of
25 our business as well. Excuse me just for a second.

1 He also has law enforcement experience prior
2 to joining Manitoba Public Insurance.

3 MR. BYRON WILLIAMS: So within the
4 Corporation, his primary experience was in claims. Is that
5 right?

6 MS. MARILYN MCLAREN: Yes.

7 MR. BYRON WILLIAMS: And how long was that
8 experience?

9 MS. MARILYN MCLAREN: Approximately fifteen
10 (15) years, maybe a bit more than that.

11 MR. BYRON WILLIAMS: So is the -- the person
12 in charge of the \$7 million road safety budget is this
13 individual?

14 MS. MARILYN MCLAREN: This individual and the
15 Drivers' Education Manager, yes.

16 MR. BYRON WILLIAMS: That was a nice segue,
17 because I did want to turn to drivers' education. And I
18 don't know if you need to turn there, Mr. Chair, but if -- if
19 -- again, PUB-1-48 is right -- right behind Tab 8, marked out
20 in this document and when one looks at the -- at the -- at
21 the -- the programming, leaving aside departmental expenses,
22 we can see the driver education improvement is a -- a -- a
23 very significant element of the -- of the total road safety
24 budget, totalling some \$2.25 million in '04/05 in the
25 forecast. Is that right?

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

2 MR. BYRON WILLIAMS: And it's been a
3 prominent part of the road safety budget for many years.
4 Would that be correct?

5 MS. MARILYN MCLAREN: Yes.

6 MR. BYRON WILLIAMS: Now, when I was going
7 back through old Board orders, in Board Order 179-01 at Page
8 62 -- and I don't think you need to turn there -- but there's
9 a reference to the Corporation retaining the services of an
10 outside consultant to evaluate the Drivers' Education Program
11 and the PUB is expressing its interest in seeing the results
12 of this assessment when it has been completed.

13 And it escapes me, but I -- I can't recall if
14 that was ever filed with the PUB?

15 MS. MARILYN MCLAREN: It escapes me too. I
16 can't tell you if it was or not.

17 MR. BYRON WILLIAMS: Now was that review --
18 that was -- that was a review conducted by North Port, was it
19 not? It was the longitudinal analysis of Manitoba Public
20 Insurance Driver Education Program?

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

22 MR. BYRON WILLIAMS: I wonder, Ms. McLaren, I
23 don't think it has been filed and I wonder if -- if you could
24 undertake to see if it has, and secondly, if it hasn't I
25 wonder if you could undertake to file it?

1 --- UNDERTAKING NO. 8: Whether the results of the
2 assessment of driver's training education
3 program has been filed.
4

5 MR. KEVIN MCCULLOCH: Well I'll provide the
6 undertaking that we'll determine whether or not this report
7 has been filed. If it hasn't there may be a reason and the
8 Corporation will look at that and provide that response to
9 the Board as well.

10 MR. BYRON WILLIAMS: Ms. McLaren, you recall
11 -- you recall the general thrust of this report, though, I
12 take it. It's an important study of an important program?

13 MS. MARILYN MCLAREN: Yes.

14 MR. BYRON WILLIAMS: Would I be right in
15 assuming that the cost of this study was in the range of
16 somewhere between a hundred and a hundred and fifty thousand
17 dollars (\$100,000/\$150,000)?

18 MS. MARILYN MCLAREN: Yes.

19 MR. BYRON WILLIAMS: And as I understand it,
20 it was intended to be an evaluation driven assessment of
21 driver education effectiveness for MPI?

22 MS. MARILYN MCLAREN: Yes.

23 MR. BYRON WILLIAMS: And that it involved a
24 longitudinal study of the driving record of young novice
25 drivers supported by cross sectional survey data gathered --

1 gathered from other driver education programs, is that right?

2 MS. MARILYN MCLAREN: Yes.

3 MR. BYRON WILLIAMS: I wonder if you could
4 summarize if you can, some of its major conclusions in terms
5 of the effectiveness of the driver educational program based
6 upon that survey?

7 MS. MARILYN MCLAREN: No, I'm sorry I can't.

8 MR. BYRON WILLIAMS: Would you be able to
9 confirm or -- that one of the conclusions from that report
10 was that there did not appear to be a statistical difference
11 in accident risk in favour of program graduates?

12 MR. KEVIN MCCULLOCH: Mr. Chairman, at this
13 point I believe the Corporation's witness has indicated that
14 she was not familiar or couldn't recall even whether the
15 study had been -- had been filed.

16 I think it would perhaps be more appropriate
17 if the witness was given an opportunity over the break to
18 locate the study and then would be in a better position to
19 answer these questions.

20 THE CHAIRPERSON: Seems reasonable with me.

21 MR. BYRON WILLIAMS: And I concur. Thank you
22 for that suggestion, Mr. McCulloch.

23 Mr. Chairman, if -- and I guess I can offer
24 two (2) suggestions just chronologically it would be -- it
25 wouldn't be a bad time if -- if MPI has an opportunity to

1 review that right now. I could break now and in terms of the
2 order of my cross, it would be helpful. If not, I can just
3 proceed. I leave that to your direction.

4 THE CHAIRPERSON: I think that makes sense,
5 Mr. Williams. Before we break, Ms. McLaren, I just want to
6 follow up on something to make sure I understand it.

7 You have indicated that the reason for the
8 rising injury accident ratio to the one thousand (1000)
9 drivers was not serious injuries but whiplash, soft tissue
10 injuries, is that correct?

11 MS. MARILYN MCLAREN: Yes.

12 THE CHAIRPERSON: Is the duration of weekly
13 indemnity claims also rising for whiplash, soft tissue
14 injury? Like, the average length of a weekly indemnity
15 claim?

16 MS. MARILYN MCLAREN: Yes.

17 THE CHAIRPERSON: Just trying to recall, was
18 it not an expectation that whiplash or soft tissue claims
19 would fall of with PIPP?

20 MS. MARILYN MCLAREN: Yes and they did
21 significantly. Earlier -- I guess last week, Mr. Bedard
22 talked about the fact that we immediately lost ten thousand
23 (10,000) claims per year; those were all whiplash claims.

24 THE CHAIRPERSON: Does MPI analyse weekly
25 indemnity claims and duration by occupation in connection

1 with the work force, things of that nature?

2 MR. WILF BEDARD: No, we do not. We don't
3 have that degree of detail in our system.

4 THE CHAIRPERSON: How do you analyse whiplash
5 claims with their reference to weekly indemnity claims? What
6 type of data do you collect?

7 MR. WILF BEDARD: The data is -- is basically
8 on -- on payments, the weekly indemnity, the amount of money
9 we pay an individual over a period of time. We don't have
10 data in our systems which allow us to do any analysis with
11 respect to the type of employment that individual held when
12 they had their accident.

13 THE CHAIRPERSON: Do you relate the
14 experience to things like, expected duration for various
15 types of injuries?

16 MR. WILF BEDARD: We've only begun to do a
17 little bit of that analysis over the last year and I think
18 more of that will be coming available in -- in future years.
19 We're just beginning to do that type of analysis now.

20 THE CHAIRPERSON: Thank you, Mr. Bedard.
21 Okay, we'll stand down now until 10:15. Thank you.

22

23 --- Upon recessing at 10:05 a.m.

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

25

1 THE CHAIRPERSON: Welcome back. Mr.
2 Williams.

3 MR. KEVIN MCCULLOCH: Mr. Chairman, perhaps
4 before Mr. Williams relaunches his cross-examination, I can
5 let the Board know that in the fifteen (15) minute break we
6 weren't able to locate the North Port (phonetic) report or at
7 least to locate whether or not it had been filed as -- as an
8 exhibit, or whether IRs had been responded to with respect to
9 that report.

10 We will be able to do that over the lunch hour
11 and we'll have that information when we come back.

12 THE CHAIRPERSON: Very good. Thank you. Mr.
13 Williams.

14

15 CONTINUED BY MR. BYRON WILLIAMS:

16 MR. BYRON WILLIAMS: Thank you Mr. Chair. I
17 can indicate I'm likely to have some follow-up questions on
18 that subject, so I'll reserve that right and move on.

19 Still on road safety, and I guess, to you, Ms.
20 McLaren, in a different context, in terms of the claims
21 management issue or the discussion between Mr. Bedard and Mr.
22 Saranchuk, you indicated on -- that in -- in developing
23 programs or how the Corporation operates itself, what -- what
24 it aspires to do is to analyse best practice for a particular
25 expenditure, predict the results that will come from making

1 that expenditure and then monitor the outcome.

2 And you made those context in the -- in the
3 context of claims management. But I presume those same
4 context comments apply to road safety as well; is that right?

5 MS. MARILYN MCLAREN: Yes.

6 MR. BYRON WILLIAMS: Now, if you kind of --
7 if you're still at Tab 8 of the Interrogatory Responses, and
8 we didn't have time to individually tab each one (1), but if
9 you go to the -- the second tab, there will be the
10 Corporation's response to PUB/MPI-2-22.

11 Do you have that, Ms. McLaren?

12 MS. MARILYN MCLAREN: Yes.

13 MR. BYRON WILLIAMS: And in this
14 Interrogatory, the Public Utilities Board was following on a
15 CAC/MSOS Interrogatory from the First Round, and MPI was
16 asked to provide the Corporation's observations on the
17 correlation between the level of road safety expenditures and
18 the occurrences of impaired driving, unsafe speed and auto
19 theft.

20 And the Corporation's response, I'll ask you
21 to confirm, was that its mandate is education and awareness.
22 A -- statistical correlation or the lack thereof, is also
23 influenced by engineering and enforcement. Is that the
24 Corporation's position?

25 MS. MARILYN MCLAREN: Yes.

1 MR. BYRON WILLIAMS: The -- and
2 inadvertently, no doubt, the -- I'm not sure that it answered
3 the question, is it the Corporation's position that it's
4 unable to demonstrate a statistical correlation between the
5 level of road safety expenditures and the occurrences of
6 impaired driving, unsafe speed, and auto theft?

7 MS. MARILYN MCLAREN: No, we wouldn't suggest
8 we were mathematically unable to do it, just that it wouldn't
9 have -- it wouldn't provide much insight into anything.

10 MR. BYRON WILLIAMS: Well -- well, just so
11 I'm clear, the Corporation was asked to provide its
12 observations and correlation is a -- a statistical term. Is
13 it -- is it its position -- or what is its position on the
14 correlation between the level of road safety expenditures and
15 the occurrences of impaired driving, unsafe speed, and auto
16 theft?

17 MS. MARILYN MCLAREN: The Corporation expects
18 that any correlation would likely be, for the most part,
19 random because there are other factors involved. And going
20 back to our earlier discussion about whether or not we
21 establish objectives and then implement a program and monitor
22 against those objectives, that's why our road safety program
23 does not have such objectives as reduce the number of deaths,
24 reduce the number of injuries.

25 MR. BYRON WILLIAMS: Just moving on to a

1 related -- excuse me -- the -- the next page -- the next
2 Interrogatory CAC/MSOS 2-15, and that's with regard to the
3 Corporation's new programs in terms of impaired driving,
4 speed management and vehicle strategies.

5 The -- Part B of that request was asking the
6 Corporation to -- whether any cost benefit analysis had been
7 conducted to justify the increases in the safety program.
8 And the Corporation's response we'll ask you to confirm is --
9 is demonstrated by the difference in the budgets, these are
10 largely new initiatives.

11 Can you confirm that?

12 MS. MARILYN MCLAREN: Yes.

13 MR. BYRON WILLIAMS: Does that mean that
14 there was a cost benefit analysis done for these new programs
15 or that there wasn't?

16 MS. MARILYN MCLAREN: No, that means that
17 there was a business case done to determine whether or not
18 the Corporation should put more money towards these new
19 programs. And some objectives were established and once we
20 run through the programs we will monitor the results against
21 those objectives.

22 MR. BYRON WILLIAMS: This isn't of great
23 urgency, but could you provide that business case for these
24 programs?

25 MS. MARILYN MCLAREN: Yes, we'll attempt to

1 do that. I think we should be able to do that.

2 MR. BYRON WILLIAMS: And using the magic
3 words, we'll call that an undertaking.

4

5 --- UNDERTAKING NO. 9: Provide business case for new
6 programs.

7

8 MR. BYRON WILLIAMS: Moving along one (1)
9 more tab, I'd ask you to turn your attention to the
10 Corporation's response to PUB Interrogatory to the MPI first
11 round 47 and this, you'll confirm, is an extensive discussion
12 about the Manitoba auto theft history and auto theft
13 expenditures. Correct?

14 MS. MARILYN MCLAREN: Yes.

15 MR. BYRON WILLIAMS: And I'm going to go into
16 it in -- in a bit of detail, but I wonder if you could
17 indicate to me, for how many years the agreement with the
18 Winnipeg Police Service has been in existence?

19 MS. MARILYN MCLAREN: I think it's
20 approximately six (6) years.

21 MR. BYRON WILLIAMS: And it runs, I think
22 your evidence was, in the range of about a half a million
23 dollars a year. Is that right?

24 MS. MARILYN MCLAREN: Yes.

25 MR. BYRON WILLIAMS: I'll turn your attention

1 to the Corporation's response to PUB-147-C and the
2 Corporation was asked:

3 "Please -- given the results, please
4 discuss whether the WPS Program is cost
5 effective?"

6 And you can read the response, but -- to
7 yourself, Ms. McLaren -- but as you get to the end you'll --
8 you'll see that what is indicated there is that:

9 "The Corporation shares a concern about the
10 program's cost effectiveness. It is
11 considering how to best assess this
12 program's success."

13 Is that a correct statement of the
14 Corporation's position?

15 MS. MARILYN MCLAREN: Yes.

16 MR. BYRON WILLIAMS: I want you to flip a
17 couple more pages to the Corporation's response to PUB-2-17
18 and you see that that's a followup to that one forty-seven
19 (147) C. Is that right?

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

21 MR. BYRON WILLIAMS: And in its Response part
22 B, the Corporation indicates it's in the preliminary stages
23 of determining how best to assess the effectiveness of the
24 program. You'll confirm that?

25 MS. MARILYN MCLAREN: Yes.

1 MR. BYRON WILLIAMS: And I guess the question
2 that's begged by -- by those interrogatory responses, Ms.
3 McLaren, is given that the program's been in existence for
4 six (6) years, given that it's -- it's costing the
5 Corporation and consumers half a million dollars a year, why
6 is it only now that the Corporation's in preliminary stages
7 of determining how best to assess the effectiveness of the
8 program?

9 MS. MARILYN MCLAREN: I think part of the
10 issue is that we need to consider auto theft on the broader
11 basis. You know, I don't think you're ever -- very similar
12 to what we said earlier about any of the other programs
13 whether it's impaired driving or whatever else.

14 You're not going to take one (1) specific
15 program like this initiative and measure its effectiveness
16 against the number of auto thefts in any given year. So I
17 think it -- we -- we need to look at it in a greater context.

18 I think we have continued to certainly deal
19 with the people, administering the program, discuss things
20 and -- and provide insight and direction over the years. I
21 think this answer is not meant to say this is the first time
22 we've ever had a look at the program to decide whether it's
23 effective.

24 I think what we're doing is deciding whether
25 or not there's any benefit in getting some -- some external

1 third party insight into the specific program itself. And --
2 maybe I'll leave it at that. It certainly wasn't intended to
3 suggest it's the first time we decided to have a look at the
4 way the program is operating.

5 MR. BYRON WILLIAMS: But surely part of the
6 prudent expenditure, management of expenditures is to set
7 targets, evaluate your performance against those targets.
8 And haven't you done that in this case?

9

10 (BRIEF PAUSE)

11

12 MS. MARILYN MCLAREN: Yes, definitely we've
13 done that. The program has had targets and we've measured
14 its performance against the targets. One (1) of the things
15 that we've looked at over the last few years, is the number
16 of arrests made, the number of charges, those kinds of
17 things.

18 What we're trying to do now is get a handle on
19 whether that is best practices everywhere else, where there
20 are other -- some other things that we should look at.
21 There's no indication that we have with what we've done
22 historically as to the disposition of those charges, for
23 example.

24 So absolutely, since the program's been in
25 place, we have had some expectations of the program, we've

1 measured against those expectations. And all we've meant to
2 say that right now at this point we're trying to get some
3 third party assistance in terms of looking at how that
4 program is behaving.

5 MR. BYRON WILLIAMS: And -- and I'll -- just
6 stay of the subject for a couple more -- more minutes. But
7 you'll agree with me that many road safety professionals
8 would suggest to you that using charges as a measure of a
9 program's effectiveness is a -- a measure of limited, if any,
10 use?

11 MS. MARILYN MCLAREN: Well, I think road
12 safety programs, in general that may be true. But I think
13 when we were talking about theft it maybe have -- maybe has a
14 little more direct relevance.

15 MR. BYRON WILLIAMS: What external third
16 parties are you looking at in terms of measurement of the
17 program?

18 MS. MARILYN MCLAREN: Well, as I think we
19 discussed before, we've got key people from the Corporation
20 on -- on national, international, provincial committees. So
21 we -- we certainly have those resources to get a handle on --
22 on what are now considered best practices elsewhere. It's a
23 moving target. It's an evolving field of expertise.

24 MR. BYRON WILLIAMS: And you're expecting to
25 commission a report?

1 MS. MARILYN MCLAREN: Yes, I think so. That
2 -- that's the intention right now.

3 MR. BYRON WILLIAMS: And that will be filed
4 with the Public Utilities Board?

5 MS. MARILYN MCLAREN: If we find a reason not
6 to do that down the road, we'll certainly be in a position to
7 articulate the reasons.

8 MR. BYRON WILLIAMS: I wonder if you could
9 provide my -- the assistance to my clients of doing this,
10 providing a breakdown for the Winnipeg Police Service. The
11 most recent budget year in terms of the number of officers
12 who have been committed to the program, the number of hours
13 that they worked, their vehicle expenses, office expenses,
14 and personal expenses associated with this program?

15

16 (BRIEF PAUSE)

17

18 MS. MARILYN MCLAREN: No, we wouldn't be able
19 to provide that level of detail. These -- the officers that
20 are dedicated to this unit continue to be employees of the
21 Winnipeg Police Service. Winnipeg Police Service provides us
22 with information in terms of how many they have dedicated,
23 what their salaries are, and we fund the program on that
24 basis.

25

Specific information related to hours of work

1 and the other -- and their personal expenses and so on, would
2 -- would not be something the Corporation has access to.

3 MR. BYRON WILLIAMS: So, in order to ensure
4 value for money, the Corporation doesn't have a measurable in
5 terms of that the officers being retained for this service
6 are actually performing that service?

7

8 (BRIEF PAUSE)

9

10 MS. MARILYN MCLAREN: No, that's -- that's
11 right. They are resources, the Winnipeg Police Service, they
12 -- they -- they have given us a commitment, they provide
13 quarterly reports to us on the level of support in relation
14 to that commitment, and that's the nature of this particular
15 program. They are resources of the Winnipeg Police Service,
16 if they feel the need to re-allocate them because of some
17 emergency or other situation, that they have the right to do
18 that.

19 MR. BYRON WILLIAMS: Okay. Thank you. If we
20 move along in the document, the CAC/MSOS Book of References,
21 I'm going to ask you, Ms. McLaren, you're going to have to
22 have two (2) fingers: one is to keep your hand back at PUB-
23 148, which is at, right behind Tab 8, and one -- the other
24 hand, I'd like you to have it right near the very last tab in
25 the first CAC/MSOS Book of References, which is CAC/MSOS/MPI-

1 1-15.

2 And, you're right, Ms. McLaren, it's just
3 before the first tab, and it some of it appears just after.
4 We mis-tabbed that, so...do you have that?

5 Mr. Chairman, do you have that? Just so --
6 just so you're aware, the -- the first one I'm going to ask
7 Ms. McLaren to refer to is at Tab 8, right behind it is
8 PUB/MPI-1-48.

9 THE CHAIRPERSON: I have that.

10 MR. BYRON WILLIAMS: And, then if you go to
11 the very back, back of the book ,there's Manitoba Public
12 Insurance Corporate Expense Guidelines, the very last tab?

13 THE CHAIRPERSON: Yes, I've got it, thank
14 you.

15

16 CONTINUED BY MR. BYRON WILLIAMS:

17 MR. BYRON WILLIAMS: And that's an attachment
18 to CAC/MSOS-1-15, which appears just before that tab.

19 Now, Ms. McLaren, if I -- if I look in the
20 document, the last tab, being the MPI Corporate Expense
21 Guidelines, Preliminary 2004/05 Fiscal Year Budget, and if I
22 go to page 5 of that document, under Community and Corporate
23 Relations, I see the -- the -- which is about a third of the
24 way down the page, that's page 5 of that document, under
25 Community and Corporate Relations, I see the -- the listing

1 for Corporate and Safety Promotional Items. Do you see that
2 Ms. McLaren?

3 MS. MARILYN MCLAREN: Yes.

4 MR. BYRON WILLIAMS: The Operating Expense
5 Guidelines for that item for the '02/03 year, these are the
6 actuals, are one hundred and twenty-eight point -- a hundred
7 and twenty-eight thousand (128,000) or almost a hundred and
8 twenty-nine thousand (129,000); is that right?

9 MS. MARILYN MCLAREN: Yes.

10 MR. BYRON WILLIAMS: And the Approved Budget
11 for '03/04 is somewhere between a hundred and forty-five
12 (145) and a hundred and forty-six thousand (146,000);
13 correct?

14 MS. MARILYN MCLAREN: Yes.

15 MR. BYRON WILLIAMS: Now, these Safety
16 Promotional Items, when I go to PUB-1-40 -- 1-48, which is
17 immediately behind Tab 8, I don't see those reflected
18 expressly in the Road Safety Expenses, the second page of
19 that, Ms. McLaren? Can you indicate to me where those are
20 captured?

21

22 (BRIEF PAUSE)

23

24 MS. MARILYN MCLAREN: The corporate and
25 safety promotional items would not be in the Road Safety

1 Departmental Budget, they would be in the Corporate Marketing
2 Operating Budget.

3 MR. BYRON WILLIAMS: So none of the
4 expenditures associated with safety promotional items are
5 captured in the Road Safety Budget; is that your evidence?

6

7

(BRIEF PAUSE)

8

9 MS. MARILYN MCLAREN: There would be a small
10 share of that hundred and forty-five point six thousand
11 dollars (\$145,600) in the last line on 1-48 in the
12 Departmental Expenses, but -- but only a small piece of that.

13 MR. BYRON WILLIAMS: Are there safety
14 promotional items captured in the Road Safety Expenditures
15 anywhere else in that -- in that line -- in the Budget?

16

17

18

(BRIEF PAUSE)

19

20 MS. MARILYN MCLAREN: Mr. Williams, could you
21 repeat that question?

22

23

24

25

MR. BYRON WILLIAMS: If I were to break down
the Road Safety -- I'm going to try and rephrase it instead:
If I were to break down the Road Safety Expenses or -- are
there safety promotional items captured within this Budget?

1 If so, how much?

2

3

(BRIEF PAUSE)

4

5 MS. MARILYN MCLAREN: I expect that there
6 would be a total of about sixty -- or sixty-five thousand
7 dollars (\$65,000) for safety promotional items embedded
8 within the budgets for the individual Road Safety Programs.

9 For example, speed management strategies would
10 have a small component for promotional items to support and
11 recognize the volunteers, for example, that man those speed
12 reader boards in the various communities in the Province.

13 MR. BYRON WILLIAMS: Ms. McLaren, I've got in
14 my hand, I guess it's a golf ball that says: Don't Drink and
15 Drive; would that be something that would be captured by the
16 -- I can share a copy with Mr. Douglas -- I know you're a
17 jogger and not a hockey player, but would this be something
18 captured within the Road Safety Budget?

19 MS. MARILYN MCLAREN: No, that's not in the
20 Road Safety Budget.

21 MR. BYRON WILLIAMS: Where is that captured?

22 MS. MARILYN MCLAREN: In the Corporate
23 Marketing Budget.

24 MR. BYRON WILLIAMS: And items like golf
25 balls, golf shirts, and jazz golf clubs, things like that,

1 would those also be in the Corporate Marketing Budget?

2 MS. MARILYN MCLAREN: Yes, they would.

3 MR. BYRON WILLIAMS: I wonder if you could do
4 a favour for me and do two (2) things: One is, within the
5 Road Safety Expenditures, if you could detail promotional
6 items, if you could provide a breakdown of the sixty-five
7 thousand (65,000) in terms of promotional items, that would
8 be number one (1), and number two (2), within the Corporate
9 Marketing Budget, if you could also detail the expenditures
10 on promotional items and the -- and the various items that
11 are captured by it.

12 MS. MARILYN MCLAREN: With respect to the
13 corporate marketing budget, you're looking for the same
14 information, what sorts of safety -- not necessarily safety
15 related or promotional in general. What are you looking for
16 in the corporate marketing?

17 MR. BYRON WILLIAMS: Within the -- within
18 that budget I'd to see the promotional items but it does say
19 corporate and safety. So I'd -- I'd like the safety ones in
20 particular.

21 MS. MARILYN MCLAREN: Yes, I believe we can
22 accept that undertaking.

23 MR. BYRON WILLIAMS: And I wonder if you
24 could provide that for a couple years being the '02/03 and
25 the '03/04 years, please?

1 MS. MARILYN MCLAREN: Yes.

2

3 --- UNDERTAKING NO. 10: A breakdown of the sixty-five
4 thousand (65,000) in terms of promotional
5 items within the corporate marketing budget
6 and road safety expenditures for the years
7 '02/03 and '03/04

8

9 MR. BYRON WILLIAMS: Just a couple of last
10 questions on road safety. Going back in time to the contract
11 with Manifest Communications, can you indicate to me whether
12 the original seeking of candidates to perform that service
13 was subject to a tender? In other words was there originally
14 a request for proposals?

15 MS. MARILYN MCLAREN: I believe there was a
16 request for proposals, but I can't confirm that 100 percent
17 at this point.

18 MR. BYRON WILLIAMS: Well, maybe I'll get you
19 to check in on that and I'll follow that up with you.

20 MS. MARILYN MCLAREN: Yes, we'll do that.

21

22 --- UNDERTAKING NO. 11: To determine if there was a Request
23 for proposals for service.

24

25 MR. BYRON WILLIAMS: Ms. McLaren, I don't

1 want to get into a huge debate on this subject, but you'll
2 agree with me that over -- over the past few years there's
3 been some debate over the issue of whether MPI should stay
4 focussed on education or whether it should spread its wings
5 like ICBC and SGI and move to other areas such as enforcement
6 or engineering?

7 You'll agree there's been some discussion in
8 the past?

9 MS. MARILYN MCLAREN: Yes, I think there's
10 been some limited discussion. Really, I don't know that it
11 would even qualify as a full blown debate. And we've -- I
12 don't recall ever hearing an express opinion on the part of
13 anyone that we absolutely should expand that mandate.

14 MR. BYRON WILLIAMS: You also recall that on
15 Friday we discussed the part that polling plays in -- in
16 forming or helping to frame Manitoba Public Insurance policy?

17 MS. MARILYN MCLAREN: Yes.

18 MR. BYRON WILLIAMS: And you mentioned for
19 example in terms of bonus/malus that you don't poll on it
20 every year but you do do polling in terms of it every few
21 years, is that right?

22 MS. MARILYN MCLAREN: Yes.

23 MR. BYRON WILLIAMS: And what I'm wondering
24 is whether, within the last five (5) years, MPI has
25 commissioned or conducted public surveys to determine the

1 level of public support for MPI investing in various road
2 safety initiatives or programs such as funding traffic
3 enforcement programs, repairing and/or redesigning hazardous
4 road locations, funding community groups, et cetera?

5 MS. MARILYN MCLAREN: Yes, we do.

6 MR. BYRON WILLIAMS: And would those be the
7 omnibus polls from May of 2000 and September of 2000?

8 MS. MARILYN MCLAREN: Yes.

9 MR. BYRON WILLIAMS: Could you provide those
10 -- could you provide those results, please?

11 MS. MARILYN MCLAREN: You said 2000, May and
12 Octo -- May and September of 2000? You don't want anything
13 more current?

14 MR. BYRON WILLIAMS: My -- that's my next
15 question. So any polling that the Corporation has conducted
16 in the recent years in terms of -- and I'm really focussed on
17 the opinions the Manitoba public on issues such as
18 enforcement -- enforcement and engineering. And their
19 willingness in -- in terms of the Corporation to move in that
20 direction from May 2000 to September 2000.

21 MS. MARILYN MCLAREN: Yes, I believe the
22 nature of the questions was what do they see -- what do they
23 believe the Corporation's priorities should be with respect
24 to safe safety expenditures. And we will -- we will provide
25 that information as an undertaking.

1 --- UNDERTAKING NO. 12: Provide results of Public surveys
2 to determine the level of public support
3 for MPI investing in various road safety
4 initiatives or programs.
5

6 MR. BYRON WILLIAMS: And just the -- the last
7 question on road safety is, is the Corporation, in the course
8 of its review of best practices from other public insurers
9 and other road safety experts -- has it participated in or is
10 it aware of the survey being conducted by Ference Weicker --
11 W-E-I-C-K-E-R, Ference being F-E-R-E-N-C-E, with regard to
12 the performance of ICBC in terms of road safety programming
13 and evaluations?

14 MS. MARILYN MCLAREN: Yes, I'm told we're --
15 we're familiar with that, yes.

16 MR. BYRON WILLIAMS: And has the Corporation
17 prepared a written response or has it directed its mind to
18 the appropriateness or the -- the -- what it can learn from
19 the Ference Weicker report?

20 MS. MARILYN MCLAREN: No, we haven't turned
21 our mind to that at this point.

22 MR. BYRON WILLIAMS: That will be something
23 we, perhaps, will follow up next year.

24 Mr. Douglas, you can keep the golf ball and
25 you can -- I think I'm -- we're done the subject of road

1 safety and I'd like to turn to the issue of claims control.

2 MR. KEVIN MCCULLOCH: That will be a conflict
3 of interest. Mr. Douglas will be returning the golf ball.

4 MR. BYRON WILLIAMS: Now, Mr. Chair, I --
5 I've taken the liberty of providing my Friend, Mr. McCulloch
6 with two (2) additional tables that I think that his staff
7 had an opportunity to -- to -- to check and double check and
8 I think in one (1) case triple check, so I'll -- I'll ask him
9 to confirm that he's had an opportunity to evaluate the
10 reliability of the data in those tables.

11 MR. KEVIN MCCULLOCH: Yes, the Corporation is
12 satisfied with the information that's presented in these
13 tables.

14 MR. BYRON WILLIAMS: The -- the Corporation
15 should be satisfied given all the proofreading we had to --
16 and double checking we had to do. Mr. Chairman, I'm going to
17 ask my -- Mr. Barron to distribute two (2) tables; one (1)
18 will be a -- a Summary of Claims Incurred and the ...

19

20

(BRIEF PAUSE)

21

22

THE CHAIRPERSON: Exhibit 7 and 8, Mr.
23 Williams?

24

25

MR. BYRON WILLIAMS: Yes, provided my Friend,
Mr. McCulloch doesn't have any objections and I don't think

1 he does.

2 MR. KEVIN MCCULLOCH: No objections, Mr.
3 Chairman.

4
5 --- EXHIBIT NO. CAC/MSOS-7: Summary of Claims Incurred

6
7 --- EXHIBIT NO. CAC/MSOS-8: Document with 3 Tables on it.
8 1. Net Claims Incurred. 2. Frequency,
9 3. Claim Severity

10

11 THE CHAIRPERSON: Thank you.

12

13 MR. BARRY GALENZOSKI: If I might, just
14 before you start, with respect to the -- the first document
15 that says Table 1, Table 2, Table 3. The only thing I would
16 find that I would ask that you consider on here is where it
17 says -- anywhere where it talks about total claims, that
18 those are really claim covers, not claims. That's on Table
19 2.

19

THE CHAIRPERSON: Exhibit 8?

20

21 MR. BYRON WILLIAMS: And that's Exhibit 8,
22 Mr. Chairman? Okay. And certainly we'll -- we'll agree that
23 for Table 2, Frequency, the third column should read -- read
24 Total Claim Covers rather than Total Claims.

24

25 MR. BARRY GALENZOSKI: Well, right across
that table wherever it talks about claims.

1 CONTINUED BY MR. BYRON WILLIAMS:

2 MR. BYRON WILLIAMS: Thank you, Mr.
3 Galenzoski.

4 And, Mr. Chairman, I'm anxious not to trench
5 on the ground covered by Mr. Saranchuk, but we will --
6 hopefully this will be a -- a helpful document and frame some
7 of the discussion to follow.

8 And I'm going to refer the MPI Panel and the
9 PUB Panel to first of all, CAC/MSOS Exhibit Number 8, which
10 is the Table with the three -- at the top, Table 1, Claims
11 Incurred, Table 2, Frequency, and Table 3, Claim Severity.

12 And, Mr. Galenzoski, I'm going to describe
13 this to you, hopefully, you can confirm my description is
14 accurate, and my major focus is going to be on claims
15 incurred, and this covers the period from the actual years of
16 2000 through 2004, and the forecast or projected years of
17 2005 and 2006; is that correct, sir?

18 MR. BARRY GALENZOSKI: Yes, that's correct.

19 MR. BYRON WILLIAMS: Moving to the right, we
20 see the Claims Incurred column for the PIPP Program, and
21 you'll agree with me that we see, starting in 2000, a figure
22 of about 144 million rising in terms of actual to about 229
23 million in '04; is that right, sir?

24 MR. BARRY GALENZOSKI: Yes, that's correct.

25 MR. BYRON WILLIAMS: Again, one column to the

1 right, again we see the growth in collisions from a figure of
2 about 140 million in 2000, up to about slightly less than 200
3 million in 2004; is that right, sir?

4 MR. BARRY GALENZOSKI: Yes.

5 MR. BYRON WILLIAMS: And, again, we see the
6 Total Claims Incurred, which would include not only PIPP and
7 collision, but also comprehensive and others, and that's the
8 -- the fourth column; is that right, Mr. Galenzoski?

9 MR. BARRY GALENZOSKI: Yes, that's correct.

10 MR. BYRON WILLIAMS: And, again, we see the -
11 - starting at 2000 -- in the year -- the insurance year 2000,
12 total claims at 352.7 million, breaking the -- the barrier of
13 400 million in 2002 and breaking the \$500 million barrier in
14 2004; is that right?

15 MR. BARRY GALENZOSKI: Yes, that's right.

16 MR. BYRON WILLIAMS: And you'll agree with me
17 that the next three (3) columns represent the annual change
18 in PIPP claims incurred, collision claims incurred, and total
19 claims incurred; correct, sir?

20 MR. BARRY GALENZOSKI: That's right, year
21 over year change.

22 MR. BYRON WILLIAMS: Thank you for that
23 clarification. And the year over year change, again, in PIPP
24 we see a change of low as 7.12 percent to a change -- in
25 2001, to a change as high as 18.19 percent in 2002; correct?

1 MR. BARRY GALENZOSKI: Is that for the
2 -- just to the year 2004?

3 MR. BYRON WILLIAMS: No, I misspoke. Mr.
4 Galenzoski, you'll agree with me that for the PIPP Annual
5 Percentage change there are significant changes in each of
6 the years 2001, 2002, 2003, and 2004?

7 MR. BARRY GALENZOSKI: Yes.

8 MR. BYRON WILLIAMS: And, likewise, you'll
9 agree with me that there's been fairly rapid developments in
10 terms of the annual percentage change of claims incurred for
11 collisions for those four (4) years, being 2001, 2002, 2003,
12 and 2004?

13 MR. BARRY GALENZOSKI: Yes, that's correct.

14 MR. BYRON WILLIAMS: And these, in turn, have
15 been major drivers for the changes in total claims incurred?

16 MR. BARRY GALENZOSKI: Yes.

17 MR. BYRON WILLIAMS: The, Mr. Galenzoski, and
18 I'm losing track of my columns, but it looks like we're --
19 Column 8 is the PIPP Proportion of Total Claims, and for the
20 actual years for which we have information, being 2000
21 through to 2004, for those years you'll -- you'll agree with
22 me that -- that there's been a slight increase in PIPP as a
23 portion of total claims, from 41 percent in 2000, to 45
24 percent in 2004?

25 MR. BARRY GALENZOSKI: Yes, that's correct.

1 MR. BYRON WILLIAMS: And, again, for
2 collision for those five (5) years, the collision fig -- as a
3 portion of total claims have remained fairly steady, perhaps
4 moving slightly down -- downward to 39 percent in 2004?

5 MR. BARRY GALENZOSKI: Yes, that's right.

6 MR. BYRON WILLIAMS: I guess the other key
7 conclusion we can draw from this, obviously, and this is no
8 surprise to anyone, is just how significant the growth of
9 PIPP is a portion of total claims and collision, how
10 significant they are as a driver for the total claims
11 incurred; is that right, sir?

12 MR. BARRY GALENZOSKI: Yes, I would agree
13 with that.

14 MR. BYRON WILLIAMS: Mr. Galenzoksi, I thank
15 you for that. I was -- I think that's a helpful context.
16 I'm not going to bore anyone with too much discussion on --
17 in -- in terms of the -- the additional parts of the table,
18 except to note that you've -- that the word "Cover" should
19 appear across the line on Table 2 for Frequency.

20 Mr. Bedard, what I'm interested in discussing
21 with you is, I'm interested in understanding some of the work
22 that that the Claims Department is doing in order to
23 understand what is driving these increases. And I'm also
24 interested in some of the actions being taken by the
25 Corporation to monitor its performances.

1 So just so I'm clear, I'm not looking at the
2 specific initiatives its taking, I'm -- I'm trying to get a
3 sense from you -- and I'll go into it in a couple of minutes
4 -- of how the Corporation is monitoring its performance.

5 And Mr. Bedard, just to start out on this
6 subject, if memory serves me correctly, the -- and that's --
7 this is from PUB-1-13, which you don't need to turn to, but
8 income replacement or IRI accounts for about 54 percent of
9 claims costs in the 2003/04 year; is that right?

10 MR. WILF BEDARD: Yes, that would be
11 approximately correct.

12 MR. BYRON WILLIAMS: And, Mr. Chairman, I
13 have to apologize, there was one (1) other Book of References
14 that I wanted to distribute which I didn't give to -- to Mr.
15 Barron, so perhaps while I get a drink of water, I can
16 distribute this and apologize for the delay in the progress
17 of this morning.

18
19
20

(BRIEF PAUSE)

21 CONTINUED BY MR. BYRON WILLIAMS:

22 MR. BYRON WILLIAMS: And I'm -- I'm just
23 going to direct my questions to the MPI Panel because I think
24 some go to the -- my extreme right and some go to my extreme
25 left, so turning within this Book of References to -- to Tab

1 2, and the -- the first Interrogatory response there being
2 PUB/MPI-2-3, Part C -- and again, I'm trying not to trench
3 upon where Mr. Saranchuk went, but there's a few follow up
4 questions I wish to ask.

5 The -- MPI was asked to comment about what was
6 driving the rising PIPP claims and its response is that the
7 key drivers are -- and this appears at Page 2 of the response
8 -- are due to increases in frequency, indexation of benefits,
9 and new coverage benefits such as the retirement income
10 benefit. Is that right, sir?

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

12 MR. BYRON WILLIAMS: The -- the Corporation
13 was also asked whether it had undertaken any or -- excuse me
14 -- whether it could provide any reports or studies undertaken
15 or obtained in that regard and its position is that no
16 reports were available. Is that right?

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

18 MR. BYRON WILLIAMS: And, Mr. Galenzoski,
19 what my clients are trying to do is get a handle in terms of
20 what's been driving PIPP claims, about the relative impact of
21 these three (3) factors that you've cited: one (1) being the
22 Retirement Income Benefit, two (2) being the changes in
23 frequency and three (3) being the indexation of benefit.

24 Is there any source or document that you can
25 point my clients to that will -- will kind of, allocate the

1 percentages or the -- the amount year by year that -- that is
2 being driven by these three (3) drivers?

3 MR. BARRY GALENZOSKI: No, the -- that would
4 require some analysis of the -- the information that we would
5 have, but each of those are somewhat quantifiable.

6 MR. BYRON WILLIAMS: And is that analysis
7 that's easily -- easily conducted?

8 MR. BARRY GALENZOSKI: Not easily. We could
9 potentially put that together over the next few days.

10 MR. BYRON WILLIAMS: I wonder if you could
11 undertake to do that, sir?

12 MR. BARRY GALENZOSKI: Over what time period?

13 MR. BYRON WILLIAMS: I think the -- the --
14 what would be helpful would be from the period -- from
15 starting when the retirement income benefit came into place.

16

17 --- UNDERTAKING NO. 13: Analysis to allocate the rise
18 in PIPP cost by percentages of each of the
19 three (3) factors: one (1) being the
20 Retirement Income Benefit, two (2) being the
21 changes in frequency and three (3) being the
22 indexation of benefit

23

24

25 MR. BARRY GALENZOSKI: That would be about

1 five (5) or six (6) years of data.

2 MR. BYRON WILLIAMS: Yes, if -- if that's
3 satisfactory that would be very helpful. And I can provide
4 this to you in writing at lunch if that would assist you in
5 -- to make -- and then we can make sure that it's an
6 undertaking that you're comfortable in performing.

7 MR. BARRY GALENZOSKI: That would be fine,
8 thanks.

9 MR. BYRON WILLIAMS: I think these ones may
10 go to Mr. Medar -- Mr. Bedard, excuse me, but I stand subject
11 to be corrected. Moving to the next interrogatory which is
12 CAC/MSOS First Round 1-23. I -- I want to turn to the
13 subject of -- of kind of evaluations that the Corporation is
14 doing in terms of its programming.

15 And, Mr. Bedard, if you go towards the -- the
16 end of this response which would be about seven (7) pages
17 into this response, you'll see at the top of the page
18 CAC/MSOS/MPI 1-23-F and a subheading of Special Services
19 Other. Do you have that, sir?

20 MR. WILF BEDARD: Yes, I do.

21 MR. BYRON WILLIAMS: The -- towards the
22 bottom of that document -- or that page, is a reference to --
23 this would be about eight (8) or perhaps ten (10) up, there's
24 a heading External Consultants to Review Bodily Injury
25 Records Management. And you'll see -- you'll confirm for me

1 that there's a budget of -- for '04/05 of about a hundred
2 thousand (100,000) and a projection for '05/06 of a hundred
3 and two thousand (102,000), do you see that, Mr. Bedard?

4 MR. WILF BEDARD: Yes, I do.

5 MR. BYRON WILLIAMS: I wonder if you can
6 describe for -- for me what this study involves and its
7 purpose and its deliverables?

8 MR. WILF BEDARD: Certainly. What we've been
9 finding since we've gotten into the PIPP program is an ever
10 increasing growth in the amount of paper and the management
11 of our files. It is -- is an unruly task to try and
12 coordinate all this information, keep it tabbed properly,
13 have it referenced appropriately, have it assessed easily to
14 the case manager and those individuals who would like copies
15 of their file material as well.

16 Our filing capacity is to its maximum and it's
17 becoming more unruly year over year. And what we've been
18 wanting to do with this one hundred thousand dollars
19 (\$100,000), and the reason why its in both years here is that
20 study has not yet been conducted this year and will likely
21 not be conducted 'til next year, and that's why you see it in
22 a projection for '05/06 year.

23 We're really wanting to get some expertise to
24 find out how best to manage all of the PIPP data. We do not
25 destroy it. It has to remain available to us for the life of

1 the individual and that is proposing certain challenges to
2 us.

3 All of these files currently are in a paper
4 format, other than what is in our claims system, and we're
5 looking at trying to identify our best means of managing that
6 paper work in the years to come.

7 MR. BYRON WILLIAMS: Thank you, Mr. Bedard.
8 Now the -- thank you for that answer. Now my understanding,
9 you don't need to turn to this, but there was a PUB
10 Interrogatory 2-6 inquiring whether an independent study had
11 been undertaken to compare the injury claims handling process
12 of both MPI and the Workers Comp Board.

13 And the Corporation's answer was that no such
14 study had been undertaken but that it had engaged in informal
15 consultation with the WCB regarding claims handling
16 processes. Is that the Corporation's position?

17 MR. WILF BEDARD: Yes, it is.

18 MR. BYRON WILLIAMS: Now, I'm less interested
19 in how you handle claims compared to the Worker's Comp, as
20 how you monitor your claims handling process, Mr. Bedard.
21 And, I'm interested in comparing what I understand of what
22 MPI does versus what Worker's Comp does, in terms of
23 monitoring its -- its handling, its performance.

24 And, can you indicate to me whether MPI has
25 studied how the Worker's Compensation system in Manitoba

1 measures its performance in terms of handling claims files?

2 MR. WILF BEDARD: I'm not really familiar
3 with how the Worker's Compensation measures their results. I
4 have occasionally seen the outcome of those, in terms of the
5 overall satisfaction, but the mechanics of how they do it,
6 I'm not familiar with.

7 MR. BYRON WILLIAMS: Well I'm -- perhaps,
8 then, I'll take you through, just so I understand how you do
9 it. And -- now, one (1) element I understand that MPI does
10 is that you, in terms of claimants, you -- you do some
11 sampling of people whose claim with Manitoba Public Insurance
12 has ended; is that right, sir?

13 MR. WILF BEDARD: Yes, we do.

14 MR. BYRON WILLIAMS: And, do you also sample
15 -- presumably within that sample would be those whose long
16 term claims have ended; would that be right? For income
17 replacement or -- or things like that?

18 MR. WILF BEDARD: Well I don't know how you
19 are referencing long term claims, but we do do surveys, we do
20 surveys on those individuals who have very minor losses,
21 maybe no income replacement required at all, medical expense
22 type losses, where their treatment modality has concluded.

23 We do also measure those that have more
24 serious injuries, some of those will be closed, some will be
25 ongoing, some will be re-opened for relapses, that type of

1 thing.

2 The only ones that we exclude out of our
3 sampling is the catastrophic injuries and though -- and
4 fatalities. Other than that, we do use all of our pool to do
5 our surveys.

6 MR. BYRON WILLIAMS: And do you segregate the
7 pool, for example, what I'm wondering is, do you do a
8 separate sample of those with active claims?

9 MR. WILF BEDARD: Many of them are active,
10 many are inactive, we don't differentiate them that way, we
11 only differentiate them between what we call our medex
12 losses, the minor losses and the non-medex losses, which will
13 be the more substantive injuries.

14 MR. BYRON WILLIAMS: In your informal
15 discussions with Worker's -- Worker's Comp, you're not aware
16 of whether or not they've initiated a new random sample
17 survey of a representative population of its active claims?

18 MR. WILF BEDARD: No, the relationship that
19 we have with Worker's Compensation is at an operational
20 level. Our Director of Bodily Injury and -- and his team do
21 consult with the Worker's Comp as we've discussed earlier,
22 but I'm not familiar with the initiatives that they have in
23 dealing with measuring customer service.

24 MR. BYRON WILLIAMS: Has MPI contracted with
25 any external disability management specialists, such as

1 Mercers, to examine its performance on some of these major
2 long-term claims, in terms of both effective cost management
3 and also in terms of returning individuals to the -- to work
4 as soon as possible?

5 MR. WILF BEDARD: No, we have not.

6 MR. BYRON WILLIAMS: Are you in a position to
7 indicate whether you are aware of whether the Worker's
8 Compensation Board conducted a long-term claim project in the
9 early 1990's in -- using external reviews?

10 MR. WILF BEDARD: No, I'm not familiar with
11 that.

12 MR. BYRON WILLIAMS: In terms of how you
13 measure your performance internally, I wonder if you can
14 indicate if you use anything like a specialty -- specialized
15 quality assurance unit that does not answer to the VP of
16 Claims, that answers to someone else within the organization?

17 MR. WILF BEDARD: We do a number of things to
18 -- to monitor what we are performing -- the levels of
19 performance that we have. We do have what we call controller
20 audits that are people from an injury background, with that
21 expertise, that do work in our Quality Control Department,
22 who is a Member -- they are a Department that reports to me.

23 I have two (2) such individuals whose full
24 time job it is to do audits and -- and record and report on
25 those responses to me.

1 We also have an internal audits department who
2 also participates in auditing injury departments and injury
3 functions. They do not report to me, they report to -- to
4 the CEO of MPI.

5 And we also, of course, do a number of
6 external audits, as we've been talking about, surveying
7 customers in terms of their experience and we also have
8 service standards as well in terms of external and internal
9 measures of service standards, trying to identify how we're
10 performing against the -- the standards and the targets that
11 we hold for a variety of -- of functions.

12 MR. BYRON WILLIAMS: Thank you, Mr.
13 Bedard. Just so I understand, the -- the Quality Control
14 Unit reports directly to you?

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

16 MR. BYRON WILLIAMS: Now, is there a -- and
17 you may have covered this already -- is there a -- a special
18 committee of the Board of Directors that monitors the
19 handling of -- of claims?

20 MR. WILF BEDARD: No special committee as
21 such, but it would be part of -- the Budget and Operations
22 Committee of the Board would look at matters like that.

23 MR. BYRON WILLIAMS: In your experience, Mr.
24 Bedard, can you advise me in terms of how the practice of
25 Manitoba Public Insurance, in terms of monitoring its

1 performance and handling long-term claims, compares to the
2 performance of, for example, the no-fault system in Quebec?

3 MR. WILF BEDARD: I'm not familiar with the
4 degree of QA and customer service activity that the SAC. I
5 can tell you that we have very strong relationships with
6 them. We communicate with them on a -- on a regular basis.

7 I think I mentioned that in my testimony last
8 -- last week that there's ongoing dialogue -- ongoing sharing
9 of information, customer satisfaction and -- and a various
10 number of processes would be part of those discussions and
11 they go on on a -- on a regular basis.

12 MR. BYRON WILLIAMS: In terms of the process
13 that -- that they use to monitor their performance, you don't
14 have a great deal of information, though, is that right?

15 MR. WILF BEDARD: No, that's correct.

16 MR. BYRON WILLIAMS: I'd like to turn to the
17 -- the last table that was provided from CAC/MSOS, which I
18 believe is marked CAC/MSOS Exhibit Number 7 and at the top of
19 that is a heading, "Net Claims Incurred", and I'm -- I'm not
20 sure if that goes to Mr. Galenzoski or not. Do you have
21 that, Mr. Galenzoski?

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

23 MR. BYRON WILLIAMS: And I don't want to --
24 to spend a lot of time on this, but you'll agree with me that
25 what this table represents is -- is not any absolute number,

1 but trends in terms of net claims incurred, claims expense,
2 total claims cost and operating expenses for the physical
3 years '02/03 and '04. Is that right, sir?

4 MR. BARRY GALENZOSKI: Yes, it's taken a bit
5 out of context because, although the numbers are from the
6 source given TI-7, these all relate to increases over the
7 base year and then year over year increases from that.

8 MR. BYRON WILLIAMS: Now, it -- what it does
9 show is kind -- the relative movement between these sources -
10 - between Net Claims Incurred, Claims Expense, et cetera.
11 over the last three (3) years between the three (3)
12 Corporations. Would that be fair, Mr. Galenzoski?

13 MR. BARRY GALENZOSKI: Yes, from that full
14 set of information I referenced earlier.

15 MR. BYRON WILLIAMS: Would you agree with me
16 that if we look at the recent trends in terms of net claims
17 incurred and that -- and claims expense -- are you ready to
18 go, Mr. Galenzoski?

19 You'll agree with me that if we look at the
20 performance MPI in terms of net claims incurred, claims
21 expense and total claims costs over the -- the last three (3)
22 years, its performance has been -- the -- the change has been
23 slightly higher than ICBC and SGI?

24 MR. BARRY GALENZOSKI: Well, yeah, the
25 indicated trend analysis would -- would provide that,

1 although you have to understand what's behind that and, for
2 instance, both ICBC and SGI have been taking down their
3 financial provisions dramatically over the last couple of
4 years, that would impact these numbers, so you really have to
5 understand the whole thing rather than just a straight
6 comparison side by side.

7 MR. BYRON WILLIAMS: And that's fair enough.
8 I don't want to dwell on this to a great degree, except for,
9 my understanding, you had a similar discussion with Ms.
10 Everard, I believe, on Friday, in terms of trends, and with
11 reference to TI-7 in particular, and I believe your answer to
12 her was that you weren't prepared to draw any conclusions
13 from those trends; is that right, sir?

14 MR. BARRY GALENZOSKI: Yes, that's correct.
15 I was cautioning that there's a number of factors that you
16 need to know what underlies those before you can really take
17 any -- any information from this trend analysis.

18 MR. BYRON WILLIAMS: And I guess the concern
19 you were -- you were expressing, is that it may not be
20 appropriate to compare the Corporation to other
21 jurisdictions, due to differences in how each Corporation
22 tracks and allocates costs; is that right?

23 MR. BARRY GALENZOSKI: That would be one of
24 them. There would be different differences in coverages,
25 there'd be differences in the way the various Corporations

1 spend money, for instance, we fund the High School Driver
2 Education Training Program, others don't.

3 So, there are vast differences, even though we
4 do pretty much the same thing when it comes down to looking
5 at the overall operation.

6 MR. BYRON WILLIAMS: In trying to understand
7 these trends, has the Corporation specifically investigated
8 what the effect of these differences are?

9 MR. BARRY GALENZOSKI: No. We, in the past
10 years we used to try and get confidentially, information from
11 the various Crowns that are doing business similar to ours,
12 and then do an analysis such as you're -- you're discussing
13 here, but in the final analysis, it was -- it wasn't a very
14 fruitful exercise because there are so many variable factors.

15 MR. BYRON WILLIAMS: The reason I ask, Mr.
16 Galenzoski, is I go back in history and I'm really going back
17 in history. I think in Board Order 162/93, at page 71, it
18 was recommended to the Corporation that it investigate and
19 develop solutions for benchmarking its statistics against
20 those of ICBC and SGI, in order to provide a more meaningful
21 comparison, and are you telling me that the data in TI-7 is
22 just not meaningful?

23 MR. BARRY GALENZOSKI: What I'm telling you
24 is that the data in TI-7 is from published information, and
25 that it's meaningful to the extent that it's, you know,

1 audited financial statements that this information comes
2 from, but that if you're going to try and draw conclusions to
3 compare one organization to the other, then it wouldn't be
4 meaningful.

5 MR. BYRON WILLIAMS: So in your view, there's
6 -- there's not a lot that can be gained from that analysis?

7 MR. BARRY GALENZOSKI: It just tells you what
8 growth is year over year, compared to the base year, but it
9 doesn't tell you the underlying factors. And -- and the
10 reason it doesn't is because we simply don't know what all
11 the underlying factors are.

12 MR. BYRON WILLIAMS: And you see no purpose
13 to attempting to redo what the Corporation was asked to do a
14 few years ago, and try and re-explore and try and
15 re-invigorate these benchmarks?

16 MR. BARRY GALENZOSKI: I believe that since
17 that order came out, we did have some discussions in this
18 forum, had talked about the difficulties in comparing data,
19 relying on confidential data from the various other Crowns,
20 ICBC and SGI specifically, and how that information is going
21 to be used in a public context.

22 Those Corporations weren't feeling comfortable
23 in providing that level of information. And so it becomes a
24 real difficult task to try and get to the common denominator.

25 MR. BYRON WILLIAMS: Might that have changed

1 now that ICBC is now subject to regulation in British
2 Columbia?

3 MR. BARRY GALENZOSKI: No, I don't believe
4 that it would have.

5 MR. BYRON WILLIAMS: So since -- has the
6 Corporation monitored its filings for the -- before the
7 Public Utilities Board for the purpose of determining whether
8 more of that information is now available?

9 MR. BARRY GALENZOSKI: ICBC is just in a
10 process of determining what information will be provided to
11 their Public -- or their equivalent to the Public Utilities
12 Board in BC. And they are, I think as I know it right now, a
13 fair distance from determining exactly what their application
14 is going to look like.

15 MS. MARILYN MCLAREN: Just further -- further
16 to that point, I think it's worth putting on the record that
17 the regulated portion of ICBC is much smaller than the
18 regulated portion here, with all the collision and
19 comprehensive coverages or optional coverages in British
20 Columbia.

21 So the only thing that's regulated are their
22 no-fault benefits and the third party liability components of
23 their program.

24 MR. BYRON WILLIAMS: Moving on to my last
25 area of inquiry, Mr. Chair, and I think where I'd like to

1 start, I'm going to have -- be referring to both Books of
2 Reference, but the very last tab of the Volume 1 of the Book
3 of References is something titled Manitoba Public Insurance
4 Corporate Expense Guidelines Preliminary 2004/05 Fiscal Year
5 Budget. Do you have that Mr. Galenzoski?

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

7 MR. BYRON WILLIAMS: Now I understand that
8 each year MPI prepares this doc -- a document like this. I
9 wonder if you can indicate when this document was prepared?

10 MR. BARRY GALENZOSKI: Yes, this document
11 would have been prepared in around the June, July time frame.
12 It's to provide some direction to various departments,
13 they're doing budgets as to what could be expected when
14 they're reviewing their expenses.

15 MR. BYRON WILLIAMS: June, July of which
16 year, Mr. Galenzoski?

17 MR. BARRY GALENZOSKI: That would have been
18 the previous year.

19 MR. BYRON WILLIAMS: So this would have been
20 provided in June, July of '03?

21 MR. BARRY GALENZOSKI: That's correct.

22 MR. BYRON WILLIAMS: And is it updated during
23 the course of the year?

24 MR. BARRY GALENZOSKI: No. These are
25 guidelines or one time guidelines that are provided to the

1 managers prior to doing their budgets.

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(BRIEF PAUSE)

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MR. BYRON WILLIAMS: I'm going to ask you now to keep that nearby, but also to turn to Volume 2 of the CAC Book of References and sadly you're going to have to do a bit of page flipping and I apologize for the lack of tabs.

But under the second tab about the third -- about ten (10) pages in, you'll come across Interrogatory PUB/MPI/First Round-15.

MR. BARRY GALENZOSKI: I have that.

MR. BYRON WILLIAMS: You'll see that this discusses the costs of statutory indexation related to PIPP for each year since 1994, is that right Mr. Galenzoski?

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

MR. BYRON WILLIAMS: And if we --- we go to the second column sets out kind of the expected CPI inflation and the third sets out the actual CPI inflation, is that right, sir?

MR. BARRY GALENZOSKI: That's right.

MR. BYRON WILLIAMS: And just -- if you can confirm for me that in the '03/04 year the expected was two point five (2.5) with the actual being one point five (1.5) and for the '04/05 the expected was 2 with the actual being

1 one point eight (1.8), is that right?

2 MR. BARRY GALENZOSKI: Yes, that's right.

3 MR. BYRON WILLIAMS: Now there's a note 'D'
4 with regard to the expected CPI for 2004/05 and I wonder if
5 you can confirm for me that the original projection was of 3
6 percent but it was subsequently revised down to 2 percent,
7 correct?

8 MR. BARRY GALENZOSKI: Yes.

9 MR. BYRON WILLIAMS: And in fact that was in
10 response to an express finding of the Public Utilities Board
11 in last year's Board Order 173/03, is that right, sir?

12 MR. BARRY GALENZOSKI: Do I have to admit to
13 that?

14 MR. BYRON WILLIAMS: If you would, I'd be
15 very grateful.

16 MR. BARRY GALENZOSKI: Yes, we considered
17 that and we revised it downwards.

18 MR. BYRON WILLIAMS: In fact that was --
19 you'll agree with me that in -- that was a major factor, that
20 finding in terms of CPI inflation, the downgrading from 3
21 percent to 2 percent was a factor in the Board revising the
22 -- what it -- the actuarially indicated rate of 4.3 percent
23 proposed by the Corporation and revising that downward to
24 about 3.7 percent, do you recall that, sir?

25 MR. BARRY GALENZOSKI: Yes, I do.

1 MR. BYRON WILLIAMS: In essence the PUB was
2 suggesting to you that your projections were a bit high on
3 CPI and that they should be reduced somewhat?

4 MR. BARRY GALENZOSKI: That's correct.

5 MR. BYRON WILLIAMS: Now I want to understand
6 and this was gone over last year but I -- I have to indicate
7 that I'm not quite sure about how it works. And in terms of
8 the indexation of PIPP, PIPP is indexed to CPI to provide a
9 coverage for claim recipients such that they're not going to
10 suffer by reduced coverage due to inflationary pressures. Is
11 that fair?

12 MR. BARRY GALENZOSKI: Yes, that would be
13 fair.

14 MR. BYRON WILLIAMS: What I'm trying to get
15 my head around is for the purposes of budgeting you do a
16 forecast of what the indexation will be, but my understanding
17 is that the actual payment to claimants is based on -- on the
18 actual CPI. Is that right?

19 MR. BARRY GALENZOSKI: Yes, that's exactly
20 how it would work.

21 MR. BYRON WILLIAMS: So, if I were receiving
22 PIPP benefits in -- index benefits in the 2004 year, would
23 that be based on the actual inflation for the 2004 year or
24 the 2003 year?

25 MR. BARRY GALENZOSKI: Well, depending on the

1 time of year, it would be based on -- on the benefit in place
2 at that time. We index annually on March 1, and so at that
3 point in time, the benefits increase for everybody.

4 MR. BYRON WILLIAMS: So for someone in the
5 '04/05 year, their indexation of PIPP benefits would be based
6 on the '03/04 -- actual CPI results of 1.5 percent. Is that
7 correct?

8 MR. BARRY GALENZOSKI: Right, based on -- on
9 the calendar year basis.

10 MR. BYRON WILLIAMS: Oh, on a calendar year
11 basis. So, for the '04/05 year, index benefits would have
12 risen by 1.5 percent. Correct?

13 MR. BARRY GALENZOSKI: Yes.

14 MR. BYRON WILLIAMS: I want to go back to --
15 to the budget -- 2004/05 budget guidelines that appear in --
16 in Volume I and that's the very last tab, Mr. Galenzoski,
17 specifically to page 1 of that. Do you have that, sir?

18 MR. BARRY GALENZOSKI: Yes, I do.

19 MR. BYRON WILLIAMS: And if I look under the
20 -- the table at -- near the top of the page, I see a
21 sentence:

22 "The total projected expenses for 2004/05
23 agree to the amount filed in the 2004/05
24 general rate application filed with the
25 Public Utilities Board in June 2003."

1 Is that right, sir?

2 MR. BARRY GALENZOSKI: Yes, that's correct.

3 MR. BYRON WILLIAMS: And so, I guess what I'm
4 -- I'm puzzled by is, if the Public Utilities Board told you
5 that your inflation assumptions were too high for the
6 purposes of setting your expenses, why you wouldn't revise
7 the budgetary guidelines accordingly to -- to go from 3
8 percent down to 2 percent.

9 MR. BARRY GALENZOSKI: I believe that the
10 PUB's order was reflecting of the claims inflation, not on
11 the expense costs that we were monitoring.

12 MR. BYRON WILLIAMS: But this budgetary
13 guideline was based upon an assumption of 3 percent
14 inflation. Correct?

15 MR. BARRY GALENZOSKI: No, no. It is not.

16 MR. BYRON WILLIAMS: Well, if I go to -- on a
17 couple of pages -- to the Claims and Operating Expenses, the
18 first paragraph, doesn't it say, at the very last sentence --
19 the line of that sentence, "Projected CPI increases of 3
20 percent?"

21 MR. BARRY GALENZOSKI: That was on some of
22 the expense items, but not on all of them.

23 MS. MARILYN MCLAREN: If we've got no other
24 basis to predict an increase we use CPI, so particularly --
25 so much of our overall expenses are tied to compensation and

1 other mechanism of exactly identifying what we expect the
2 increase to be. The impact of a reduction of assumption of 3
3 percent down to 2 percent would be really marginal overall
4 and we didn't go through that extra work effort.

5 MR. BYRON WILLIAMS: Now, just so I
6 understand though, inflation assumptions underlie most of
7 your forecasts. They may not be the -- the sole element, but
8 they're an important element of all your forecasts, aren't
9 they?

10 MR. BARRY GALENZOSKI: They're certainly
11 considered in all of our forecasting, yes.

12 MR. BYRON WILLIAMS: In terms of
13 compensation, once -- for those who are not subject to a
14 collective bargaining agreement -- once the -- the
15 Corporation was advised that its forecast in terms of
16 inflation was a bit high, were the compensation levels
17 forecast for those not subject to collective bargaining
18 agreement revised accordingly?

19 MR. BARRY GALENZOSKI: Well, no, they were --
20 they were as according to the collective bargaining
21 agreements themselves.

22 MR. BYRON WILLIAMS: But I'm talking about
23 those who aren't subject to collective bargaining agreements.

24 MR. BARRY GALENZOSKI: They tend to follow
25 the -- pretty much the ones that are subject to.

1 MR. BYRON WILLIAMS: So there's no discussion
2 if it turns out that CPI is lower than expected that those
3 would be adjusted?

4 MR. BARRY GALENZOSKI: No, not if there's a
5 specific amount in the -- in the Collective Agreement that
6 calls for CPI, or that calls for a certain increase. You've
7 got to remember in the last Collective Agreement that was
8 struck, the increases were specified ahead of time at 3
9 percent. And then the last year was based on COLA, which
10 came in at lower than CPI, lower than 3 percent, I should
11 say.

12 MR. BYRON WILLIAMS: Yes, and I'm just
13 speaking primarily of non-unionized employees.

14 Mr. Chairman, subject to the -- there's some
15 undertakings, and also some discussion with regards to driver
16 education, I believe that concludes my questioning.

17 THE CHAIRPERSON: Thank you, Mr. Williams.

18 MR. WALTER SARANCHUK: Mr. Chairman, just
19 before proceeding to the next Intervenor, there are some
20 follow-up questions that I have, just a couple of them,
21 pertaining to the documentation filed pursuant to the
22 undertakings as satisfied by MPI on Friday late.

23

24 RE-CROSS-EXAMINATION BY MR. WALTER SARANCHUK:

25 MR. WALTER SARANCHUK: And, in particular, I

1 have a question or two (2) relative to the Manitoba Health
2 Class Payment Agreement, and if we can just refer to that.
3 That was filed as MPI Exhibit Number 12.

4 MR. BARRY GALENZOSKI: I have that.

5 MR. WALTER SARANCHUK: And Mr. Galenzoski,
6 with respect to that Agreement, can you tell us what the cost
7 to MPI was for 2003/04 and what is the estimate for 2004/05?
8 Is that something you would have -- readily available or is
9 that something you would provide us after the noon hour? I
10 see there's a gentleman coming to -- assist you.

11 MR. BARRY GALENZOSKI: Yes. The cost for
12 '03/04 would be in around the eight point five (8.5) to \$9
13 million mark and the cost for '04/05 would be in about the
14 nine (9) -- \$9 million mark.

15 MR. WALTER SARANCHUK: Thank you, sir. Also,
16 with reference to page 10 of the Agreement, there is a
17 calculation of what is described as, The Adjusted Base Rate
18 for Vehicles. And that enters into the picture in terms of
19 determining the annual amount to be paid to Manitoba Health,
20 according to the methodology shown in Schedule 8 and nine (9)
21 through to eleven (11), of the Agreement.

22 And my question is: For the year with which
23 we are concerned, in this Application, 2005/2006, can you
24 give us an idea of what the adjusted base rate is per
25 vehicle?

1 MR. BARRY GALENZOSKI: Yes, that adjusted
2 base rate would be a little over ten dollars (\$10) per unit.

3 MR. WALTER SARANCHUK: Thank you. And for
4 2003/04?

5 MR. BARRY GALENZOSKI: For 2003/04 it was
6 just under ten dollars (\$10), at nine dollars and ninety
7 seven cents (\$9.97).

8 MR. WALTER SARANCHUK: And in terms of
9 arriving at those amounts, can you provide us with a
10 calculation along the lines shown on page 10 of the
11 Agreement?

12 MR. BARRY GALENZOSKI: Yes, we can.

13 MR. WALTER SARANCHUK: If you wouldn't mind
14 doing so, please. Can we have that undertaking?

15 MR. BARRY GALENZOSKI: Yes, you do.

16 MR. WALTER SARANCHUK: Thank you.

17

18 --- UNDERTAKING NO. 14: Calculation of adjusted base rate
19 per vehicle for '03/04, '04/05,
20 and '05/06.

21

22

23 MR. WALTER SARANCHUK: Have there been any
24 amendments to this Agreement?

25 MR. BARRY GALENZOSKI: Is that, pardon me,

1 for '03/04 and '04/05?

2 MR. WALTER SARANCHUK: Yes, please. And
3 '05/06.

4 MR. BARRY GALENZOSKI: Yes, we will do that.

5 MR. WALTER SARANCHUK: Thank you. And since
6 the inception of this Agreement, have there been any
7 amendments to it?

8 MR. BARRY GALENZOSKI: No, the Agreement is
9 as -- as it was filed with you. The only amendments relate
10 to the year over year calculations that are based on the
11 formulas in the information in this Agreement.

12 MR. WALTER SARANCHUK: So, this was filed
13 with the 1997 Rate Application to the Public Utilities Board,
14 this is, for the record, it can be confirmed that there have
15 been no amendments to it?

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

17 MR. WALTER SARANCHUK: Can you give us any
18 idea, in terms of bench marking, how the annual cost related
19 to the Provincial Health Department, compares to the
20 experience of ICBC or SGI or the insurer in Quebec?

21 MR. BARRY GALENZOSKI: No, we -- I don't have
22 that information.

23 MR. WALTER SARANCHUK: In terms of the basis
24 for the plan, is there a similar type of an arrangement in
25 Saskatchewan, for example?

1 MS. MARILYN MCLAREN: As far as I know, every
2 jurisdiction has a different basis. I think Saskatchewan is
3 reasonably similar, but I -- I wouldn't be in a position to
4 say exactly how similar, but -- but across the country there
5 are very, very different approaches to this matter.

6 MR. WALTER SARANCHUK: Is there more of a
7 similarity amongst the provincial -- sorry -- the public
8 health -- the public automobile insurers?

9 MR. BARRY GALENZOSKI: I'm told that Quebec
10 and Saskatchewan both have block of pay -- block payments
11 that they're making rather than on a per-unit basis such as
12 ours.

13 MS. MARILYN MCLAREN: Yeah, and ours, as
14 we've talked about, was really used -- was created to make
15 sure that the Provincial Department of Health didn't suffer
16 an unattended consequence of sort of lost revenue based on
17 the move to the no-fault system.

18 The system in -- in BC is still a direct
19 calculation on Tort-based claims only. That's all that they
20 pay in BC, so there are differences. Certainly on the basis,
21 ours had a similar basis to BC's before the move to no-fault.
22 The concept has remained the same, but because they're still
23 in a Tort jurisdiction, they still have a straight payment,
24 only on Tort claims; only on fault claims.

25 MR. WALTER SARANCHUK: Thank you, Ms.

1 McLaren. Those are all the questions we have arising out of
2 that document, sir.

3 THE CHAIRPERSON: And, Mr. Williams, we made
4 note of your -- the fact that you'll be back on again for a
5 little while when the answers come back.

6 Mr. Galenzoski, I've got one (1) question and
7 -- not looking for any particular detail on this, but just a
8 general sense. When the conversation was going on, Mr.
9 Williams was pursuing with respect to these comparisons with
10 MPI and ICBC, you made reference to the fact that the other
11 programs were, I think you said, taking down their financial
12 provisions.

13 Could you explain a bit?

14 MR. BARRY GALENZOSKI: Yes, on an actuarial
15 basis we determine our financial provisions. These are
16 provisions over and above the reserves that we set aside on a
17 case-by-case basis. And we do that -- we do that calculation
18 twice a year and those reports are -- are both filed with
19 this application.

20 The other -- the other Crowns would do
21 something similar to that. They're timing might be a little
22 bit different than ours. But in any event, what we've
23 observed over the last two (2) years, in Saskatchewan's case,
24 their two (2) previous completed fiscal periods -- and I'm
25 told of their current fiscal period they've taken down their

1 financial provisions by quite a bit of money.

2 In other words, they've reduced their -- their
3 -- what they think their exposure is on that side, and that
4 then falls to the bottom line as net income. And we've also
5 observed that through analysis of the financial reports from
6 ICBC, that they've had a similar occurrence happening in
7 their -- in their situation.

8 Now, again, you know, drawing a lot of
9 conclusions out of that isn't necessarily a good thing
10 either, because we believe that in MPI we have a stronger
11 case reserving process. In other words, we -- the adjustors
12 set aside what they think the cost of each and every claim's
13 going to be.

14 And it's only the -- the actual increase we're
15 going to see year over year on -- on the cost of those claims
16 which will eventually be recorded by the adjustors, but we
17 try to -- we try to cut that short and set it up as a
18 financial provision at the -- at an early stage. So we think
19 we're -- we're in a strong position on our case reserving,
20 whereas ICBC and SGI do a little bit more block reserving.

21 In other words, they don't specifically have
22 their adjustors, in all cases, identify what they think the
23 true cost of a claim is, they'll just put up for a certain
24 type of injury, a block amount of money. And -- and so it's
25 -- it's -- it's hard to tell whether the amount that they've

1 got in their financial provisions compares favourably to
2 ours. But we have observed them taking down that -- those
3 dollars over the last couple of years.

4 THE CHAIRPERSON: Is any of the taking down
5 related to assumptions related to the rate of interest, for
6 example?

7 MR. BARRY GALENZOSKI: I don't know what
8 their reasons are for doing that. Again, you'd have to get
9 right inside of their actuarial reports to be able to
10 determine that and we do not do that at this stage.

11 THE CHAIRPERSON: So, the long and short of
12 it then, there's -- you don't see any opportunity for a
13 similar move on -- with regard to yourselves?

14 MR. BARRY GALENZOSKI: No, in fact we've seen
15 a little bit of the reverse move in that we're putting more
16 up in financial provisions over the last couple of years.
17 They haven't been substantial amounts of money, but certainly
18 we're not moving downwards on that number.

19 THE CHAIRPERSON: Thank you, sir. I believe
20 now we move onto Mr. Oakes. Mr. Oakes, we're pretty close to
21 lunch. Do you prefer to begin now for a short period of time
22 or do you prefer to wait til we recommence?

23
24
25

(BRIEF PAUSE)

1 THE CHAIRPERSON: We're having a lot of
2 technical problems. Okay, then we'll come back at let's say
3 if it's all right with everyone at 1:15, instead of 1:30 ,
4 thank you.

5
6 --- Upon recessing at 11:45 a.m.
7 --- Upon resuming at 1:20 p.m.

8
9 THE CHAIRPERSON: The Coalition of Manitoba
10 Motorcycle Groups. Mr. Oakes.

11 MR. RAYMOND OAKES: Thank you, Mr. Chairman.
12 As a preliminary matter, I'd like first to introduce the
13 CMMG's resource person who is seated to my right and that's
14 Dr. Alister Hickson, who I believe is well-known to everyone
15 in this room.

16 Also at this time, over the lunch break, I had
17 distributed the CMMG Book of Materials for reference by way
18 of cross-examination and so I'd ask if Mr. Barron could make
19 that the next CMMG exhibit.

20 THE CHAIRPERSON: Mr. Barron?

21
22 --- EXHIBIT NO. CMMG-5: The CMMG Book of Materials

23
24 THE CHAIRPERSON: CMMG 5. Mr. McCulloch, do
25 you have any problems with this or subject to check? There's

1 a lot of material here.

2 MR. KEVIN MCCULLOCH: Right. And to my
3 recollection, the CAC/MSOS Book of -- of Documents was not
4 filed as an exhibit, it was merely presented as a -- an
5 easier tool to save people flipping back and forth. I -- I
6 would also presume that all of the information in this book
7 has already been introduced in the -- as an exhibit in -- in
8 the course of the Hearings. If I'm -- If I'm wrong, perhaps
9 Counsel can correct me.

10 MR. WALTER SARANCHUK: Perhaps I can assist,
11 Mr. Chairman. Very quickly, we did, on behalf of the Public
12 Utilities Board have our Book of Documents marked as an
13 exhibit, for ease of reference. CAC chose not to do so. Mr.
14 -- in fairness, Mr. Oakes asked me, and I suggested to him
15 that he might as well have it marked in the evidence just as
16 we did, but I didn't that that should make much of an issue.

17 THE CHAIRPERSON: Okay, so we'll mark it as
18 number 5 and then if Mr. McCulloch has any problems he can
19 raise them as we go along if you reach something that hasn't
20 been dealt with at one (1) point or another.

21 MR. RAYMOND OAKES: Just to be fair to Mr.
22 McCulloch, there are some materials that have not as yet been
23 filed and we can deal with them at that point.

24 THE CHAIRPERSON: That's fine.

25

1 CROSS-EXAMINATION BY MR. RAYMOND OAKES:

2 MR. RAYMOND OAKES: I propose to commence a
3 cross-examination by reviewing some of the points raised
4 during Mr. Saranchuk's cross-examination of Friday, that's
5 commencing at pages 497 of the transcript and I'll be asking
6 the Corporation's Witness with respect to calculation of
7 trends.

8 The first question being with respect to the
9 calculation of trends, how many years' data does the
10 Corporation usually use in its analysis?

11 MS. MARILYN MCLAREN: Are you referencing the
12 trends analysis at TI-7?

13 MR. RAYMOND OAKES: By way of example I could
14 indicate for, say, motor vehicle premium upgrades, that type
15 of thing. What does the Corporation use generally?

16

17 (BRIEF PAUSE)

18

19 MS. MARILYN MCLAREN: Time frames used are --
20 are situational. With respect to vehicle upgrade, the
21 information contained in AI-15 goes back ten (10) years.

22 MR. RAYMOND OAKES: And how about in the
23 calculation of rates?

24 MS. MARILYN MCLAREN: Claims costs, historic
25 claim costs used to predict future costs are averaged over

1 five (5) years with the exception of serious losses which are
2 averaged over at this point in time ten (10) years because we
3 have ten (10) years. Expect that will continue to be
4 averaged for greater than that as we develop history.

5 MR. RAYMOND OAKES: If I could refer you at
6 this juncture to the motorcycle risk study report filed by
7 the Corporation as AI-16. I'm looking at, specifically, page
8 3 of that report.

9 MS. DENYSE COTE: Mr. Oakes, is that in the
10 Book of Documents?

11 MR. RAYMOND OAKES: I'm afraid it isn't.

12 MS. MARILYN MCLAREN: Yes.

13

14 CONTINUED BY MR. RAYMOND OAKES:

15 MR. RAYMOND OAKES: Page 3 follows the large
16 banner on page 2 that in bold and large letters says
17 "Motorcycles are inherently risky." We won't deal with that
18 at this point as obvious the Corporation was keeping that
19 visible.

20 And instead we're looking at the next page, at
21 the top of page 3 where it indicates claim for a thousand
22 (1000) units. Can you advise why the Corporation used only
23 four (4) years instead of five (5) with respect to that
24 claims information?

25 MS. MARILYN MCLAREN: One (1) of the -- the

1 things that we were looking at and attempting to learn more
2 about, was the impact of body style. So that's one (1) year
3 -- one (1) reason we have limited the historic information in
4 this particular case.

5 MR. RAYMOND OAKES: But that top table deals
6 only with motorcycles and with private passenger in
7 indicating the differences between those two (2) classes of
8 automobiles.

9 Isn't that correct?

10 MS. MARILYN MCLAREN: Yes, that's right.
11 There's -- there's no specific methodological reason for
12 limiting it to four (4) years in this particular analysis at
13 the top of page 3.

14 MR. RAYMOND OAKES: And if the Corporation
15 had other years of data available, perhaps you could just
16 first confirm that they in fact had other years of data
17 available to them to demonstrate in this particular table?

18 MS. MARILYN MCLAREN: Yes, the data would
19 have gone back further in time.

20 MR. RAYMOND OAKES: And the average increase
21 for motorcycles shown in that particular table is 5.3
22 percent, is that correct?

23 MS. MARILYN MCLAREN: Yes.

24 MR. RAYMOND OAKES: And if the Corporation
25 had have used its additional data, how would that have

1 changed the cumulative increase of 5.3 percent shown there?

2 MS. MARILYN MCLAREN: It depends on what the
3 data would have been. We don't have that here in front of
4 us.

5 MR. RAYMOND OAKES: If I could ask you to
6 page further down then to Page 7 of that same report and the
7 first table that you find at Page 7. It indicates using the
8 seven (7) years of data that the frequency percentage change
9 instead of a positive 5.3 percent would have been negative
10 5.8 percent. Is that correct?

11 MS. MARILYN MCLAREN: No, the minus 5.8
12 percent is only '03 compared to '02.

13 MR. RAYMOND OAKES: I stand corrected on
14 that, but if you perform the averages, I think that you'll
15 find that the change is 2.9 percent, roughly half of the 5.3
16 percent that you attempted to demonstrate at page 3. Are you
17 able to verify that?

18 MS. MARILYN MCLAREN: We've got three (3)
19 more years here. No, you've got four (4) more years here. I
20 mean, the increases in those four (4) years is 23 percent,
21 while the decreases are 8 percent, so I'm not sure that it
22 would actually mitigate the increase as significantly as you
23 suggested, no.

24 MR. RAYMOND OAKES: Well, perhaps we could
25 take a few minutes or I could proceed with some other

1 questions while somebody in your back row calculates that the
2 percentage increase was only 2.9 percent as opposed to the
3 5.3 percent that you attempted to demonstrate at Page 3.

4 MS. MARILYN MCLAREN: Well, we can do that
5 calculation, but what it shows is over four (4) years it was,
6 in fact, 5.3.

7 MR. RAYMOND OAKES: But the reason that you
8 used four (4) years instead of all the available data that
9 you had was in an attempt to justify a conclusion that you
10 had made and show the motorcycle experience in the worst
11 possible light.

12 MS. MARILYN MCLAREN: I'm not prepared to
13 agree to that, no.

14 MR. RAYMOND OAKES: Ms. McLaren, with respect
15 to the size of the motorcycle pool, would you regard it as a
16 small pool of insured?

17 MS. MARILYN MCLAREN: Yes, it's certainly
18 smaller compared to most vehicles owned by individual
19 motorists. It certainly isn't the smallest pool.

20 MR. RAYMOND OAKES: Less than 1 percent of
21 private passenger?

22 MS. MARILYN MCLAREN: It's less than 1
23 percent of the pool overall.

24 MR. RAYMOND OAKES: I'll accept that. And
25 it's smaller today than it was twenty (20) years ago?

1 MS. MARILYN MCLAREN: Yes.

2 MR. RAYMOND OAKES: Looking at the B section
3 of the report, which is found at Page 6 of AI-16, can you
4 confirm that the average number of units of motorcycles for
5 2003 increased about three hundred (300) units and
6 approximately five hundred (500) units the prior year?

7 MS. MARILYN MCLAREN: Yes.

8 MR. RAYMOND OAKES: And how many new units,
9 in just round numbers, were added to the private passenger
10 class during those two (2) years?

11 MS. MARILYN MCLAREN: About ten thousand
12 (10,000) between '01 and '02 and maybe twelve thousand
13 (12,000) the following year.

14 MR. RAYMOND OAKES: How did MPI arrive at the
15 calculation of the motorcycle units?

16

17 (BRIEF PAUSE)

18

19 MS. MARILYN MCLAREN: It's the count of the
20 units for the riding season, which is five (5) months, times
21 twelve-fifths.

22 MR. RAYMOND OAKES: And was there any
23 particular process that the Corporation used to verify that
24 calculation?

25 MS. MARILYN MCLAREN: To verify the math of

1 the calculation or verify whether that's an appropriate way
2 to come up with earned units?

3 MR. RAYMOND OAKES: Well, for instance, to
4 compare it to the unit count at different times in the year
5 or to compare it to the information available on motorcycle
6 registrations through DVL. Is there any method that you use
7 to check the calculation?

8 MS. MARILYN MCLAREN: Because it's the riding
9 season, and because we have the actual registrations, in the
10 computer processing systems, that that works out to the
11 actual earned motorcycle units.

12 MR. RAYMOND OAKES: Ms. McLaren, how do we
13 know that they are correct in the system?

14 MS. MARILYN MCLAREN: Through any of the
15 mechanisms through which the Corporation ensures the
16 integrity of its system overall. We identify policies, we
17 identify registrations, all the different types of
18 registrations, we have audit processes every time we make a
19 change to the system.

20 I'm not sure what you're suggesting might
21 possibly be erroneous in terms of whether or not the number
22 of motorcycles registered in the Province is right or not.

23 MR. RAYMOND OAKES: Ms. McLaren,
24 specifically, I understand that with respect to the
25 calculation of the number of dealer plates that there was

1 data errors with respect to those calculations, how do we
2 know that we don't have the same calculation errors with
3 respect to the number of motorcycle units?

4 MS. MARILYN MCLAREN: Well, the nature of the
5 error with respect to failure to identify all claims arising
6 from the use of -- the use of dealer plates, is a
7 fundamentally different issue at stake with respect to
8 registering vehicles.

9 The issue around dealer plates was explained
10 earlier in the proceedings and on the front end part of the
11 operating systems, Autopac on-line and so on, there are
12 checks and balances in place to make sure that stickers and
13 plates handed out to customers and the revenue associated
14 with those transactions, balances back to the financial
15 statements and balances back to the actual registration
16 counts as recorded.

17 MR. RAYMOND OAKES: We will have some
18 questions relative to the counts for motorcycles later in
19 this cross-examination.

20 At this time, I would like to ask Ms. McLaren:
21 Does the Corporation have any data that compares the growth
22 of the motorcycle fleet in Manitoba relative to other
23 jurisdictions?

24
25

(BRIEF PAUSE)

1

2 MS. MARILYN MCLAREN: I have some information
3 in front of me from the Motorcycle and Moped Industry Counsel
4 that talks about motorcycle registrations by Province. So,
5 yes, I have some information available about the growth in
6 motorcycles here compared to other jurisdictions.

7

8 MR. RAYMOND OAKES: In, would that be
9 material that was filed by the Presenter, Mr. Bob Ramsey,
10 last year, in these Hearings?

11

12 MS. MARILYN MCLAREN: No, we took this
13 directly from the Motorcycle Moped Industry Counsel Website.

14

15 MR. RAYMOND OAKES: Perhaps we could get the
16 Corporation to file that at the next break as an exhibit.

17

18 --- EXHIBIT NO. MPI-9: Information from the Motorcycle
19 and Moped Industry Counsel
20 regarding motorcycle
21 registrations by Province.

22

23 MR. RAYMOND OAKES: At this time, based on
24 the calculations that were ongoing, can we come back to that
25 issue of motorcycle claims frequency and the average over the
26 seven (7) years of data?

27

28 MS. MARILYN MCLAREN: If you take the number
29 of claims in 2003 and compare that back to the three hundred

1 and eighteen (318) in 1996 and average it year to year, it's
2 2.7 percent per year, yes.

3 MR. RAYMOND OAKES: And how about private
4 passenger?

5 MS. MARILYN MCLAREN: No, we haven't done
6 that as we're sitting here this afternoon, no.

7 MR. RAYMOND OAKES: I wonder if you could
8 file that as an Undertaking, please?

9 MS. MARILYN MCLAREN: Yes, we'll take that as
10 an undertaking.

11

12 --- UNDERTAKING NO. 15: Provide a calculation of Private
13 passenger claims frequencies and the
14 average over the seven (7) years of data.

15

16 MR. RAYMOND OAKES: Thank you.

17 MS. MARILYN MCLAREN: Just moving through
18 AI-16 to page 8, there's a table showing engine displacement
19 changes for motorcycles, do you have that, Ms. McLaren?

20 MS. MARILYN MCLAREN: Yes, I do.

21 MR. RAYMOND OAKES: And how does engine
22 displacement enter into motorcycles rates?

23 MS. MARILYN MCLAREN: Within the
24 Corporation's classification system the larger the engine
25 size, the higher the rate. These are not particularly

1 reflective of the classification system, though, that we've
2 used here.

3 MR. RAYMOND OAKES: I'm not sure I understood
4 the second part of your answer. Can you tell me, are you
5 saying that engine displacement relates to the risk
6 characteristics of the vehicle?

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

8 MR. RAYMOND OAKES: And the other vehicle
9 specific characteristic is declared value?

10 MS. MARILYN MCLAREN: Yes.

11 MR. RAYMOND OAKES: And the two (2) combined
12 reflect a vehicle risk for motorcycles in the Corporation's
13 view?

14 MS. MARILYN MCLAREN: That calculates the
15 rate group, yes. Body style is another factor in terms of
16 vehicle risk.

17 MR. RAYMOND OAKES: And what would the
18 equivalents be for private passenger vehicles?

19 MS. MARILYN MCLAREN: CLEAR rate groups.

20 MR. RAYMOND OAKES: And from your experience,
21 is the Corporation assuming that the trend to increase engine
22 size is unique to motorcycles or is increases in power also
23 happening to cars and light trucks?

24 MS. MARILYN MCLAREN: We're not drawing any
25 conclusions in that regard.

1 MR. RAYMOND OAKES: Now, Ms. McLaren, you
2 came to some interesting conclusions at page 506 of the
3 transcript and at that point, and I'm going to read from the
4 transcript and it says -- and in answer to a question about
5 the apparent trend of moving to higher value motorcycles,
6 your response was, yes, at the bottom of page 8.

7 "I think it increases the cost of the pool
8 for vehicle damage, certainly when units
9 are of higher value. I also think there's
10 an impact that I don't know how we would
11 ever measure.

12 But I believe that there is certainly a
13 greater likelihood if someone has a
14 motorcycle sitting in the garage that's
15 worth twenty-five thousand dollars
16 (\$25,000) they are probably going to be
17 significantly more inclined to use it on a
18 regular basis than one that might be worth
19 three (3) or four thousand dollars
20 (\$4000)."

21 Does the Corporation have any evidence at all
22 with respect to an assumption like that?

23 MS. MARILYN MCLAREN: No. And I think I
24 already stated that in the first part of the transcript that
25 you read.

1 MR. RAYMOND OAKES: Are there other
2 assumptions in the evidence that aren't based on any fact?

3 MS. MARILYN MCLAREN: Only those that would
4 -- have previously been identified as such.

5 MR. RAYMOND OAKES: Now with respect to
6 engine displacement, are you aware that same may bear no
7 relation at all to the vehicles horsepower?

8 MS. MARILYN MCLAREN: That's possible, yes.

9 MR. RAYMOND OAKES: And in fact some of the
10 higher horsepower engines and sport bikes may be a small six
11 hundred and fifty (650) cc?

12 MS. MARILYN MCLAREN: Yes, absolutely. As a
13 matter of fact one of the things that we did learn also is
14 that there virtually are -- are very few sport bikes larger
15 than seven hundred and fifty (750) cc's and pretty much none
16 larger than a thousand (1000) cc's.

17 So clearly when we -- we know that there's not
18 a direct relationship solely, with no other factors
19 considered, between size and accidents because we know sport
20 bikes have the worst experience, they're not the biggest
21 bikes.

22 MR. RAYMOND OAKES: So when the Corporation
23 uses engine displacement and value with respect to evaluating
24 and quantifying risk characteristics of the vehicle, they're
25 in fact using inaccurate measurements?

1 MS. MARILYN MCLAREN: No. I wouldn't agree
2 with that at all. And when we talk about attempting to
3 categorize vehicle risk for motorcycles, clearly we -- we
4 said that body style is a huge factor as well.

5 MR. RAYMOND OAKES: Well we'll get to talking
6 about the amount of data that that conclusion was based on.

7 At this time I'd like to talk about the rate
8 line group discussion that you had with Mr. Saranchuk on
9 Friday and in terms of the data used to calculate the rate
10 line, how many years of data were used?

11 MS. MARILYN MCLAREN: Do you have a reference
12 handy? I think it's five (5) years, but I would want to
13 confirm that based on your reference if you have one (1).

14 MR. RAYMOND OAKES: I'm not sure that there
15 was one (1). We're just taking these questions from Friday's
16 transcript.

17 MS. MARILYN MCLAREN: Okay. I believe it's
18 five (5) years, but we will confirm that before the -- likely
19 before the end of your cross-examination.

20 MR. RAYMOND OAKES: And in terms of the --
21 the serious losses, how are they treated? Are they
22 eliminated?

23
24
25

(BRIEF PAUSE)

1 MS. MARILYN MCLAREN: No, the rate line
2 calculation itself is based on the vehicle damage claims. We
3 did the analysis and we've discussed this previously in this
4 forum, that there is really no relationship between the cost
5 of an injury claim and the value -- and the -- the rate group
6 of the motorcycle, so the injury claims, which in this -- for
7 motorcycles, constitutes eighty (80) -- over 80 percent of
8 the total cost is a flat amount per rate group; that's why
9 the rate line is as flat as it is for motorcycles.

10 So the line was calculated, I believe, using
11 five (5) years -- and using five (5) years of vehicle damage
12 claims with an amount added on an equal basis for every rate
13 group for PIPP claims, third party liability --

14 MR. RAYMOND OAKES: Would you -- would you
15 agree with me that that line would be either higher or lower
16 depending on whether it included the serious losses on a per
17 unit basis?

18 MS. MARILYN MCLAREN: The rate line is just a
19 -- a relative risk calculation. It -- it demonstrates the
20 relative risk of a motorcycle insured rate group 0 compared
21 to one (1) insured in rate group nine (9) and everything in
22 between.

23 So, when the PIPP costs are random across all
24 rate groups, it's not going to have an impact on that, no.
25

1 (BRIEF PAUSE)

2

3 MR. RAYMOND OAKES: I wonder whether I can --
4 are -- are you saying that it's on an average basis, then,
5 that's the amount of injury cost claims that you're relating
6 back to each group within that rate line?

7 MS. MARILYN MCLAREN: What we did is identify
8 the PIPP costs per rate group and analysed it. One (1) of
9 the things that we did is we -- we graphed it and it was all
10 over the map. They -- they -- the PIPP costs would go up and
11 down by rate group at random.

12 We then averaged -- we tried to create a -- a
13 fitted line, for example, for PIPP costs and the line that
14 was created was flat. So, now we know that the PIPP costs do
15 not vary in any kind of predictable way by rate group.

16 MR. RAYMOND OAKES: Have you filed this graph
17 that was created?

18

19 (BRIEF PAUSE)

20

21 MS. MARILYN MCLAREN: One (1) of our
22 responses to one (1) of your information requests indicated
23 that it was a -- a flat amount added to each rate group.
24 CMMG/MPI-1-34 spells that out. Whether or not we filed the
25 actual graph that I talked a few moments ago in prior

1 proceedings I'm not sure, but this information was shared
2 with you in round 1, August 9th, 1-34.

3 MR. RAYMOND OAKES: And that's the table
4 entitled, "Motorcycle Collision Diagnostics"?

5 MS. MARILYN MCLAREN: Yes, with the
6 commentary in A -- Part A of the response, saying:

7 "The curve used was a flat amount for non-
8 collision claims plus collision costs
9 of..."

10 Then the calculation goes on, yes.

11

12 (BRIEF PAUSE)

13

14 MR. RAYMOND OAKES: I'd ask the Corporation
15 to file not only the graph that it indicates that it used,
16 but also the data which it calculates it. The answer to 1-34
17 includes no data whatsoever.

18 MS. MARILYN MCLAREN: Yes, we can do that,
19 but in the meantime, I would draw your attention to -- I
20 think it is Page 2 of 3, which is the PIPP Diagnostics and if
21 you look into the second group there of information,
22 Regression Statistics where it talks about the R square
23 (phonetic), that number, I'm told, it -- really what this is,
24 is a calculation of goodness of fit and if there was a good
25 fit of the data, you know, per rate group, it would look like

1 it was a lot closer to one point zero (1.0). This really
2 shows there -- there is no goodness of fit. We'll provide
3 the information as an undertaking.

4

5 --- UNDERTAKING NO. 16: Corporation to file not only the
6 graph that it indicates that it used in 1-
7 34, but also the data which it calculates
8 it.

9

10 MR. RAYMOND OAKES: And, Ms. McLaren, are you
11 able to confirm whether the calculations were done on the
12 basis of four (4) years of data?

13 MS. MARILYN MCLAREN: Yes, we will be able to
14 confirm that.

15 MR. RAYMOND OAKES: Moving on to some of the
16 discussions last Friday about sport bikes on Page 12 of AI-
17 16, the questioning revolved around the greater percent of
18 time the sport bikes were liable for an accident in relation
19 to other vehicles. Do you recall that, Ms. McLaren?

20 MS. MARILYN MCLAREN: Yes.

21 MR. RAYMOND OAKES: Out of curiosity, how
22 many claims are we talking about with respect to the sport
23 bike data represented in the table found at Page 12?

24 MS. MARILYN MCLAREN: The table at the bottom
25 of Page 12 shows there's five hundred and nine (509)

1 accidents involving sport bikes, 322 percent (sic) of which
2 the motor -- the sport bike motorcyclist was 50 percent at
3 fault or more.

4 MR. RAYMOND OAKES: And that was over how
5 many years?

6 MS. MARILYN MCLAREN: Three (3) years of
7 data.

8 MR. RAYMOND OAKES: And so on annual basis
9 could you advise how many accidents we're talking about?

10 MS. MARILYN MCLAREN: Well, approximately a
11 hundred (100) per year, but it seems to me that their
12 experience was a little better in '03 than it was in '01 and
13 '02, but I'm -- I'm going from memory on that.

14 MR. RAYMOND OAKES: So the Corporation's made
15 these conclusions on the basis of one hundred (100) accidents
16 a year?

17 MS. MARILYN MCLAREN: I'm told it's closer to
18 a hundred and fifty (150).

19 MR. RAYMOND OAKES: And you're adopting that
20 answer?

21 MS. MARILYN MCLAREN: Yes, and I -- I would
22 like to point out that in terms of conclusions or
23 determination of any action arising out of this -- this
24 study, the Corporation has not done that. This is just the
25 information.

1 Whenever we've provided the information within
2 -- for a particular period of time, we've stated the period
3 of time -- at this point this is data. It's just data and
4 information. It's -- it's not conclusions and no actions have
5 been determined based on it.

6 MR. RAYMOND OAKES: That would be despite the
7 bold headings of "Motorcycles are inherently dangerous" or
8 "Sports style motorcycles have unique risk characteristics?"

9 MS. MARILYN MCLAREN: Yes. And -- and we
10 knew those statements to be true before we did the risk study
11 this year.

12 MR. RAYMOND OAKES: So you had the answers
13 that you wanted before you did the research. Is that what
14 you're saying?

15 MS. MARILYN MCLAREN: The research wasn't
16 intended to find out if motorcycles were inherent, really
17 risky or if sport bikes presented unique characteristics.

18 MR. RAYMOND OAKES: And the reason for your
19 -- your recent statements about the limitations of the data
20 is really because there isn't sufficient data represented
21 here to make conclusions relative to the experience?

22 MS. MARILYN MCLAREN: No. I wouldn't say
23 that. I think this needs more work to decide what we should
24 do with the information. For example, when we looked at some
25 of the information about declared value categories, some of

1 that data is extremely sparse. Some of the units in each of
2 those cells is very, very small.

3 So before we decide on an action resulting
4 from this information, we have more work to do.

5 MR. RAYMOND OAKES: And with respect to the
6 sport bikes over this three (3) years of data, how many
7 insured units would we be talking about?

8

9 (BRIEF PAUSE)

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11 MS. MARILYN MCLAREN: A little more than a
12 thousand (1000) insured units per year. It's at page 10 of
13 the Motorcycle Risk Study when we look at the claims
14 frequency by body style since 2001, we see that we've got
15 thirty-three eighty-six (3386) units over that period of
16 time.

17 MR. RAYMOND OAKES: And how does the
18 Corporation determine that a bike is a sport bike?

19 MS. MARILYN MCLAREN: By categorization
20 initially provided to us by the Vehicle Information Centre of
21 Canada several years ago when we first established the
22 differentials. I think that was in the year 2000 as part of
23 the 2001 Application I believe.

24 MR. RAYMOND OAKES: And is the Corporation's
25 computer system designed to ensure that vehicles, as per that

1 VICC list, are insured as sport bikes?

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(BRIEF PAUSE)

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MS. MARILYN MCLAREN: Yeah. The Corporation's vehicle registration insurance processing system slots a particular motorcycle as a sport bike when the make, model is one (1) of those on the list initially provided by the ICC.

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MR. RAYMOND OAKES: Last Friday as well, the Corporation reviewed with PUB Counsel, it's information request answer to PUB-2-23 which is at Volume 37 of the PUB Book of Documents. I wonder if you could place that in front of you, please.

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MS. MARILYN MCLAREN: Yes, I have that.

MR. RAYMOND OAKES: And I wonder if you can confirm for me, Ms. McLaren, in general terms, insurance premiums don't work this way. The Corporation doesn't look at its aggregate earnings or losses, year to year, with a view to keeping track and calculating a rate, based on its loss or gains over the past years.

23

24

25

MS. MARILYN MCLAREN: Right. And we don't set rates for the future on a retrospective basis like that.

MR. RAYMOND OAKES: On page 521 of the transcript, there's a discussion of private -- that private

1 passenger rates would have received a cumulative decrease of
2 12.1 percent, but instead received an increase of some 2.8
3 percent.

4 I wonder if you could just explain the factors
5 that played into that?

6 MS. MARILYN MCLAREN: I believe the
7 discussion was around the fact that if the Corporation had
8 applied the indicated rate changes to the private passenger
9 group over that period of time, they would have received a
10 cumulative decrease, about 15 percent less than they are
11 today.

12 MR. RAYMOND OAKES: And that would be for the
13 period 1990 to 2003, so I wonder if your mathematicians could
14 just calculate what that would be on an annual basis?

15 MS. MARILYN MCLAREN: Roughly 1 percent a
16 year, a little bit better maybe.

17 MR. RAYMOND OAKES: And in dollar terms per
18 unit, what would that be in dollar terms, in average dollar
19 terms per unit?

20 MS. MARILYN MCLAREN: Private passenger,
21 probably around seven dollars (\$7), seven dollars and fifty
22 cents (\$7.50) per unit.

23 MR. RAYMOND OAKES: So, the price of a --

24 MS. MARILYN MCLAREN: Per year, per year.

25 MR. RAYMOND OAKES: -- the price of a couple

1 of lattes at the corner coffee shop?

2 MS. MARILYN MCLAREN: Okay.

3 MR. RAYMOND OAKES: I seem to recall from
4 Friday's evidence, and it always seems in these Hearings,
5 that even the last time we met seems that a number of --
6 large amount of time drags on. But I seem to recall that
7 there was some indication from the Corporation that the
8 effect of this particular table was somewhat exaggerated
9 because of the fact that the Corporation usually doesn't earn
10 100 percent of the premium base each year?

11 MS. MARILYN MCLAREN: The implied required
12 premiums is somewhat over stated, because we actually
13 returned closer to a dollar in claims payments per premium
14 earned, rather than the eighty-five cents, which is the
15 Corporation's minimum target.

16 MR. RAYMOND OAKES: And from time to time,
17 there's been situations where the Corporation could have
18 reduced rates on average for private passenger vehicles, but
19 chose not to, for example, when it was felt that a certain
20 level of profit was not material; do you recall that?

21 MS. MARILYN MCLAREN: Yes.

22 MR. RAYMOND OAKES: And some of those
23 foregone rate decreases for private passenger over the last
24 number of years might have been in the 2 to 3 percent range;
25 do you recall that?

1 MS. MARILYN MCLAREN: Offhand that seems
2 high. Generally speaking, we would be talking about a break-
3 even range that would be, I would suggest, closer to a
4 maximum of 2 percent.

5 MR. RAYMOND OAKES: So, given that 1 percent
6 was about seven (7) bucks, 2 percent then, fourteen dollars
7 (\$14)?

8 MS. MARILYN MCLAREN: Okay.

9 MR. RAYMOND OAKES: And I'm speaking on a per
10 vehicle private passenger calculation.

11 MS. MARILYN MCLAREN: Yes.

12 MR. RAYMOND OAKES: With respect to TI-20, I
13 wanted to ask some questions relative to territory and
14 insurance use relativities. To make sure that I understand
15 it, territory relativity is a measure of the claims costs in
16 one (1) territory to another territory; is that correct?

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

18 MR. RAYMOND OAKES: Okay. So, on an example,
19 if territory relativity for Territory 1 is one point two
20 (1.2) and Territory 2 is one (1), that means that claims
21 costs are higher in Territory 1 than Territory 2 by about 20
22 percent; would that be correct?

23 MS. MARILYN MCLAREN: Yes.

24 MR. RAYMOND OAKES: And then these -- this
25 factor would be used to calculate the rates for each

1 territory and for the use?

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

3 MR. RAYMOND OAKES: Now, on Friday, a comment
4 was made in the course of cross-examination regarding a farm
5 truck from Brandon colliding with a sedan from Winnipeg and
6 the injury cost charged on a first party basis to each
7 vehicle.

8 Do you recall that?

9 MS. MARILYN MCLAREN: Suppose the farm truck
10 was 100 percent at fault and costs were a hundred thousand
11 dollars (\$100,000) to injured persons in the truck and \$1
12 million to the occupants of the sedan from Winnipeg for a
13 total of one million one hundred thousand (1,100,000). For
14 Territory 1, would the costs included in determining
15 Territory 1 rates be \$1 million dollars?

16 MS. MARILYN MCLAREN: Yes.

17 MR. RAYMOND OAKES: And then for Brandon,
18 which is Territory 2, the costs would be one hundred thousand
19 dollars (\$100,000) included in determining Territory 2 rates.

20 MS. MARILYN MCLAREN: Yes.

21 MR. RAYMOND OAKES: When determining
22 territory relativities as used in the Application, would the
23 \$1 million in costs go to Territory 1 and one hundred
24 thousand (100,000) in Territory 2, even though Territory 1's
25 driver was not responsible?

1 MS. MARILYN MCLAREN: Yes.

2 MR. RAYMOND OAKES: So then the rates at the
3 territory level would be lower in Territory 2 than would be
4 the cases if the losses were assigned on a responsibility
5 basis. And rates in Territory 1 would be higher than if
6 losses were assigned on a responsibility loss -- basis?

7 MS. MARILYN MCLAREN: Yes, that's true. And
8 if I can go back, now -- excuse me -- the calculation of the
9 motorcycle rate line -- we used eight (8) years of data.

10 MR. RAYMOND OAKES: I thank you for that.
11 So, getting back to our example, so even though persons in
12 Winnipeg, in this particular accident where the farm truck
13 was 100 percent at fault -- even though persons in Winnipeg
14 made no choices or were not to blame for this accident, under
15 the system you just described, they would pay more because of
16 that accident?

17 MS. MARILYN MCLAREN: I'm not sure that you
18 can say they made no choices that affected the cost of that
19 claim.

20 MR. RAYMOND OAKES: Certainly on a fault
21 basis, they didn't have any acts that resulted in that
22 accident?

23 MS. MARILYN MCLAREN: The cost of that claim
24 could significantly have been affected by the choice of
25 vehicle. It -- the likelihood of the claim occurring in the

1 first place could very have been affected by the fact that
2 you know vehicles in Territory 1 are going to be involved in
3 more claims than Territory 2.

4 So there are choices involved -- significant
5 choices on all four (4) factors of the classification system.
6 Did the driver of the vehicle in the sedan likely make any
7 choices that directly resulted in being hit by the farm
8 truck? Probably not, since it was 100 percent/0 percent
9 liability determination in your example. But there are other
10 choices.

11 MR. RAYMOND OAKES: Just change the example
12 slightly, they're both Pontiac Sunfires. How does that
13 affect the fact that the persons in Territory 1 from Winnipeg
14 are paying more because of that accident?

15 MS. MARILYN MCLAREN: As I said, the choices
16 involved that particular day in relation to that particular
17 incident, there probably was nothing that the person from
18 Territory 1 decided on. Even if the two (2) vehicles were
19 the same, I can tell you that the claims frequency for farm
20 trucks is lower than all-purpose passenger vehicles in
21 Territory 1.

22 So with respect to how frequently you put
23 yourself on the highway or on the roadway at risk for
24 collision, that again, it still is a choice.

25 MR. RAYMOND OAKES: Would you agree with me,

1 Ms. McLaren -- you probably won't, but -- that there'd be no
2 deterrent or a pretty minimal deterrent factor on residents
3 of Territory 2 since the rates really aren't affected even
4 though, in that example, the Territory 2 resident was at
5 fault?

6 MS. MARILYN MCLAREN: No, I wouldn't agree
7 with you, as you suggested.

8 MR. RAYMOND OAKES: Just moving to the
9 consideration on Friday of loss transfer, in Ontario, Ms.
10 McLaren, when loss transfer was adopted, I understand that
11 there significant changes made to the insurance system at
12 that time.

13 Can you just indicate them briefly?

14 MS. MARILYN MCLAREN: Yes, I believe at that
15 -- I believe the loss transfer situation happened when
16 Ontario made the first move from largely a fairly small first
17 party accident benefits in a Tort environment to a -- a
18 threshold, no fault system.

19 MR. RAYMOND OAKES: And under Tort, third
20 party liability losses transfer to the responsible party as a
21 part of the normal claims handling process, is that correct?

22 MS. MARILYN MCLAREN: Yes.

23 MR. RAYMOND OAKES: And Tort claims are a
24 significant component of insurance rates?

25 MS. MARILYN MCLAREN: In Tort environments,

1 yes.

2 MR. RAYMOND OAKES: And Tort -- Tort claims
3 would include things like accident benefits which is a large
4 driver of our rates here today, isn't that correct?

5 MS. MARILYN MCLAREN: No. The accident
6 benefits are first party coverage, wherever you are. And to
7 my knowledge Tort settlements third party liability
8 settlements would be net of accident benefit payments
9 received by the individual from his own insurance company.
10 So the Tort settlement would be net of accident benefits.

11 MR. RAYMOND OAKES: But it would be based on
12 the income loss, isn't that correct? The Tort settlement
13 would include likely a significant income loss in most cases?

14 MS. MARILYN MCLAREN: It would -- it would
15 include consideration for future or past lost income beyond
16 what that individual's own first party benefits would have
17 compensated him for.

18 MR. RAYMOND OAKES: And currently under the
19 no-fault regime, people are compensated for their income loss
20 as well?

21 MS. MARILYN MCLAREN: Yes.

22 MR. RAYMOND OAKES: And the Ontario loss
23 transfer addressed two (2) inequities. One (1) was relative
24 to the damage caused by commercial trucks and the other one
25 was related to loss transfer for motorcycles. Are you aware

1 of...?

2 MS. MARILYN MCLAREN: There were two (2)
3 special considerations provided for in the Ontario situation,
4 yes. One (1) was for commercial trucks, one (1) was for
5 motorcycles.

6 MR. RAYMOND OAKES: And your evidence last
7 Friday, is that -- that the -- just give me a second I'll
8 refer to the exact wording and make sure I don't misstate
9 your evidence.

10

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(BRIEF PAUSE)

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MR. RAYMOND OAKES: The reference is page 526
of the transcript. And the reference is:

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"There was an arrangement that motorcycle
claims costs would be transferred to the
at-fault party if there was someone else at
fault for that motorcycle. And that was
basically the information we have from our
consulting actuary who provided the
analysis and was directly involved in that
process, was simply a political process
where that was the outcome."

24

25

Can you advise on what basis or what evidence
you have for that statement?

1 MS. MARILYN MCLAREN: The material provided
2 by our consulting actuary that was submitted as part of the
3 proceedings last year at the Corporation's AI-16 which has
4 been re-circulated again this year.

5 MR. RAYMOND OAKES: So, just to take a look
6 at the accuracy of those comments, your comment at line 19 at
7 page 526, part of the quote that I've just read, was that the
8 actuary who provided the analysis and was directly involved
9 in that process.

10 In your Mr. Christie's (phonetic) report that
11 you've just referred to, he indicates he was, instead of
12 directly involved, he says he was peripherally involved in
13 the drafting of various parts of the Ontario Legislation.
14 So, perhaps were you mistaken?

15 MS. MARILYN MCLAREN: He was there, he was
16 part of the process. And he -- he was part of the process
17 and that's why I chose the word "directly." I think he --
18 I'll leave it at that.

19 MR. RAYMOND OAKES: And of course there's a
20 number of other Actuaries who were directly involved in that
21 process, including Joe Cheng, who has provided actuarial
22 reports through the CMMG to this Board, and the gentleman
23 who's appearing before this Board on Thursday, a Mr. Hani
24 Rafi (phonetic), were also directly involved with respect to
25 the implementation of the last transfer in Ontario; isn't

1 that correct?

2 MS. MARILYN MCLAREN: I don't know the exact
3 involvement of any of those people. I believe that at least
4 a couple of them were certainly involved, I'm -- not in a
5 position to compare the word direct with peripheral in that
6 situation.

7 MR. RAYMOND OAKES: You would agree with me
8 from having read Mr. Cheng's report to this Board and having
9 read the more recent report of Mr. Rafi, filed with this
10 Board this year, that the conclusions of those gentlemen draw
11 with respect to the issue of loss transfer, considerably
12 different than the conclusions Mr. Christie apparently holds?

13 MS. MARILYN MCLAREN: Yes.

14 MR. RAYMOND OAKES: And referring to Mr.
15 Christie's report, he talks about the necessity of the loss
16 transfer in the Commercial Vehicle Decision. I just want to
17 read from his report, and this is page 4 of his report:

18 "I was not directly involved in the
19 Commercial Vehicle Decision but at the time
20 there had been a rash of incidents
21 involving wheels coming loose from tractor-
22 trailer rigs and killing or injuring other
23 drivers. It is my understanding is that
24 this rule was imposed so that large trucks
25 would be forced to pay for injuries they

1 were likely to cause innocent occupants of
2 private passenger cars."

3 Do you recall that?

4 MS. MARILYN MCLAREN: Yes, that's the
5 quotation.

6 MR. RAYMOND OAKES: And that would be
7 justification for loss transfer, such as used in Ontario?

8 MS. MARILYN MCLAREN: I think it's stated as
9 one (1) of the considerations. I'm not -- if you're asking
10 me to say whether I think that justifies a particular
11 Decision on Ontario, I'm not in a position to do that.

12 MR. RAYMOND OAKES: Certainly it would
13 justify the use of loss transfer on the basis of that
14 statement in Manitoba; isn't that correct?

15 MS. MARILYN MCLAREN: No.

16 MR. RAYMOND OAKES: And why not?

17 MS. MARILYN MCLAREN: My -- for all the
18 reasons the Corporation has previously stated, it believes
19 its approach to rate making, which does not utilize loss
20 transfer, is more appropriate.

21 MR. RAYMOND OAKES: So, you're telling me and
22 telling this Board that you don't believe that large trucks
23 should be forced to pay for injuries they cause innocent
24 occupants of private passenger vehicles?

25 MS. MARILYN MCLAREN: Right.

1 MR. RAYMOND OAKES: Moving on, then, can you
2 explain by -- what the Corporation means by the term,
3 "Insurance risk profile?"

4 MS. MARILYN MCLAREN: Do you have a
5 reference?

6 MR. RAYMOND OAKES: I'm afraid I don't at
7 this point, I believe it was used on Friday. If you're not
8 familiar with the term, that's fine, we can move on.

9 MS. MARILYN MCLAREN: Insurers' attempt to
10 classify risks, the output of that classification process
11 could be described as a risk profile.

12 MR. RAYMOND OAKES: And how about the term,
13 "Rate volatility?"

14 MS. MARILYN MCLAREN: The extent to which a
15 particular rate varies considerably from year to year.

16 MR. RAYMOND OAKES: Does the Corporation have
17 any statistical evidence that loss transfer would result in
18 additional rate volatility?

19 MS. MARILYN MCLAREN: I think the evidence
20 filed, again, it was distributed this year, filed last year
21 at AI-16 shows that there would be significant rate changes
22 under that scenario as compare to the present scenario.

23 MR. RAYMOND OAKES: That wouldn't be
24 volatility would it? That would be a change in rates on a
25 one time basis reflecting a different system being used.

1 MS. MARILYN MCLAREN: I'm sorry, could you
2 repeat the question?

3 MR. RAYMOND OAKES: Certainly. A change in
4 rate as a result of an adoption of a new regime or system
5 wouldn't be rate volatility would it? Because rate
6 volatility is rates going up one year and down the next and
7 fluctuate.

8 MS. MARILYN MCLAREN: No. That's right and
9 we have not repeated full comprehensive analysis of the -- of
10 the impact of a lost transfer method in more than the one
11 year that we did last year. So, no.

12 MR. RAYMOND OAKES: And you haven't done it
13 all in terms of rate volatility?

14 MS. MARILYN MCLAREN: Because of my previous
15 answer. We have not repeated the massive work undertaken
16 last year. You'd have to do that in multiple years to
17 retrospectively assess the ongoing likelihood of rate
18 volatility.

19 MR. RAYMOND OAKES: Ms. McLaren, in a torte
20 jurisdiction such as Alberta in terms of injury claims, would
21 the largest portion of costs be third party injury claims?

22 MS. MARILYN MCLAREN: Yes.

23 MR. RAYMOND OAKES: And would you agree by
24 the very nature of the torte system the costs from these
25 claims are transferred on a responsibility basis between the

1 parties involved in an accident?

2 MS. MARILYN MCLAREN: Yes.

3 MR. RAYMOND OAKES: Does the Corporation
4 possess any evidence the rates in Alberta are more volatile
5 than in Manitoba?

6 MS. MARILYN MCLAREN: They've certainly been
7 increasing an awful lot faster. Double digit year over year.

8 MR. RAYMOND OAKES: And that increase
9 wouldn't be characterized as volatility if it's been
10 increasing year over year, would it?

11 MS. MARILYN MCLAREN: Right.

12 MR. RAYMOND OAKES: Just -- with some
13 questions relative to credibility arising out of Friday's
14 examination and then we can end the skirmishes and go onto
15 the major campaigns of the war. With respect to credibility
16 the process in simple terms basically and I know we'll move
17 from those simple terms, the good doctor to my right will
18 ensure it.

19 But the process basically is you determine the
20 credibility then determine the complement and then the two
21 (2) are combined to determine the value, in this case the
22 rate adjustments. Is that a correct statement?

23 MS. MARILYN MCLAREN: Yes.

24 MR. RAYMOND OAKES: And is there an actuarial
25 standard of practice related to the selection of the

1 complement?

2 MS. MARILYN MCLAREN: There's not in Canada.
3 There -- there may be such a standard from the actuarial
4 standards board in the US and we will check on that.

5 MR. RAYMOND OAKES: How does the Corporation
6 go about selecting what the complement is?

7

8 (BRIEF PAUSE)

9

10 MS. MARILYN MCLAREN: We made that decision
11 once, many years ago, I think about ten (10) years ago.
12 We've consistently proceeded with the decisions made at that
13 time. So it -- it's not a decision that we revisit every
14 year. And the decision really is based on -- on looking at
15 what we have available and what we think is particularly
16 appropriate to our circumstances.

17 For example, the complement that we use is the
18 overall rate requirement for the overall change required for
19 the motorist -- the insured vehicles in Manitoba. Another
20 complement could be national rate indicators but we wouldn't
21 believe that would be appropriate to Manitoba.

22 So the complement that we've used here is the
23 overall rate change required for all vehicles insured in the
24 Basic compulsory program in Manitoba.

25 MR. RAYMOND OAKES: If someone chose a

1 different approach to credibility, there would be no
2 particular problem in finding a complement to an alternative
3 method of credibility. Is that correct?

4

5

(BRIEF PAUSE)

6

7

8 MS. MARILYN MCLAREN: I think there are other
9 sources of the complement that -- that could be used, but I
10 think it's really encumbent on the body -- you -- you know --
11 making those decisions to be able to defend its choices as
12 appropriate in its circumstances.

13

14

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17 MR. RAYMOND OAKES: Last point on the
18 questions based on last Friday's evidence, reference was made
19 on Friday to Quebec. Can you give a brief background on how
20 premiums are assessed on -- in Quebec?

21

22

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26 MS. MARILYN MCLAREN: They have a --a rate, I
27 believe it's a flat rate that's charged for private passenger
28 vehicles. They have a different higher flat rate that's
29 charged for motorcycles. I'm not sure what else you want me
30 to elaborate on, if anything specific.

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36 MR. RAYMOND OAKES: My understanding is, the
37 premium is charged on the driver's licence. Is that correct?

38

39

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42 MS. MARILYN MCLAREN: Yes, they also charge a
43 premium on driver's licence, but not solely. They have a fee
44 attached to the vehicle registrations.

1 MR. RAYMOND OAKES: Can the Corporation
2 indicate what the difference in dollar terms would be between
3 the rates charged motorcycle licence drivers and the --
4 compared to those who have just the driver's passenger ...

5 MS. MARILYN MCLAREN: We'd have to check on
6 the driver premium. I think the private passenger premium
7 right now is a hundred and seven dollars (\$107), the
8 motorcycle premium is about two hundred and eighty dollars
9 (\$280). We'll have to check on the driver premiums.

10 MR. RAYMOND OAKES: If you would, thank you.
11 Going to look at the first tab in the CMMG Book of Documents.

12

13

(BRIEF PAUSE)

14

15 MR. RAYMOND OAKES: In -- one (1) of the
16 references in that first tab of documents is TI-2 and that's
17 at Page 2 of the tab documents. Can you indicate how the
18 Corporation uses the row that it titles -- entitles, "Applied
19 for Change". How do you use -- how does the Corporation use
20 that particular row?

21 MS. MARILYN MCLAREN: Yes, I'll do that, but
22 just before I do that, I -- I would like to put on the record
23 that in Quebec the driver licence premium is twenty-three
24 dollars (\$23).

25

MR. RAYMOND OAKES: And for -- that's for

1 private passenger. How much for motorcycles?

2 MS. MARILYN MCLAREN: Driver licence premiums
3 don't vary by what class of driver licence you have. So it's
4 twenty-three dollars (\$23) for every driver. I believe they
5 also have either accident or demerit point additional
6 premiums, but that -- that's not based on the type of vehicle
7 someone's qualified to operate.

8 The applied for change is really a -- a direct
9 reflection of the required change with the opportunity
10 anytime the Corporation -- for example, I think there was one
11 (1) year where the required rate change was minus .2 percent,
12 but the Corporation applied for no change, so it really just
13 is intended to reflect any differences between the required
14 calculated rate change and the applied for.

15 MR. RAYMOND OAKES: But that isn't the rate
16 that the Corporation actually applies to this Board for?

17 MS. MARILYN MCLAREN: No, no. That's before
18 any credibility weighting or -- or balancing, that's simply
19 an opportunity for us to disclose any situation where we
20 might be applying -- fundamentally applying for something
21 different that was actuarially indicated.

22 MR. RAYMOND OAKES: And the required rate
23 adjustment, based on the Corporation's assumption in this
24 Rate Application, is the adjustment described as credibility
25 weighted change; isn't that correct?

1 MS. MARILYN MCLAREN: Credibility --
2 credibility weighted change balanced, and that, again, though
3 still it's applied for, but still before any of the capping
4 that would take place amongst any of the different insurance
5 use/territory combinations.

6 MR. RAYMOND OAKES: In terms of the rows
7 indicated, though, the one that really matters to the rate is
8 the credibility weighted change?

9 MS. MARILYN MCLAREN: Credibility weighted
10 change balanced, the bottom line.

11 MR. RAYMOND OAKES: And if that credibility
12 weighted change is inaccurate, then rates will not be
13 reflective of the risk; would you agree with that?

14 MS. MARILYN MCLAREN: Yes.

15 MR. RAYMOND OAKES: Moving to the second tab
16 then, the reference being CMMG Interrogatory 2-68, I wonder
17 if the Corporation would just confirm the response, is the
18 correct interpretation of the last statement as follows:

19 "This is the correct experience adjustment
20 for motorcycles..."

21 And the underlined part being:

22 "Based on the assumptions made by the
23 Corporation in its Application."

24 Do you see that, Ms. McLaren?

25 MS. MARILYN MCLAREN: Yes, I see that. And

1 the Corporation response was yes.

2 MR. RAYMOND OAKES: And can you elaborate on
3 the assumptions the Corporation does make then, in terms of
4 calculating rates?

5

6

(BRIEF PAUSE)

7

8 MS. MARILYN MCLAREN: There's an awful lot of
9 assumptions, several binders full of assumptions. The
10 assumptions are as, you know, we talked with Mr. Williams
11 earlier, there's assumptions about CPI, there's assumptions
12 about the extent to which future experience will be a
13 reflection of past experience, the credibility weighting
14 process is a strategy adopted by the Corporation on a
15 consistent basis. There's -- I'm not so sure that
16 assumptions as opposed to a particular methodology that's
17 been selected and established.

18 MR. RAYMOND OAKES: Would a different set of
19 assumptions likely lead to different rates?

20 MS. MARILYN MCLAREN: I think that's a fair
21 assumption.

22 MR. RAYMOND OAKES: And in terms of
23 materiality, given all the assumptions and calculations in
24 the Application, what would the Corporation consider as a
25 material dollar range around the average premium?

1 MS. MARILYN MCLAREN: Are you talking about
2 the pool as a whole? Are you talking about smaller groups
3 within the pool? Are you, you know, I mean, everything that
4 we do is an attempt to predict a future cost. Every year the
5 costs are in some fashion different than we predict. So, I'm
6 not sure specifically what you're focussing on in that
7 question.

8 MR. RAYMOND OAKES: I'd be satisfied with you
9 answering that question in relation to private passenger.
10 What's the material dollar range around the average premium
11 as a result of those assumptions and calculations that the
12 Corporation would consider immaterial?

13

14

(BRIEF PAUSE)

15

16 MS. MARILYN MCLAREN: If you're looking for
17 an indication of how significant the differences would be
18 based on different assumptions, we could have a look at TI-2
19 for the three (3) approaches to rate making. The linear, the
20 exponential, the financial forecast, have different stated --
21 stated different assumptions within those forecasts. And you
22 can see how those assumptions play out in different results
23 through those different pages of TI-2.

24

25

If you're saying at what point do I believe
the differences are material, I'm having -- having trouble

1 figuring out how best to answer that because every year we
2 just try to go forward into the future.

3 Again, we don't spend a lot of time going back
4 to say, you know, was -- I mean it's like all the discussions
5 that we have, everything we do is about forecasts and
6 projections and nothing is known until well down the road by
7 which time we're looking forward again.

8 So in terms of material there are significant
9 differences I think. Certainly the differences between the
10 linear, exponential, financial, I would say those differences
11 are material. Some in more years than others. So I mean,
12 you -- you can look at those differences but I'm not sure
13 that's what you're trying to get at I guess.

14 MR. RAYMOND OAKES: Perhaps by way of example
15 and I -- I don't think we're asking about the difference
16 between the three (3) different methods because that doesn't
17 take into account all the assumptions that we just talked
18 about.

19 But by way of example, if we look at TI-2 and
20 the average rate without rate change for -- overall would be
21 seven hundred and thirty-three dollars (\$733) calculated on
22 -- on this particular financial forecasting method used by
23 the Corporation.

24 If that number, for example, was seven hundred
25 and thirty-seven dollars (\$737), would the Corporation apply

1 to change rates based on that or would it consider that four
2 bucks (\$4), based on that premium isn't a material change as
3 a result of all the assumptions that the Corporation uses?

4 MS. MARILYN MCLAREN: No. Four dollars (\$4)
5 on seven hundred and thirty-three (733) wouldn't be material.

6 MR. RAYMOND OAKES: So do you have a feel for
7 what number would be material on that example?

8 MS. MARILYN MCLAREN: I think something that
9 would be in excess of ten dollars (\$10).

10 MR. RAYMOND OAKES: Thank you for that. Mr.
11 Chairman, we're going to shift gears a little bit. We're
12 going to look at some other jurisdictions. I presume the
13 Board will let me know when it would like to take breaks.

14 Moving to Tab 3 then and looking at the rate
15 levels compared with rates in other jurisdictions and the
16 reference, the first one being CMMG 2-74. Ms. McLaren, could
17 you confirm for me the rates for compulsory motorcycle
18 coverage in Saskatchewan are approximately 40 percent lower
19 than in Manitoba?

20 MS. MARILYN MCLAREN: Subject to check, yes.

21 MR. RAYMOND OAKES: And on the same basis,
22 could you agree that rates for compulsory coverage in Ontario
23 are about 5 percent lower than in Manitoba?

24 MS. MARILYN MCLAREN: Are you looking at the
25 scenarios on the second page of that response which says

1 Ontario 1?

2 MR. RAYMOND OAKES: That's correct.

3 MS. MARILYN MCLAREN: It looks a bit lower --
4 they look a bit lower than -- more low than 5 percent lower
5 to me.

6 MR. RAYMOND OAKES: I'll accept that. And if
7 you continue paging along to page 7 of those tabbed
8 documents, and I believe that this is an excerpt from the
9 Corporations's annual report. Would you agree with me that
10 it indicates that passenger vehicle rates are much higher in
11 Ontario than in Manitoba?

12 MS. MARILYN MCLAREN: That's Page 7 of Tab 3?

13 MR. RAYMOND OAKES: That's correct.

14 MS. MARILYN MCLAREN: Private passenger --
15 private passenger rates tend to be lower in Manitoba than
16 elsewhere; was that your position? Yes, that's true.

17 MR. RAYMOND OAKES: And specifically, with
18 respect to Ontario, passenger vehicles are some four (4) to
19 six (6) times higher -- more expensive to insure in Ontario
20 than in Manitoba?

21 MS. MARILYN MCLAREN: Yes, but this table or
22 this map, in relation to the coverages that we were looking
23 at a minute or two ago, these are not a comparison of
24 compulsory coverages elsewhere in Canada.

25 It's a particular scenario priced out across

1 the country so the Ontario rates that we looked at for
2 motorcycles, I believe was the compulsory coverage. This is
3 well beyond that on this page.

4 MR. RAYMOND OAKES: Has the Corporation
5 investigated that huge dichotomy of rates, though, where
6 motorcycle rates are lower in Ontario than Manitoba, yet
7 their private passengers are several times higher?

8 MS. MARILYN MCLAREN: I'm not sure that you'd
9 see those same differences if you priced out the full set of
10 coverages in Ontario. You're comparing apples and oranges
11 there.

12 MR. RAYMOND OAKES: You're not telling me
13 that motorcycle rates are higher in Ontario than Manitoba?

14 MS. MARILYN MCLAREN: Some times they are,
15 yeah. Maybe not in every case, but sometimes they are, for
16 sure.

17 MR. RAYMOND OAKES: For the three (3)
18 companies in Alberta the average rate is eighty (80) to 90
19 percent lower in Alberta than in Manitoba.

20 MS. MARILYN MCLAREN: Again, now we're at
21 your page number 5 -- the second page of CMMG 2-74? Is that
22 your reference?

23 MR. RAYMOND OAKES: That's correct.

24 MS. MARILYN MCLAREN: Again, this table
25 showing the rates that you say are -- are up to 90 percent

1 lower than those in Manitoba are extremely limited accident
2 benefit coverages. These are the compulsory coverages as are
3 the costs here in Manitoba, but the coverages themselves are
4 significantly different.

5 MR. RAYMOND OAKES: But the same pattern
6 exists. Again, Alberta -- the private passenger rates are
7 higher than Manitoba and yet the motorcycle insurance is
8 cheaper than Manitoba. Would you agree with me the same
9 pattern exhibits itself again?

10 MS. MARILYN MCLAREN: That the rates are
11 higher --

12 MR. RAYMOND OAKES: For motorcycle insurance
13 in Alberta and yet private passenger rates --

14 MS. MARILYN MCLAREN: Motorcycle rates are
15 higher in Manitoba than they are in Alberta in this example
16 which talks about compulsory coverages. The map that we
17 looked at is a price comparison of a particular scenario of a
18 fully insured vehicle.

19 The differences between the accident benefits
20 available in Alberta compared to what's available here, is
21 directly what leads to the difference in cost in Alberta
22 compared to here for the table that you've got here on your
23 numbered page 5.

24 For example, access to medical coverage is
25 limited to a hundred thousand dollars (\$100,000) in Alberta.

1 Income replacement is limited to about ten thousand dollars
2 (\$10,000) a year for a maximum of two (2) years -- radical
3 differences between that scenario and Manitoba.

4 MR. RAYMOND OAKES: In Alberta and Ontario
5 losses again are allocated on the basis of fault. Is that
6 correct?

7 MS. MARILYN MCLAREN: Yeah. In Alberta, the
8 majority of a motorcyclist's injury compensation is dependent
9 on the fact that there was somebody else involved, that that
10 person was identified, that that person was then held at
11 fault, and then that that person had adequate coverage to
12 compensate that person's injuries. That's the scenario in
13 Alberta.

14 MR. RAYMOND OAKES: And Saskatchewan has a
15 choice, I understand. You can elect to either go no-fault or
16 tort.

17 MS. MARILYN MCLAREN: Yes, that's true.

18 MR. RAYMOND OAKES: Based on your experience,
19 do you understand that companies in other Provinces offer
20 multi-vehicle discounts if you insured more than one (1)
21 vehicle with the company?

22 MS. MARILYN MCLAREN: Yes, some insurers in
23 some jurisdictions have that practice.

24 MR. RAYMOND OAKES: And Manitoba does not, I
25 understand?

1 MS. MARILYN MCLAREN: Manitoba Public
2 Insurance doesn't do that, no.

3 MR. RAYMOND OAKES: Now I do understand that
4 Manitoba has a program for multi-vehicle discounts, where
5 private passenger vehicles can insure one vehicle in a higher
6 rated insurance use and a second at a reduced rate; is that
7 correct?

8 MS. MARILYN MCLAREN: No, that's not quite
9 correct. I certainly wouldn't categorize what we do in that
10 scenario as a multi-vehicle discount.

11 If a particular Manitoban has two vehicles,
12 one is insured as all purpose and one is insured as pleasure,
13 if the highest -- if the vehicle with the highest rate group
14 is insured as all purpose, that individual has the
15 opportunity to use the second vehicle to travel to work if
16 the first vehicle, the all purpose rated vehicle, is not used
17 for that purpose that same day.

18 All that does is save someone the bother of
19 backing one car out of the driveway before they take the all
20 purpose insured vehicle off to work.

21 So, there's no discount implied there and we
22 still have two (2) vehicles, where only one (1) is used for
23 work, properly insured, and both are rated according to the
24 normal published rate group, and -- and approved rates for
25 both of those vehicles.

1 MR. RAYMOND OAKES: And the second vehicle in
2 that example, would be insured as a pleasure vehicle and
3 receive a reduced premium?

4 MS. MARILYN MCLAREN: Yes, I think I
5 explained that. One is all purpose, one is pleasure, that's
6 the only scenario where that works.

7 MR. RAYMOND OAKES: Okay. And does that
8 example work where the insured owns a private passenger and
9 the second vehicle is a motorcycle?

10 MS. MARILYN MCLAREN: No, it doesn't work
11 where the one vehicle is a truck and the other one is a
12 passenger vehicle either. It's just a private passenger
13 vehicle situation that's been in existence at Manitoba Public
14 Insurance as long as I can remember.

15 MR. RAYMOND OAKES: For that period of time
16 then, the Corporation has been discriminating against
17 motorcyclists; would you agree with that?

18 MS. MARILYN MCLAREN: No.

19 MR. RAYMOND OAKES: Well, I'll ask you
20 specifically. According to CMMG Interrogatory 1-39 and the
21 Response therein, the Corporation says that 80.68 percent of
22 motorcyclists also own a second passenger vehicle or light
23 truck. And given that high proportion, why are they not
24 allowed to participate in this particular program?

25 MS. MARILYN MCLAREN: This program, first of

1 all, assumes that the individual has a vehicle insured as
2 pleasure, and one insured as all purpose, the higher rated
3 vehicle, it is the one that needs to be an all purpose.
4 Motorcycle insurance is based so that all vehicles are in
5 that all purpose category. There isn't a pleasure category
6 for motorcycles.

7 MR. RAYMOND OAKES: So, in the situation
8 where a gentleman insures his motorcycle, could he then
9 insure his car as a pleasure and then drive that to work in
10 substitution for his motorcycle?

11 MS. MARILYN MCLAREN: The provision that
12 we're talking about is for private passenger vehicles, not
13 trucks, not motorcycles, not commercial vehicles, not taxis,
14 just private passenger vehicles that are either all purpose
15 or pleasure.

16 MR. RAYMOND OAKES: Moving, then, to the --

17 THE CHAIRPERSON: Mr. Oakes, perhaps we will
18 take advantage of that little break and we will have the
19 break. We will come back at 3:00.

20 MR. RAYMOND OAKES: Thank you.

21

22 --- Upon recessing at 2:47 p.m.

23 --- Upon resuming at 3:03 p.m.

24

25 THE CHAIRPERSON: Okay. Welcome back. We

1 have another fifty-five (55) minutes. Mr. Oakes?

2 MR. RAYMOND OAKES: Thank you, Mr. Chairman.

3

4

5 CONTINUED BY MR. RAYMOND OAKES:

6 MR. RAYMOND OAKES: If I could direct the
7 Corporation witnesses to Tab 5 and looking at the answer to
8 the question posed in CMMG/MPI Interrogatory 1-71, and the
9 question was: Please provide the disadvantages of
10 considering claim costs on a first-party basis for rate
11 setting? If you could provide the Corporation's answer,
12 please, Ms. McLaren?

13 MS. MARILYN MCLAREN: As stated in Volume 3,
14 Part 2, AI-16, page 1 of the 2004 General Rate Application,
15 the Corporation knows of no substantive disadvantages to this
16 approach.

17 MR. RAYMOND OAKES: And just to illustrate
18 what the CMMG indicates is a substantive disadvantage, I'd
19 like to illustrate it by way of an example, it's similar to
20 an other example: In this case, a large five-ton commercial
21 truck goes through a red light and runs into a Dodge Caravan.
22 For the purposes of the example, let us suppose there is a
23 million dollars in PIPP costs for injuries to occupants of
24 the minivan.

25 Can I ask whether those costs would be

1 assigned to the rating category for the truck or to the
2 minivan?

3 MS. MARILYN MCLAREN: Minivan.

4 MR. RAYMOND OAKES: So even though the mini
5 van is not at fault, the costs affect its rates?

6 MS. MARILYN MCLAREN: Yes.

7 MR. RAYMOND OAKES: On the basis of fairness
8 and equity, would it not be fair that the costs of the five-
9 ton truck were responsible for, were assigned to its class,
10 in this case, the commercial class?

11 MS. MARILYN MCLAREN: No.

12 MR. RAYMOND OAKES: And why not?

13 MS. MARILYN MCLAREN: Because the principles
14 of rate-making that the Corporation relies on and believes
15 in, uses four (4) methods to classify risk. Driver behaviour
16 is just one (1) of them. And it doesn't make sense that we
17 allocate costs based on one (1) factor and one (1) factor
18 only. If you're going to assign costs for rate-making, based
19 on fault, why have the other three (3) categories?

20 I think at the end of the day, we could just
21 simply have those at fault pay the cost of their claims and
22 we wouldn't need insurance.

23 MR. RAYMOND OAKES: And the same situation
24 would happen where there's two sedans, one (1) insured as
25 all-purpose, the other as pleasure, the all-purpose sedan

1 runs through a red light, hits the pleasure sedan. The costs
2 would be charged to the, if there's \$2 million in injuries to
3 the occupants of the pleasure sedan, those costs would be
4 charged to the pleasure use and not to all purpose?

5 MS. MARILYN MCLAREN: Yes.

6 MR. RAYMOND OAKES: Ms. McLaren, I believe
7 part of your justification was set out in relation to an
8 example, talking about farm trucks, and the sedan, that's at
9 page 525 of Friday's transcript. I'm just going to read from
10 that record, your answer, it says:

11 "To do this, really allows people as much
12 as possible to make conscious, informed
13 decisions about the risks that they are
14 prepared to assume when they use the
15 roadway and particularly from our
16 perspective, there -- they can make very
17 informed decisions, have a great deal of
18 control about the costs of insurance."

19 We've heard that for a number of years from
20 you; is that correct?

21 MS. MARILYN MCLAREN: Yes.

22 MR. RAYMOND OAKES: So, you are familiar with
23 a popular small car, the Sunfire or the Cavalier, it's a
24 smaller car that's inexpensive to buy, operate, and insure?

25 MS. MARILYN MCLAREN: Yes.

1 MR. RAYMOND OAKES: And it's a smaller car
2 than most on the road. Would you agree with me that people
3 buying that car have no ability to predict if they are going
4 to be in an accident with a larger vehicle or not?

5 MS. MARILYN MCLAREN: I think you suggested
6 that it is one (1) of the smaller vehicles on the road. So I
7 think it would be fair to assume that if it's involved in a
8 crash, it is likely to be with a larger vehicle?

9 MR. RAYMOND OAKES: And, yet, it's
10 inexpensive to buy, operate, and insure?

11 MS. MARILYN MCLAREN: Okay.

12 MR. RAYMOND OAKES: So, that's contrary to
13 your argument that people can make a conscious, informed
14 decision about the risks that they're going to insure,
15 because it's attractive to buy this inexpensive, and operate
16 this inexpensive vehicle?

17 MS. MARILYN MCLAREN: With respect to the
18 component of someone's decision to buy a Cavalier in your
19 example, one (1) of the considerations may be the cost of
20 insurance. And what many Manitobans do, they -- they compare
21 the relative cost of insurance amongst a number of different
22 make, model, model year vehicles in -- before they make that
23 decision to purchase.

24 So while there are some vehicles that are more
25 expensive to insure than a Cavalier, there's other vehicles

1 that are less expensive to insure as well.

2 MR. RAYMOND OAKES: And the fact that it's a
3 very small vehicle and likely to be in an accident with a
4 larger vehicles hasn't slowed people from buying the Sunfires
5 and Cavaliers, they're one (1) of the most popular vehicles
6 to purchase?

7 MS. MARILYN MCLAREN: Yes. The fact may be
8 though that there are -- are similar sized vehicles of a
9 similar make, model, model year that would have different
10 rate groups, different costs of insurance. So the ability
11 for people to make decisions that I was talking about the
12 other day is giving people the ability to assess the relative
13 cost of insurance, the relative risk of different vehicles.

14 And I think to do that it's appropriate to
15 think in terms of similar make, model, model year then you
16 start comparing the cost of insurance. On that basis I'm not
17 sure whether similar make, model, model year vehicles,
18 Cavalier would be less expensive or most expensive.

19 MR. RAYMOND OAKES: Really, Ms. McLaren,
20 there's a real lack of predictability because no matter what
21 we're driving, there's always a larger vehicle somewhere out
22 on the roadway, isn't there? If I'm driving a suburban and
23 there's five (5) ton concrete trucks?

24 MS. MARILYN MCLAREN: Yes. That's true. That
25 doesn't mean that there is an inability to predict your cost

1 of insurance or the ability to make decisions about the
2 relative risk of the vehicle you choose.

3

4

(BRIEF PAUSE)

5

6

MR. RAYMOND OAKES: Looking at the
7 determination of fault, Ms. McLaren, I'm going to jump into
8 Tab 6 of the CMMG List of Documents and looking at CMMG
9 Interrogatory 2-14 which will be at the 14th page in that
10 volume. How does the Corporation insure that fault is
11 consistently determined by its staff?

12

MS. MARILYN MCLAREN: Starting with staff
13 training continuing on through monitoring of individual staff
14 performance. And concluding with the opportunity for any
15 customer who challenges the Corporation's determination of
16 fault to take it outside the company to an independent body
17 for adjudication.

18

MR. RAYMOND OAKES: Am I correct in
19 understanding that the Corporation though, has no definition
20 as to assign fault as to the assi -- assignation of fault, if
21 you will.

22

MR. WILF BEDARD: Mr. Oakes, I'm not sure I
23 understood that -- that question. If you could repeat that,
24 please?

25

MR. RAYMOND OAKES: Ms. McLaren talked about

1 training for the adjusting staff. Is it true that there's no
2 definition as to -- to be consistently applied by its staff
3 as to whe -- what constitutes being at fault?

4 MR. WILF BEDARD: If you're asking if we have
5 definitive fault charts, we do not. Some jurisdictions do
6 have such ways of determining liability. We do not, we look
7 at each individual case. We do look at past precedent rules
8 of the road common sense. Those types of things.

9 We assess liability on the investigation, the
10 outcomes of each loss that we investigate. And based on the
11 expertise of the adjusters, they make those decisions.

12 MR. RAYMOND OAKES: You'll agree with me that
13 there's considerable variation in what one (1) individual
14 calls common sense and what another one does. For instance,
15 I would indicate it's common sense that those who cause the
16 accidents would be charged a greater risk because of the risk
17 that they bring to the other insured population, but you
18 agree with me there's a huge variation, individually?

19 MR. WILF BEDARD: There can be a variation,
20 absolutely. And that's why we have supervisors who review
21 and discuss these cases with adjustors on an ongoing basis.
22 We have audits; those types of things do occur. As Ms.
23 McLaren mentioned, there are appeal mechanisms as well that
24 people can exercise if they disagree with the assessment
25 made.

1 There's a number of those, so although
2 determinations in fault have to be made, we do our best to do
3 that, but there -- there are mechanisms in which people can
4 appeal those decisions if they choose.

5 MR. RAYMOND OAKES: Are there any cases, Mr.
6 Bedard, where the sum of the total percent at-fault claims
7 for all parties involved in an accident is greater than a
8 hundred (100) percent?

9 MR. WILF BEDARD: No.

10 MR. RAYMOND OAKES: I'd like to refer the
11 Corporation to the report, "Motorcycle Safety by Bednar
12 (phonetic)" filed in response to CMMG 2-24; you're going to
13 find that at Page 18 of the Book of Documents of the CMMG.
14 Can you let me know when you have that, please?

15

16 (BRIEF PAUSE)

17

18 MR. KEVIN MCCULLOCH: Excuse me, Mr. Oakes,
19 are you talking about the same tab -- Tab 6, Page 18?

20 MR. RAYMOND OAKES: That's correct.

21 MR. KEVIN MCCULLOCH: So you're -- you're
22 referring to a page in -- in the middle of this document
23 that's been attached?

24 MR. RAYMOND OAKES: That's correct. It's own
25 internal numbering would be Page 4 of that report on

1 motorcycle safety by Chairman John Billheimer (phonetic),
2 Committee on Motorcycles and Mopeds. It was filed in
3 response to CMMG 2-24 -- has the handwritten "Page 18"
4 highlighted at the top in our binder of materials.

5 MR. KEVIN MCCULLOCH: I guess where I'm
6 suffering from some confusion is your comment that it was
7 filed as part of a response to CMMG/MPI-2-24.

8 MR. RAYMOND OAKES: That's correct. It's a
9 reference -- if you look at you response -- you have four (4)
10 pages -- or four (4) lines of response, was included in the
11 information. The Corporation does not have copies of the
12 papers requested, but most are available on the internet and
13 the first one is highlighted there with a bullet -- Bednar
14 Billheimer.

15 MR. KEVIN MCCULLOCH: But the -- the request
16 was from CCMG to produce these following papers. The point
17 I'm trying to make is, that I don't want any suggestion on
18 the record that this was in any way a document that was filed
19 or relied upon by MPI; merely when asked by CMMG to produce
20 these papers, the Corporation said, Well, here's the website
21 where you can -- where you can locate it.

22 MR. RAYMOND OAKES: I understand that it was
23 a part of the risk study that was filed pursuant to AI-16.

24 MS. MARILYN MCLAREN: This paper was a
25 reference within one (1) of the papers that was filed as part

1 of the risk -- the motorcycle risk study. It wasn't a
2 specific reference that we cited ourselves, and that's why we
3 declined to provide copies in response to that IR.

4 MR. RAYMOND OAKES: So, just to be clear, it
5 was a reference within the course of the -- and scope -- of
6 the report that was filed as A-16?

7 MS. MARILYN MCLAREN: It was reference within
8 a reference.

9 MR. RAYMOND OAKES: I'd refer you to page 4
10 of the report under "Roadway Environment" and read it as
11 follows:

12 "The roadway environment significantly
13 affects motorcycle safety. Often the
14 roadway is designed, constructed, and
15 maintained with only automobiles and trucks
16 in mind, and hazardous conditions for
17 motorcyclists results. Additional
18 attention paid to the special needs of
19 motorcycles could greatly improve safety
20 especially on roadways with high motorcycle
21 usage. Example, scenic by-ways.
22 Roadway environment issues affecting
23 motorcycle safety the need to be considered
24 in the next millennium include the
25 following."

1 And it goes onto indicate a number. Would the
2 Corporation agree that that particular conclusion is
3 applicable to Manitoba as well?

4 MS. MARILYN MCLAREN: That's probably a fair
5 assumption without having read it in detail at all.

6 MR. RAYMOND OAKES: And if example, there
7 were repairs on a roadway such as adding metal plates for
8 construction and it caused a motorcyclist to have an
9 accident, would the motorcyclist be considered at fault?

10 MS. MARILYN MCLAREN: I'm sorry, are you
11 referencing something on this page 4 -- sorry?

12 MR. RAYMOND OAKES: No. Just generally in
13 terms of the Manitoba assignation of fault that we spoke
14 about a few minutes ago. If there were repairs on a roadway
15 such as adding metal plates for construction and it caused a
16 motorcyclist to have an accident, would the motorcyclist be
17 considered at fault by MPI?

18 MS. MARILYN MCLAREN: Generally yes. There
19 are some situations where the municipality or the
20 construction company are found to be at fault for an
21 accident, for creating an unsafe situation, but for the most
22 part under the Highway Traffic Act all motorists are expected
23 to use the roadway as they find it.

24 MR. RAYMOND OAKES: And the cost of injury
25 that resulted from that situation would be included in the

1 claims costs for the purpose of rate setting for motorcycles?

2 MS. MARILYN MCLAREN: When they were held at
3 fault, yes.

4 MR. RAYMOND OAKES: And it would be included
5 in your statistics when you bring a study such as AI-16 about
6 the proportion of single-vehicle accidents?

7 MS. MARILYN MCLAREN: Yes, that's true.

8 MR. RAYMOND OAKES: As would the case where
9 an unidentified motorist would cut off a motorcyclist,
10 causing him to crash?

11 MS. MARILYN MCLAREN: Yes.

12 MR. RAYMOND OAKES: And pedestrians also have
13 accidents with cars I'm told?

14 MS. MARILYN MCLAREN: Yes, they do.

15 MR. RAYMOND OAKES: And relative to occupants
16 of cars, pedestrians would receive greater injury in those
17 accidents?

18 MS. MARILYN MCLAREN: Yes. That tends to be
19 very true.

20 MR. RAYMOND OAKES: And I believe there's
21 material filed in previous years' hearings that motorcycles
22 represent considerably less of a risk to pedestrians than
23 cars do?

24 MS. MARILYN MCLAREN: Yes.

25

1 (BRIEF PAUSE)

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MR. RAYMOND OAKES: Now if we had a rating cell for pedestrians, their loss ratios would be unreasonably high, isn't that correct?

MS. MARILYN MCLAREN: Well apart from the fact that loss ratios require the calculation of losses as well as a premium to start with, depending on what the premium is, the loss ratio might be high. But I guess the -- the important point for discussions in this particular forum is that it's the motor vehicles that bring the risk to pedestrians.

Pedestrians and bicyclists for that matter wouldn't be at a lot of risk if it wasn't for the motor vehicles on the roadway. Pedestrians were not at such risk when there was just horses and buggies.

MR. RAYMOND OAKES: So then the risk the vehicles cause to other ve -- to others should be the basis for setting the rate?

MS. MARILYN MCLAREN: No. The risk to pedestrians is predicated on the fact that there are, you know, powered motor vehicles on the roadway of which motorcycles are -- are one of the classes. That's the rationale, in part, for having compulsory insurance is that vehicles, by their design, are risky. They pose risk to both

1 their operators and other roadway users.

2 MR. RAYMOND OAKES: Really, what we're saying
3 is there's two (2) ways of looking at it. You can look at
4 either the victim or you can look at the one who causes the
5 crash. Is that correct?

6 MS. MARILYN MCLAREN: No.

7 MR. RAYMOND OAKES: Well, certainly, one (1)
8 of the approaches and the one (1) that's promoted by CMMG is
9 you look -- look at the vehicle's affect on its crash
10 partner. Are you familiar with that terminology?

11 MS. MARILYN MCLAREN: Yes, but go back to
12 your discussion of pedestrians. Often the pedestrians are
13 the ones who step out in front of moving motor vehicles.
14 Often the pedestrians can be held at fault. Again, if -- if
15 it wasn't for the -- the speed and the power and the size and
16 the weight of the motor vehicles on the road, the risk
17 equation would be fundamentally different.

18 MR. RAYMOND OAKES: And if it wasn't the
19 pedestrian's fault, you wouldn't ever consider charging that
20 innocent victim for the costs of the injuries sustained?

21 MS. MARILYN MCLAREN: Pedestrians are not
22 required to carry insurance. If a pedestrian is at fault for
23 a crash that fundamentally alters their life forever, the
24 passenger vehicle category will still pick up those costs.

25 MR. RAYMOND OAKES: Moving to the next tab,

1 Tab 7, specifically CMMG Interrogatory 2-11, which isn't
2 inserted in the Tab Book, you'll have to refer to the
3 interrogatory itself.

4

5

(BRIEF PAUSE)

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MS. MARILYN MCLAREN: So, I have 2-11 in
8 front of me and I also have Page 10 of AI-16 in front of me.

9

MR. RAYMOND OAKES: The -- I understand that
10 according to the information the Corporation has, on average
11 for the last three (3) years, about one-half of the
12 motorcycle accidents have been multi-vehicle and the other
13 half have been single-vehicle accidents. Can you confirm
14 that?

15

MS. MARILYN MCLAREN: Yes.

16

MR. RAYMOND OAKES: And when we refer to AI-
17 16, the motorcycle risk study, the author, Huang -- H-U-A-N-G
18 -- at Page 13, according to the Hurt Report (phonetic), says
19 about three-quarters of accidents in the United States were
20 multi-vehicle accidents. Are you familiar with that? And
21 that would be at Page 52 in the Tab materials.

22

MS. MARILYN MCLAREN: Yes. Yes, I have that
23 in front of me.

24

MR. RAYMOND OAKES: And looking at the -- I'm
25 sorry -- that would mean by -- obviously conversely 25

1 percent of motorcycle accidents are single-vehicle in the
2 United States?

3 MS. MARILYN MCLAREN: Yes, which possibly
4 could be directly tied to the availability of -- the lack of
5 available insurance coverage in those situations. They don't
6 file. They have no claim to file when they are the only
7 vehicle involved.

8 MR. RAYMOND OAKES: And -- but they'd have
9 first party coverage?

10 MS. MARILYN MCLAREN: Not necessarily in the
11 US, no.

12 MR. RAYMOND OAKES: Not even first party
13 coverage?

14 MS. MARILYN MCLAREN: There are jurisdictions
15 where the only insurance required by law is third party
16 liability insurance.

17 MR. RAYMOND OAKES: And referring to the next
18 page of the same report using the results of the Victoria,
19 Australia Road Safety Commission, they similarly report that
20 22 percent of their motorcycle accidents are single-vehicle.
21 Would you confirm that?

22 MS. MARILYN MCLAREN: Yes, I see that.

23 MR. RAYMOND OAKES: Just referring to the
24 responses to CMMG Interrogatories 2-5 and 2-6, is there a
25 standardized approach used by the Corporation in the

1 determination of the type of accident, whether it's single or
2 multi-vehicle?

3

4

(BRIEF PAUSE)

5

6 MR. WILF BEDARD: Sorry, Mr. Oakes, I have to
7 ask you again to repeat that question.

8 MR. RAYMOND OAKES: Certainly. Based on the
9 responses the Corporation's made to CMMG Interrogatories 2-5
10 and 2-6, is there a standardized approach used by the
11 Corporation, the determination of the type of accident
12 whether it be single or multi-vehicle?

13 MR. WILF BEDARD: I'm sorry. That's in
14 essence, our responses. We do determine single-vehicle
15 accidents to include collision with fixed objects such as
16 trees or buildings or other property damage, those types of
17 things. Pedestrians, wildlife, those are all classified as
18 single-vehicle accidents.

19 Classification of a multi-vehicle accident
20 would include the motorcycle being in collision with another
21 motor vehicle.

22 MR. RAYMOND OAKES: So is it the fact that
23 MPI does it so much different, that these other jurisdictions
24 have a single-vehicle accident rate reported half of what MPI
25 does? Is it some lack of standardization or some different

1 method?

2 MR. WILF BEDARD: I don't think we could
3 really comment on that until we looked into how these other
4 jurisdictions calculate it and classify these accidents and
5 compared that to coverage availability and the type of
6 classification system we use here.

7 MR. RAYMOND OAKES: And is that something the
8 Corporation's going to be doing in the future, recognizing
9 this huge disparity?

10 MS. MARILYN MCLAREN: No, I don't think so.
11 I think one of the other things I can point out is that the
12 experience in Manitoba has been changing over the course of
13 the years that we looked at in the motorcycle risk -- risk
14 study.

15 It used to be closer to the results that you
16 were shown -- that we've talked about in these other
17 jurisdictions. It's been climbing virtually every year. I'm
18 not sure I have a -- an explanation for that.

19 MR. RAYMOND OAKES: Well, Ms. McLaren, you
20 made that same statement on Friday. You said that -- and
21 I'll just read right from the transcript at page 507 and 508
22 you said:

23 "It's been increasing significantly every
24 year. Year over year the number of
25 motorcycle claims that involve only the

1 motorcycle continue to increase."

2 I have in front of me and I can certainly have
3 Mr. Barron distribute it, but looking at material filed by
4 the Corporation in respect of its 2003 GRA where it referred
5 to single-vehicle accidents as a percentage of all claims.

6 And in fact it showed from the year 2000 to
7 2003 a 14.35 percent reduction in the number of single-
8 vehicle claims for motorcyclists. Again, similarly injuries
9 share of claims between 2000 and 2003, motorcyclists went
10 down some 12 percent in terms of claims.

11 So you'll agree with me that that statement
12 hasn't always been true and cer -- certainly hasn't been true
13 for the comparisons the Corporation made between 2000 and
14 2003?

15 MS. MARILYN MCLAREN: I think one of the
16 things that you just said was injury share of claims. That's
17 -- that's a different situation. But I'm referring to the
18 table that's at the top of page 9 in the Motorcycle Risk
19 Study.

20 And it hasn't increased every single year,
21 year over year as reflected in this table either. It was at
22 28 percent, down to 20, up to 23 and then it did start to
23 climb each year, 36, 46, 49, 50, 51.

24 MR. RAYMOND OAKES: So then your testimony on
25 Friday, you would wish to amend it because it hasn't been

1 increasing significantly every year, year after year, as you
2 testified?

3 MS. MARILYN MCLAREN: '97 and '98 showed
4 decreases; every other year was an increase.

5 MR. RAYMOND OAKES: Well, with -- I can
6 certainly distribute the material that shows the very large
7 reduction in single-vehicle accidents as a percentage of all
8 claims filed by the Corporation comparing 2000 and 2003.
9 Would you wish me to file that material at this point?

10 MS. MARILYN MCLAREN: That's up to you.
11 That's fine.

12

13 (BRIEF PAUSE)

14

15 THE CHAIRPERSON: Mr. McCulloch, are you
16 having a problem with this as an exhibit?

17 MR. KEVIN MCCULLOCH: It is from -- it
18 appears to be part of the 2003 rate application. The only
19 difficulty that I have at this point is that I -- I'm not
20 sure in the context -- looking at -- at the previous page,
21 Page 4, might assist putting it into -- into some context,
22 but I'm certainly not disputing that it's part of that
23 application.

24 THE CHAIRPERSON: Okay, we'll treat it as --
25 I believe it's number 6, Mr. Oakes -- Coalitions Exhibit

1 Number 6 and take into the account the general context of the
2 ...

3

4 --- EXHIBIT NO. CMMG-6: Material that shows the very large
5 reduction in single-vehicle accidents as a
6 percentage of all claims filed by the
7 Corporation comparing 2000 and 2003.

8

9 CONTINUED BY MR. RAYMOND OAKES:

10 MR. RAYMOND OAKES: Thank you, Mr. Chairman.
11 I'd like to move to Tab 8 and a discussion of the claim of
12 cross-subsidization.

13 Ms. McLaren, over the last five (5) or ten
14 (10) years, the Public Utility Board has made orders that
15 resulted in an average decrease over that time period for
16 private passenger rates. Is that correct?

17 I have a reference of an attachment to Public
18 Utility Board 2-23A, but just generally I thought you could
19 comment, perhaps.

20 MS. MARILYN MCLAREN: My reading of PUB/MPI-
21 2-23A, the attachment, Exhibit 1 at the bottom, talks about
22 PUB approved cumulative percent increases to the private
23 passenger class as being 2.8 percent over the last five (5)
24 years. That's plus 2.8 percent and plus 7.8 percent over the
25 last ten (10) years.

1 MR. RAYMOND OAKES: I'm sorry, I stand
2 corrected in that.

3

4 (BRIEF PAUSE)

5

6 MR. RAYMOND OAKES: The projected shortfall,
7 Ms. McLaren, for 2005/06, can that be calculated at this
8 time?

9 MS. MARILYN MCLAREN: I'm not sure what you
10 mean by shortfall.

11 MR. RAYMOND OAKES: Based on the numbers we
12 have in the preceding page indicating a shortfall, can that
13 be extrapolated to the next year?

14 MS. MARILYN MCLAREN: No, not at this time
15 because we wouldn't have the actuary review started and
16 completed until after the year. I know we're -- we're well
17 into the riding season. And I think we talked earlier that -
18 - that we have not had any serious losses in the motorcycle
19 class to our knowledge so far this year, but that doesn't
20 mean that we can do this calculation.

21

22 (BRIEF PAUSE)

23

24 MS. MARILYN MCLAREN: We could run this table
25 out in terms of expected premium based on the approved rate

1 application and expected claims, but not in terms of earned
2 and actual costs.

3 MR. RAYMOND OAKES: Right, and you would just
4 use Table TI-2's projections for that purpose?

5 MS. MARILYN MCLAREN: Yes.

6

7

(BRIEF PAUSE)

8

9 MR. RAYMOND OAKES: If I could direct you to
10 Page 59 of the filed materials in the CMMG Book of Documents.
11 And CMMG, through its resource person, has made these
12 calculations with respect to the estimated shortfalls and
13 that's for, again, 2005/06.

14 Does the Corporation have any comment to make
15 with respect to the calculations found at Page 59?

16

17

(BRIEF PAUSE)

18

19 MS. MARILYN MCLAREN: I guess our comments
20 would be that the methodology is -- is consistent with what
21 we did in response to that PUB 2-23. I think the estimated
22 shortfall in the motorcycle group is about a 25 percent
23 shortfall; private passenger class it works out to be about a
24 2 percent shortfall.

25

There are -- you know, the -- the differences

1 between these calculations of shortfall and the overall
2 Corporation's expected financial results really lie within
3 the difference between the eighty-five (85) cents used, the
4 fact that there is investment income coming in, operating
5 expenses are not part of this equation.

6 So, for the most part, the approach is the
7 same as what we used in our response to the PUB. The
8 relative scope of the shortfall is significantly greater for
9 the motorcycles.

10 MR. RAYMOND OAKES: But based on TI-2, the
11 Corporation wouldn't argue with those estimates of shortfall
12 of \$2.5 million for the motorcyclist, but 9.6 million for
13 private passenger.

14
15 (BRIEF PAUSE)

16
17 MS. MARILYN MCLAREN: No, that's -- that's
18 right.

19 MR. RAYMOND OAKES: Is there something wrong
20 based on that and the calculation of the shortfalls are, in
21 fact, private passenger vehicles receiving an extraordinarily
22 large subsidy?

23
24 (BRIEF PAUSE)

25

1 MS. MARILYN MCLAREN: I'm sorry. I want to
2 make sure I understand your question. Would you please
3 repeat the question?

4 MR. RAYMOND OAKES: Certainly. Is there
5 something wrong in the calculation of the shortfalls or are,
6 in fact, private passengers receiving an extraordinarily
7 large subsidy?

8 MS. MARILYN MCLAREN: No. No, not at all.
9 The fact that you've got a 25 percent shortfall on the
10 motorcycle class means the extraordinary subsidy would be
11 there. This is not an accurate reflection. I mean, some of
12 the figures here were taken from TI-2 but only some of the
13 figures. you've based the overall calculation that the
14 eighty five cents (85) on the dollar.

15 The -- the fact that the large private
16 passenger class would get a significantly greater
17 contribution from investment income I guess you could say
18 there's a \$9 million subsidy coming from investment income if
19 you wanted to take that approach.

20 But you need to look at this in terms of
21 understanding the concept of subsidy by con -- considering
22 the relative differences in the scope of the subsidy.

23 MR. RAYMOND OAKES: So would you agree with
24 me based on that answer that PUB Interrogatory 2-23 doesn't
25 accurately reflect any of the subsidies that the Corporation

1 actually experiences?

2 MS. MARILYN MCLAREN: No, I wouldn't agree
3 with that. The response to PUB 2-23 was trying to compare
4 the differences in that -- in the motorcycle pool. It's not
5 a reflection at all of all the different puts and takes or
6 inputs and costs to the rate calculation methodology.

7 MR. RAYMOND OAKES: So it really isn't a
8 calculation of -- of the subsidy at all.

9 MS. MARILYN MCLAREN: It's a demonstration of
10 the scope to which motorcycle rates of an insufficient since
11 1990, that's all.

12 MR. RAYMOND OAKES: So by that same
13 definition then it would show that passenger vehicles --
14 rates have been deficient for that same period of time?

15 MS. MARILYN MCLAREN: No. It -- it wouldn't
16 be by the same token at all. Depending on what happens with
17 other factors like investment income, it may show that
18 premiums were -- it was an implied deficiency. It may not
19 show that, if we went back in time and did it for the private
20 passenger class.

21 But certainly the scope of any calculated
22 shortfall using that methodology would be nowhere near the
23 scope of the shortfall shown here for motorcycles.

24 MR. RAYMOND OAKES: And you've already
25 testified that the amounts are exaggerated in any event?

1 MS. MARILYN MCLAREN: Overstated, I think was
2 the word I used.

3 MR. RAYMOND OAKES: Moving on then to
4 commercial trucks, the -- the description I have is COPCC.
5 You may have another name for it. And I'm referencing CMMG
6 Interrogatory 118-119 and 231 which are in the binder. I
7 understand that there's no coverage provided to COPCC insured
8 vehicles. Is that correct? Other than the PIPP coverage
9 subject to the provisions in the Act?

10 MS. MARILYN MCLAREN: That's right.

11 MR. RAYMOND OAKES: So you're not collecting
12 any premiums at all from COPCC insured vehicles?

13 MS. MARILYN MCLAREN: That's right.

14 MR. RAYMOND OAKES: Despite the fact that
15 they cause damage and loss to other vehicles on Manitoba
16 roadways?

17 MS. MARILYN MCLAREN: Any damages or losses
18 caused to other vehicles would be recovered from them or
19 their insurer.

20 MR. RAYMOND OAKES: And how about the damage
21 to injuries to other Manitobans?

22 MS. MARILYN MCLAREN: No. It's the first
23 party injury compensation system. Many of the operators of
24 those vehicles are not eligible to collect PIPP benefits.
25 Some of them are. And it's on that basis that they don't pay

1 a premium.

2 MR. RAYMOND OAKES: Referring then to CMMG 2-
3 31 Interrogatory, the response is found at page 63 of the
4 tabbed materials. When we look at the first column, it says
5 COPP/CC Claims Subsidized and says overall that on an annual
6 basis it appears the overall subsidy is one million five
7 hundred and thirty-eight thousand dollars (\$1,538,000), is
8 that correct?

9

10 (BRIEF PAUSE)

11

12 MS. MARILYN MCLAREN: I'm just going to
13 follow up to check the reference, one (1) dash -- 1-19.

14 MR. RAYMOND OAKES: Well, the reference for -
15 - for my last statement was CMMG 2-31.

16 MS. MARILYN MCLAREN: Yeah, I believe that's
17 the estimated future cost, the 1.5 million.

18 MR. RAYMOND OAKES: Okay, so on that basis,
19 if that was the estimated cost over five (5) years, the
20 cross-subsidization would be about seven and a half (7 1/2)
21 million dollars (\$7,500,000).

22 MS. MARILYN MCLAREN: If it was the same over
23 five (5) years, yes.

24 MR. RAYMOND OAKES: And for ten (10) and
25 fourteen (14) years, the cross-subsidization would be about

1 15 million and 21 million. Is that correct?

2 MS. MARILYN MCLAREN: Assuming it's the same
3 one point five (1.5) per year, that's the math for ten (10)
4 and twenty (20), yes.

5 MR. RAYMOND OAKES: In -- in CMMG 2-39, that
6 interrogatory which follows on the next page, I understand
7 that the annual cost of the loss of the DDVL commission
8 recovery based on the exhibit was about five point four (5.4)
9 million, although I seem to recall that last Friday we heard
10 it was five point seven (5.7).

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

12 MR. RAYMOND OAKES: So, again, just looking
13 over five (5) years and ten (10) years and fourteen (14)
14 years, five (5) years that cost is -- this an ongoing loss?

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

16 MR. RAYMOND OAKES: So, over five years, it
17 would be 27 million; ten (10) years, 54 million; fourteen
18 (14) years it would be 76 million?

19 MS. MARILYN MCLAREN: Yes, I believe so.

20 MR. RAYMOND OAKES: And then there's proposed
21 cross-subsidization of the commercial class due to dealer
22 plate changes? Is that correct?

23 MS. MARILYN MCLAREN: For this one (1) year,
24 yes.

25 MR. RAYMOND OAKES: And how much are we

1 talking there?

2 MS. MARILYN MCLAREN: I'll have to find the
3 reference.

4

5 (BRIEF PAUSE)

6

7 MS. MARILYN MCLAREN: I believe it's about \$2
8 million, but if you want the specific dollars, I'll have to
9 search for it and get back to you.

10 MR. RAYMOND OAKES: By way of undertaking
11 would be fine.

12

13 --- UNDERTAKING NO. 17: Dollar amount of cross-
14 subsidization of the commercial
15 class due to dealer plate changes

16

17 MR. RAYMOND OAKES: I'm going to move to Tab
18 9. Can you confirm, Ms. McLaren, that motorhomes are also
19 receiving the so-called rate line adjustment?

20 MS. MARILYN MCLAREN: Yes.

21 MR. RAYMOND OAKES: And I understand that
22 from looking at TI-3 at page 2, that there's approximately
23 sixty-six hundred and ninety-five (6,695) motorhomes. Could
24 you confirm that?

25 MS. MARILYN MCLAREN: No, there's six hundred

1 and sixty-two (662) all-purpose motorhomes and another six
2 thousand (6,000) pleasure motorhomes.

3 MR. RAYMOND OAKES: Thank you for that. So,
4 a little less, but in total not a great deal less than the
5 number of motorcycles in the province?

6 MS. MARILYN MCLAREN: Right.

7 MR. RAYMOND OAKES: And there's two (2)
8 insurance pleasure uses for motorhomes -- there's pleasure
9 and all-purpose. That's correct, you've confirmed that?

10 MS. MARILYN MCLAREN: Yes.

11 MR. RAYMOND OAKES: But motorcycles only have
12 one (1) use, which is all-purpose, according to the insurance
13 offered by the Corporation. Isn't that correct?

14 MS. MARILYN MCLAREN: Yes.

15 MR. RAYMOND OAKES: Referring to the
16 motorcycle risk study in AI-16, there was a question 30A and
17 a policy hold -- policy holder table at page 35. It
18 indicated 37 percent of motorcyclists would qualify for
19 pleasure use if it was available to them. Do you recall
20 that?

21 MS. MARILYN MCLAREN: I see that reference,
22 yes.

23 MR. RAYMOND OAKES: But the Corporation is
24 still denying the availability of a pleasure type of rating
25 product for motorcyclists?

1 MS. MARILYN MCLAREN: In this Application,
2 yes.

3 MR. RAYMOND OAKES: Mr. Chairman, I'm going
4 to start on the rather technical issue of credibility. I
5 don't know how long the Board is inclined to sit and hear me
6 on this particular topic today.

7 THE CHAIRPERSON: Not very long today, Mr.
8 Oakes. Should we hold it over then until Thursday?

9 MR. RAYMOND OAKES: If that's the Chairman's
10 pleasure, certainly that would make some sense.

11 THE CHAIRPERSON: Very good. We'll stand
12 down and we'll see all of you on Thursday. Take care.

13
14 --- Upon adjourning at 3:55 p.m.

15
16
17
18 Certified Correct

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20
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22
23
24 _____
25 Carol Wilkinson
Court Reporter