



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)
2025/2026 GENERAL RATE APPLICATION
HEARING

Before Board Panel:

- Irene Hamilton, KC - Panel Chairperson
- Rober Gabor, KC - Board Chair
- Susan Nemec - Board Member
- George Bass, KC - Board Member
- Patrick Ireland - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Ave.
Winnipeg Manitoba
October 22, 2024
Pages 290 to 533
Day 2

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2 --- Upon commencing at 9:00 a.m.

3

4 PANEL CHAIRPERSON: Good morning,
5 everyone. We'll continue this morning with our
6 counsel's cross-examination of the CEO of MPI.

7 Mr. Andres...?

8 MR. TODD ANDRES: Thank you, Madam
9 Chair.

10 MR. ANTHONY GUERRA: Sorry. We had a
11 couple of housekeeping issues we'd like to address
12 just before we begin for the day, if that's okay.

13 PANEL CHAIRPERSON: That's fine, Mr.
14 Guerra.

15 MR. ANTHONY GUERRA: So, the members
16 will be aware that last night we did file on the
17 public record a redacted version of the multi-year
18 Corporate Strategy. And then on the confidential
19 record, we filed an unredacted or non-redacted version
20 of that document.

21 We do intend to file by 9:30 this
22 morning a motion seeking confidential treatment of the
23 unredacted or non-redacted version of that document,
24 and hard copies should be circulated to the -- to the
25 members this morning by 9:30.

1 We are seeking some guidance, though,
2 in terms of kind of next steps. Hopefully that motion
3 can be resolved at some point today so we have an
4 understanding of what the next steps will be in terms
5 of that filing.

6 PANEL CHAIRPERSON: Thank you for
7 that. I have a question then for CAC, who I believe
8 is the only Intervener that would be served with that,
9 and would like to hear from Ms. Dilay or Mr. Klassen
10 with regard to your anticipated response to that -- or
11 time response to that.

12 MS. KATRINE DILAY: Thank you, Madam
13 Chair. Recognizing that we have not seen the motion
14 yet, we can make best efforts to seek -- to review as
15 well as seek instructions during the breaks today to,
16 ultimately, try to put our position on the record by
17 the end of the day today.

18 PANEL CHAIRPERSON: Thank you, Ms.
19 Dilay. What I would suggest then is that, at the
20 morning break, once the motion has been filed and has
21 been served on -- we have received a copy and it has
22 been served on CAC, we'll have a discussion. And it
23 may mean that our morning break is extended in order
24 to deal with that, and we'll come back and advise.

25 Mr. Andres...?

1 MR. STEVE SCARFONE: Madam Chair, I
2 might only add as well that MPIC is not opposed to Ms.
3 Nelko or Ms. Meek from -- if their clients want to --
4 if they have an interest in cross-examining on the
5 strategy, you know, and they want their clients to
6 sign the confidential agreements and undertakings,
7 we're not opposed at this stage that they -- they do
8 that if it pleases the Board.

9

10 (BRIEF PAUSE)

11

12 PANEL CHAIRPERSON: Thank you, Mr.
13 Scarfone. You're referring to the unredacted version
14 of the Strategic Plan, correct?

15 MR. STEVE SCARFONE: Correct. It will
16 -- that if the motion's successful, it would be on the
17 confidential module.

18 PANEL CHAIRPERSON: Okay. Thank you.
19 So, Ms. Nelko, Ms. Meek, if you would like to consider
20 that, take instructions from your clients, and also
21 advise by the morning break, is that a possibility?

22 Ms. Meek...?

23 MS. CHARLOTTE MEEK: Yes. Thank you,
24 Madam Chair. Assuming I can get instructions from my
25 client in time, then yes, we'll try and give our

1 position as soon as possible.

2 PANEL CHAIRPERSON: Thank you.

3 Ms. Nelko...?

4 MS. SHARNA NELKO: I echo Ms. Meek's
5 comments.

6 PANEL CHAIRPERSON: Okay. Thank you.

7 Thank you, Mr. Scarfone.

8 Now, Mr. Andres...?

9

10 STRATEGIC VISION PANEL:

11 SATVIR JATANA, previously Sworn

12 AMANDA HILDAHL, previously Affirmed

13 CEO OVERVIEW

14

15 MR. TODD ANDRES: Thank you, Madam

16 Chair.

17

18 CONTINUED CROSS-EXAMINATION BY MR. TODD ANDRES:

19 MR. TODD ANDRES: So, thank you for
20 your patience, Ms. Jatana. I'm going to turn now to
21 the issue of the Driver Safety Rating model.

22 So, I note that MPI has added a step to
23 the DSR -- Driving Safety Rating -- scale to include
24 level 19, correct?

25 MS. SATVIR JATANA: That is correct.

1 And good morning.

2 MR. TODD ANDRES: Thank you. Good
3 morning to you as well.

4 But MPI is asking that any additional
5 DSR discount for this level be held in abeyance for
6 one (1) additional year. Is that correct?

7 MS. SATVIR JATANA: We have made that
8 request to the Board.

9 MR. TODD ANDRES: Thank you. And the
10 reason for this request was to allow MPI to achieve a
11 lower rate indication, correct?

12 MS. SATVIR JATANA: The changes to the
13 DSR discount does not change the -- our overall
14 premiums. It's how you allocate those premiums --
15 premiums. So, it's not tied to the rate indication.
16 It was not to lower the AAP, but it was simply to
17 minimize the impact on Manitobans for one (1) year in
18 a year that we are asking for a rate increase.

19 MR. TODD ANDRES: Okay. So, it was to
20 avoid an increase to the DSR level zero. That's the
21 base level rate, correct?

22 MS. SATVIR JATANA: Yes, that is
23 correct.

24 MR. TODD ANDRES: Thank you. And
25 that's again because you're concerned about

1 affordability for MPI's customers, correct?

2 MS. SATVIR JATANA: We're concerned
3 about the impact with -- you know, if -- if our rate
4 ask is approved 3 percent, there -- by implementing
5 next level and the discount associated with that, that
6 would mean that some customers would obviously have a
7 higher increase up to 12 percent.

8 So, it was with that in mind, not to
9 impact our overall rate ask or the premiums that we
10 require.

11 MR. TODD ANDRES: Thank you for that.
12 And just some background questions. You took over as
13 CEO, as -- as president and chief executive officer,
14 correct?

15 MS. SATVIR JATANA: I did.

16 MR. TODD ANDRES: That's the title.
17 And that was in February of 2024?

18 MS. SATVIR JATANA: That is correct.

19 MR. TODD ANDRES: And you've been with
20 the organization for nine (9) years before that,
21 correct?

22 MS. SATVIR JATANA: Yes, that's
23 correct.

24 MR. TODD ANDRES: Thank you. And as
25 CEO, you're responsible for oversight of the

1 Corporation, correct?

2 MS. SATVIR JATANA: That is correct.

3 MR. TODD ANDRES: And setting its
4 direction?

5 MS. SATVIR JATANA: Setting direction,
6 yes.

7 MR. TODD ANDRES: Thank you. And its
8 management?

9 MS. SATVIR JATANA: That is correct.

10 MR. TODD ANDRES: Thank you. And so,
11 you're aware of things, the goings-on within the
12 Corporation, correct?

13 MS. SATVIR JATANA: I believe after
14 nine (9) years you get a pretty good understanding of
15 the organization. And the privilege I have, that is I
16 didn't just learn from our successes, but I also had
17 an opportunity to learn from our recent failures.

18 So, I'm trying to bring all of that
19 along with my past experience that goes beyond MPI.

20 MR. TODD ANDRES: So, when you started
21 working as CEO because of this lengthy history with
22 the Corporation and so on, you were certainly aware of
23 the -- as you say, the -- the challenges the
24 Corporation faced, as well as issues that would affect
25 its performance, correct?

1 MS. SATVIR JATANA: Yes.

2 MR. TODD ANDRES: And so, when you
3 took over you were no doubt aware of the weather event
4 that had happened in August of '23, correct?

5 MS. SATVIR JATANA: I think all of
6 Manitoba was aware --

7 MR. TODD ANDRES: Right.

8 MS. SATVIR JATANA: -- of that event.

9 MR. TODD ANDRES: But -- but aware of
10 the -- the backlogs and the impact that that was going
11 to have on MPI's performance, correct?

12 MS. SATVIR JATANA: That's fair, yes.

13 MR. TODD ANDRES: Thank you. And so,
14 in March of 2024 you stated that there was a good
15 chance that ratepayers would be receiving a rebate,
16 correct?

17 MS. SATVIR JATANA: At that time, I
18 was stating -- and that was the standing committee
19 that came up. And I was asked to -- what our MCT was,
20 and I shared that. And I also shared that when the
21 MCT exceeds its target what happens.

22 And -- and I stated that be the fact.
23 The information I had at that time did indicate that
24 our MCT was over the threshold that would require MPI
25 to rebate, and so I did state that.

1 MR. TODD ANDRES: Thank you. So, then
2 on July 5th of 2024 MPI filed its GRA, and the
3 actuarially indicated rate showed the need for an
4 increase of 6.15 percent, correct, to Basic?

5 MS. SATVIR JATANA: That is correct.

6 MR. TODD ANDRES: And, as we know, MPI
7 has requested a rate increase of 3 percent for Basic?

8 MS. SATVIR JATANA: That is correct.

9 MR. TODD ANDRES: And we have it
10 already on the record, indicated 3 percent is not the
11 actuarially indicated rate?

12 MS. SATVIR JATANA: That is correct.

13 MR. TODD ANDRES: And on October 15th
14 MPI provided an updated financial statement, correct?

15 MS. SATVIR JATANA: Subject to check,
16 but that sounds right.

17 MR. TODD ANDRES: Sorry. It's -- it's
18 what we call the October update. It's the additional
19 --

20 MS. SATVIR JATANA: October update.

21 MR. TODD ANDRES: Thank you. So --

22 MS. SATVIR JATANA: Yes.

23 MR. TODD ANDRES: -- additional
24 information pursuant to which we now know that the
25 actuarially indicated rate is 6.77 percent, correct?

1 MS. SATVIR JATANA: With the impact of
2 investments. No other factors were, of course,
3 considered in updating that AAP.

4 MR. TODD ANDRES: AAP is 6.77 percent?

5 MS. SATVIR JATANA: That is correct.

6 MR. TODD ANDRES: Thank you for that.

7 And again, MPI reiterated its request for 3 percent
8 even in respect of the October updates; yes?

9 MS. SATVIR JATANA: Yes, that is
10 correct.

11 MR. TODD ANDRES: Thank you. And it's
12 -- you'll agree that requesting a 3 percent rate
13 increase in -- instead of the actuarially indicated
14 rate increases the likelihood that MPI will be premium
15 deficient, correct?

16 MS. SATVIR JATANA: My quick answer
17 would be yes, but what I will maybe provide a little
18 bit of more explanation here, that's --

19 MR. TODD ANDRES: Sure.

20 MS. SATVIR JATANA: -- and -- and I
21 started on this yesterday. So, when we filed our
22 rate, of course, the starting point is always the AAP
23 as -- as we had been filing and we have filed even in
24 this year where we're asking less than the AAP. But
25 we had to consider other factors as I also spoke about

1 yesterday.

2 Those factors, of course, where we were
3 with the backlog, with uncertainty in -- how the year
4 was going to end up the last year. In addition to
5 coming out of a situation where for the last five (5)
6 years the Board has ordered rate reductions and this
7 year alone we're -- we're also -- we've over for a
8 rate reduction against our ask of no change.

9 So, you have to kind of keep all of
10 that in context. Having said that, you know, that was
11 the information available to us at that point and we
12 filed the application.

13 As I began my role as I started getting
14 a better understanding of our -- our short- and long-
15 term strategy, we implemented our updated structure.
16 We had a chance over the summer to look at our
17 operating cost and I -- I did mention this, of course,
18 one of the questions was posed to me in media
19 yesterday as well. We did -- started and -- and we
20 did an updated claim forecast, which gives me the
21 confidence that we -- we have minimized the gap
22 between our ask and what the AAP was.

23 However, that information was coming to
24 me in late September and we were ordered by PUB not to
25 include the updated claims forecast. So therefore, we

1 were not able to provide that information, but given
2 the work that we've done -- given that we have a much
3 clearer understanding of last year and our -- our
4 claim severity and if we factor all of those in, we
5 have minimized the gap. It's not 3 percent, but it is
6 not 6.77 if -- if we factor those things.

7 So, given that, I -- I -- I feel
8 confident with our ask with all of those things I've -
9 - I've highlighted. It's not an easy decision and --
10 and we are filing. We're filing AAP and we -- we
11 leave in the trusted hands of the Board to make the
12 right decision for what's right for Manitoban.

13 But as an organization that has a
14 mission of providing affordability and predictability,
15 I could not come into this conversation tone deaf or
16 out of touch. And it's -- it's simply putting --
17 (LOST CONNECTION) traditionally that has been the
18 case.

19 MR. TODD ANDRES: Thank you.

20 MS. SATVIR JATANA: -- however, in
21 recent years, in COVID years, where things have
22 dramatically shifted from the time we file an
23 application to when we provide an update, we have
24 included updated claims forecast as well, in addition
25 to, there's been years we've also updated our

1 operating cost and expenses in the October rate.

2 MR. TODD ANDRES: And so, in terms of
3 this updated claims forecast you're discussing, does
4 that mean the forecast that you provided in the July
5 5th filing was incorrect?

6 MS. SATVIR JATANA: I wouldn't say it
7 was incorrect but that was the best information our
8 actuarial teams had to provide that information at
9 that time.

10 MR. TODD ANDRES: And so, the question
11 is, did you intend to change methodologies?

12 MS. SATVIR JATANA: Absolutely not.

13 MR. TODD ANDRES: Okay. And so, what
14 comfort can the Board take that the numbers are
15 correct right now?

16 MS. SATVIR JATANA: Sorry, which
17 numbers are you referencing?

18 MR. TODD ANDRES: Claims forecasting
19 numbers.

20 MS. SATVIR JATANA: The claims
21 forecast that the Board has in front of them is from
22 July filing and that information was what was
23 available to our team.

24 If we were to provide more recent
25 information, that would be the updated information.

1 So, I don't want to say one is incorrect and one is
2 correct, but as you know with the actuarial science
3 and -- and analysis and -- and, you know, that could
4 change two (2) months from now.

5 The closer you get to the time frame,
6 the more I'll say accurate the picture becomes. And
7 it's no different than any one of us assessing what
8 the next year could be. If you asked me that six (6)
9 months ago, I would have said, Sky's falling. If you
10 ask me today, I -- I would paint a very different
11 picture.

12 MR. TODD ANDRES: Thank you. And,
13 sorry, just returning to the question on premium
14 deficiency, you agreed that requesting a rate, the 3
15 percent increase instead of the AAP rate, increases
16 the likelihood that MPI will be premium deficient.

17 And so, you'll agree then that being
18 premium deficient in one (1) year increases the
19 likelihood that a larger rebate will be required --
20 pardon me, that a larger rate increase will be
21 required in one (1) or more subsequent years, correct?

22 MS. SATVIR JATANA: I think, counsel,
23 you asked me a couple of questions, so let me -- one
24 is I agree that, if we're asking for less than what we
25 need, then we could be in a deficient, but I'm not

1 sure if that's what I'm -- I'm stating on the record
2 today.

3 MR. TODD ANDRES: That -- that was the
4 first question, but I think I already have an answer
5 on that. I was just --

6 MS. SATVIR JATANA: Okay.

7 MR. TODD ANDRES: -- reframing so I
8 could answer my second -- or ask my second question.

9 Second question is: Being premium
10 deficient in one (1) year increases the likelihood
11 that a larger rate increase will be required in one
12 (1) or more subsequent years.

13 MS. SATVIR JATANA: That would be true
14 if that was the case.

15 MR. TODD ANDRES: Thank you. And it
16 could also cause the Rate Stabilization Reserve to
17 fall or remain below the legislated target, correct?

18 MS. SATVIR JATANA: If we have lower
19 premiums than what we need to cover our costs, then
20 our reserves would be impacted by that.

21 MR. TODD ANDRES: And so that could
22 lead to MPI seeking a capital rebuild, correct?

23 MS. SATVIR JATANA: If we were
24 requiring to build, there is certain legislation and -
25 - and application of that, then that would be the

1 case.

2 MR. TODD ANDRES: So, looking just at
3 the impact on revenues, the effect of a 3 percent
4 increase adds roughly about 3 to 3.5 percent to your
5 revenues. Is that correct?

6 MS. SATVIR JATANA: Yeah, that would
7 be correct.

8 MR. TODD ANDRES: And the MPI Act also
9 creates the MCT ratio -- or, pardon me, Minimum
10 Capital Test ratio -- for the Basic line of business,
11 and that threshold is 100 percent, correct?

12 MS. SATVIR JATANA: That is correct.

13 MR. TODD ANDRES: Thank you. And if
14 it's less than fore -- the hundred percent and is not
15 forecast to get to a hundred percent, then that
16 triggers the obligation for MPI to apply for a capital
17 rebuild.

18 MS. SATVIR JATANA: It's not an
19 immediate trigger, but we have to look at I believe
20 over five (5) years. And if the MCT is not built up
21 in normal course in that, then we would be applying.
22 So, it's not the moment it goes below a hundred (100),
23 MPI comes forward with an application.

24 MR. TODD ANDRES: Thank you for that.
25 Yes. The -- the forecast.

1 MS. SATVIR JATANA: The forecast.

2 MR. TODD ANDRES: Right. Thank you.

3 And MPI has not applied for a capital build this year,
4 correct?

5 MS. SATVIR JATANA: We have not.

6 MR. TODD ANDRES: Thank you. And
7 you'll agree that MPI has historically transferred
8 funds from Extension to Basic; yes?

9 MS. SATVIR JATANA: That is correct.

10 MR. TODD ANDRES: And MPI has also
11 historically transferred funds from Extension to the
12 Driver Vehicle Administration, or DVA, line of
13 business, correct?

14 MS. SATVIR JATANA: In my history, in
15 my recollection, I do believe that has occurred twice
16 in recent years.

17 MR. TODD ANDRES: Thank you. And in
18 the 2025 GRA, MPI is planning to make a substantial
19 transfer from its Extension line of business in order
20 to subsidize the Basic line of business, correct?

21 MS. SATVIR JATANA: I don't know what
22 'substantial' would mean, but we are planning to
23 transfer excess funds from Extension over to Basic.

24 MR. TODD ANDRES: Okay. So, I can
25 assist you there. If we go to the book of documents,

1 tab 2, page 20, and this is the October update.

2

3

(BRIEF PAUSE)

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5

MR. TODD ANDRES: Right. And if you
6 look at line 11, it talks -- it says, "Transfers to or
7 from non-Basic retained earnings." And it looks like
8 in 2023/'24 there's a \$2.738 million transfer out, and
9 then -- or, pardon me, transfer to Basic, and then 3.5
10 million and the next year is anticipated, forty-six
11 point six (46.6), fifty-three point seven (53.7),
12 seventy-four point three (74.3), and then a nearly \$84
13 million transfer is anticipated in 2028/'29.

14

You'll agree?

15

MS. SATVIR JATANA: That is what we
16 have forecasted.

17

MR. TODD ANDRES: Thank you.

18

19

(BRIEF PAUSE)

20

21

MR. TODD ANDRES: Pardon me, it's just
22 been pointed out to me that in 2024/'25, I said it was
23 three point five (3.5). It's 30.5 million.

24

And -- and, sorry, if we can pull up
25 MPI Exhibit 3, Figure 15.

1

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(BRIEF PAUSE)

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MR. TODD ANDRES: And so, if we look at line 4, the insurance revenues in Extension are increasing -- or forecast to be increased by about I'm going to say \$24 to \$25 million for the first couple of years, and then remain steady for the balance of this spreadsheet.

Is that about accurate?

MS. SATVIR JATANA: Yes.

MR. TODD ANDRES: Thank you. And if we go back to the book of documents, tab 2, page 20, and if we look at line -- again line 11 and we add up the numbers just from the thirty thousand five eleven (30,511) in that line, it adds up to about \$290 million being transferred out of Extension, correct?

MS. SATVIR JATANA: Subject to check, I'm going to trust you.

MR. TODD ANDRES: Thank you. And the vast majority of that will go to the Basic line of business, correct?

MS. SATVIR JATANA: That is correct.

MR. TODD ANDRES: Thank you. And again, I can take you there if you like, but it looks

1 to me like MPI is forecasting an increase to insurance
2 revenues to the Extension line of business of about --
3 again, I think we established \$25 to \$26 million a
4 year, and that's roughly about 10 percent per year.

5 MR. STEVE SCARFONE: While the team is
6 caucusing, Mr. Andres, I just want to put on the
7 record that any transfers to the RSR Basic would be
8 subject to the approval of the board of directors.

9 MR. TODD ANDRES: Understood. Thank
10 you for that, Mr. Scarfone.

11 MS. SATVIR JATANA: So, we have
12 implemented a 10 percent increase to Extension line of
13 Basic this year, and part of that was that we did not
14 increase that for a number of years.

15 The future increases are about 2
16 percent that's built into this forecast. However, you
17 know, it is an annual process, and that's -- that's
18 kind of what's been thought through at this point.

19

20 CONTINUED BY MR. TODD ANDRES:

21 MR. TODD ANDRES: Thank you for that.
22 My understanding -- can you tell me roughly what
23 percentage of Basic customers also purchase Extension?

24 MS. SATVIR JATANA: Subject to check,
25 but I -- I do recognize it's -- it's a large number,

1 probably over 80 percent for sure, without looking at
2 the exact number.

3 MR. TODD ANDRES: Thank you for that.
4 So, the -- moving on now to the ten-dollar (\$10)
5 increase to premiums charged with respect to
6 compulsory driver insurance, that's a ten-dollar (\$10)
7 increase, correct?

8 MS. SATVIR JATANA: That is correct.

9 MR. TODD ANDRES: And MPI's rationale
10 for seeking the ten-dollar (\$10) increase was to lower
11 the Basic rate requirement in accordance with
12 actuarial -- pardon me, Accepted Actuarial Practice by
13 increasing another source of revenue, correct?

14 MS. SATVIR JATANA: Sorry. Can you
15 repeat that, please?

16 MR. TODD ANDRES: I can. That was a
17 mouthful. My apologies. Thank you.

18 So, MPI's rationale for seeking the
19 ten-dollar (\$10) increase was to lower the overall
20 Basic rate requirement in accordance with Accepted
21 Actuarial Practice by increasing another source of
22 revenue.

23 MS. SATVIR JATANA: That is correct.

24 MR. TODD ANDRES: Thank you for that.
25 And MPI views the ten-dollar (\$10) increase as the

1 largest one (1) time increase that could be supported
2 as reasonable in the current economic environment,
3 correct?

4 MS. SATVIR JATANA: That is correct.

5 MR. TODD ANDRES: Thank you. But
6 there was no actuarial evidence supporting the change,
7 correct?

8 MS. SATVIR JATANA: No.

9 MR. TODD ANDRES: Thank you. And the
10 ten-dollar (\$10) increase is not included in the 3
11 percent rate increase to Basic, correct?

12 MS. SATVIR JATANA: No.

13 MR. TODD ANDRES: Thank you. So, the
14 3 percent increase to Basic customers, as well as the
15 ten-dollar (\$10) fee, and then those with vehicles in
16 rate group 40 will also see an increase in premiums if
17 their vehicles are reclassified to 41, correct?

18 MS. SATVIR JATANA: That is correct,
19 but I do want to remind us that's a separate factor
20 and something that MPI has not -- that was another, I
21 would say -- I'll say 'abandoned practice', that we
22 have not evolved our rating factor for a number of
23 years.

24 So, what's happening in -- so you have
25 a cluster of highly valued vehicles in the highest

1 group in 40, and that's kind of where fairness does
2 come into play, you know, should I be paying the same
3 insurance driving Ford versus Lamborghini.

4 And it's not out our practice. MPI
5 does need to expand that rating factor. And how we
6 expand that rating factor is important and, hence, we
7 moved one (1) this year. And we will be doing further
8 analysis to understand how we expand that.

9 MR. TODD ANDRES: Thank you for that.
10 And -- and I guess this is sort of maybe a question
11 for the financial forecasting question, but, you know,
12 it was done, I think, in a five (5) year block last
13 time it was done.

14 So, is that MPI's intention, to sort of
15 potentially roll this out over a few years by
16 increasing year after year by perhaps one (1) step at
17 a time?

18 MS. SATVIR JATANA: Our team is doing
19 that. You know, of course, when this conversation
20 started was when we had the first visibility as to
21 what the AAP was. And -- and we looked at that along
22 with ten-dollar (\$10) premiums, and many other things,
23 as well.

24 But we did not -- I'll say we were not
25 able to move more than one (1). What we are going to

1 do analyze and what makes sense. Do you do five (5)
2 factors at one (1) or do you do more or less? That
3 analysis will be conducted. And -- and we will do it
4 methodically and what makes sense.

5 And I don't want to commit to that
6 it'll be one (1) a year or it'll be ten (10) a year.
7 I think that's something, you know, good management
8 should look at the impact and -- and before we really
9 commit to what makes sense.

10 MR. TODD ANDRES: Thank you for that.
11 And so, back to the ten-dollar (\$10) increase. And I
12 apologize for jumping around. That'll generate
13 roughly \$10 million in revenue, correct?

14 MS. SATVIR JATANA: I think that
15 number seems right.

16 MR. TODD ANDRES: Thank you. I mean,
17 I -- I can take you there if you wish, if you'd like
18 to --

19 MS. SATVIR JATANA: I'll do a quick
20 math. I guess I know enough about our business.
21 About a million driver's licence at a ten dollar (\$10)
22 -- I think that makes sense, yeah.

23 MR. TODD ANDRES: Thank you for that.
24 So, from a numbers perspective, that has about a .7
25 impact on the rate indication, correct?

1 MS. SATVIR JATANA: I believe it's
2 about .8.

3 MR. TODD ANDRES: .8. Thank you. And
4 the additional -- pardon me -- the addition of rate
5 group 41 generates an additional \$7.5 million in
6 revenue also, correct?

7 MS. SATVIR JATANA: Subject to check,
8 I'll -- I'll take your word for it.

9 MR. TODD ANDRES: Okay. Again, I can
10 take you there if -- if you'd like me to confirm, but
11 we don't need to do math on the fly.

12 MS. SATVIR JATANA: Counsel, you look
13 like a trusted one. I can follow you.

14 MR. TODD ANDRES: Well, thank you. I
15 appreciate that. So, in other words, had the
16 Corporation increased revenue from these two (2)
17 changes, they're not counted as a part of the
18 actuarially indicated -- pardon me -- that are not
19 counted as a part of the rate indication, the AAP rate
20 would have been closer to about 8 percent, correct?

21 MS. SATVIR JATANA: That would be
22 correct.

23 MR. TODD ANDRES: Thank you. And in
24 response -- in its responses to IRs, MPI has indicated
25 that it's not seeking the actuarially indicated rate

1 because it's seeking to -- there's a quote here:

2 "Alleviate the economic challenges
3 of rising living costs caused by the
4 recent high inflationary
5 environment."

6 Correct?

7 MS. SATVIR JATANA: That is correct.

8 MR. TODD ANDRES: And MPI has also
9 talked and you -- you've talked quite extensively
10 already about the importance of maintaining
11 affordability, correct?

12 MS. SATVIR JATANA: Yes.

13 MR. TODD ANDRES: And if indeed the
14 number is, as you say, 80 percent of MPI's -- and --
15 and sorry, I'll back up here a little bit. When you
16 say that 80 percent or more of --

17 MS. SATVIR JATANA: Large number of
18 our --

19 MR. TODD ANDRES: Large numbers.

20 MS. SATVIR JATANA: -- Basic customers
21 also buy our Extension product. But it is a
22 competitive line of business and there are customers
23 that do choose other insurer and -- which is welcomed.

24 MR. TODD ANDRES: And -- and you've
25 preempted me. That was where I was going with this.

1 So, you said, "Buy our Extension products."

2 So, understood, it's possible to buy
3 Extension coverage elsewhere, correct?

4 MS. SATVIR JATANA: Absolutely.

5 MR. TODD ANDRES: Thank you. But we
6 know that MPI does hold a 95 percent market share for
7 the sales of Extension, correct?

8 MS. SATVIR JATANA: Now you're giving
9 me the number, so I'm --

10 MR. TODD ANDRES: I -- well --

11 MS. SATVIR JATANA: -- subject to
12 check, but --

13 MR. TODD ANDRES: I'll -- I'll take
14 you there.

15 MS. SATVIR JATANA: Okay.

16 MR. TODD ANDRES: So, Ms. Schubert,
17 can you pull up Board Order 176/'19, page 27. So,
18 these are outdated numbers obviously. Keep scrolling
19 down. There we go.

20 So, this is obviously an outdated
21 number. And -- and you can tell me if it's changed
22 dramatically since then. But it says here that MPI
23 has indicated that it holds 95 percent of the market
24 for Extension products, correct?

25 MS. SATVIR JATANA: Yeah. You know,

1 we've held a high market for a number of reasons. One
2 is our product is competitive, not just in price, but
3 also the value that it provides.

4 And I'm also a customer of MPI. And
5 part of the reason I think most of us choose MPI's
6 Extension product is ease of claim and ease of
7 transaction at the -- at the time of the policy.

8 MR. TODD ANDRES: Thank you for that.
9 So, that means we have, again, using your numbers, a
10 substantial number of customers. So, let's say 80
11 percent of customers are also buying Extension. So,
12 they're buying Basic. Then they're -- 80 percent are
13 buying Extension.

14 Those 80 percent of basic customers are
15 paying the 10 percent increase in Extension, correct?

16 MS. SATVIR JATANA: Yes, that is
17 correct. But I just want to remind us that -- that 10
18 percent is -- we have to look at a dollar, as well,
19 for the products. And not all customers are going to
20 buy all Extension products. Some may just buy the
21 deductible buydown.

22 But there are fourteen (14), fifteen
23 (15) within Extension line, rental car and many
24 others. So, not all customers will incur that 10
25 percent increase.

1 MR. TODD ANDRES: Understood. And --
2 and thank you for that clarification.

3 But it's possible then that a dramatic
4 increase to Extension could potentially dissuade
5 customers from purchasing that product, correct?

6 MS. SATVIR JATANA: Counsel, when you
7 say "dramatic increase," the forecast shows about 2
8 percent year over year, so I'm -- I'm not sure if that
9 -- I would classify that as a dramatic increase.

10 MR. TODD ANDRES: But in terms of
11 those who are able to get the benefit of the 3 percent
12 rate indication alone, that's about 20 percent of
13 MPI's customers?

14 MS. SATVIR JATANA: The year that
15 we're talking about now, the application, if we're
16 saying 3 percent, the Extension show 2 percent rate
17 increase.

18 MR. TODD ANDRES: I'm -- I'm not sure
19 I -- I'm not sure I follow because I -- I believe we
20 established that we're talking about \$10 million in --
21 pardon me -- we're talking about 10 percent increase
22 in revenues.

23 MS. SATVIR JATANA: Ten percent
24 increases for the current rating year --

25 MR. TODD ANDRES: Right.

1 MS. SATVIR JATANA: -- the year that
2 our Basic customers are having a minus 5 reduction in
3 Basic. So, if you net it -- let's -- everyone is
4 buying all of Extension product and our Basic, the net
5 impact would be plus 5 for this year.

6 Next year, the application we're
7 talking about where our ask is 3 percent, our
8 Extension line of business is forecasted to be a 2
9 percent increase.

10

11 (BRIEF PAUSE)

12

13 MR. TODD ANDRES: Right. And so, just
14 to be clear, that's 2 percent on top of whatever
15 profit margin is being made already, correct?

16 MS. SATVIR JATANA: Yes. The
17 Extension line of business has forecasted 2 percent
18 increase for next year.

19 MR. TODD ANDRES: On top of the
20 revenues already predicted?

21 MS. SATVIR JATANA: On top of the
22 revenues, yes.

23 MR. TODD ANDRES: Thank you. Can you
24 just confirm whether MPI will be applying for
25 actuarially indicated rates in future applications?

1 MS. SATVIR JATANA: That -- that was
2 the -- always the intention, including this year. We
3 did file AAP. We did start this conversation with
4 AAP, so it's not lost on us. It's not a -- something
5 that we want to depart from, and it's simply a request
6 this year, that we -- that the Board considers other
7 facts -- factors other than the AAP.

8 MR. TODD ANDRES: Thank you.

9 MS. SATVIR JATANA: I understand that
10 AAP is a minimum filing requirement, something that,
11 of course, MPI would continue to comply. And
12 hopefully we're not in that position next year, that
13 we're not having this discussion, that we can simply
14 align our ask with our AAP.

15 MR. TODD ANDRES: Thank you for that.
16 Turning now to the issue of reserves. A question was
17 put to MPI in the IR process to explain why MPI does
18 not consider the use of available capital to bridge
19 the proposed shortfall in rate level to be a -- a
20 rebate under MPI Act Section 18.

21 MS. SATVIR JATANA: Yeah, so if you
22 want to bring up that IR I can, you know --

23 MR. TODD ANDRES: Oh, happy to.

24 MS. SATVIR JATANA: -- emphasize that
25 again ---

1 MR. TODD ANDRES: So that's 2-12 --
2 there it is, 2-12.

3 MS. SATVIR JATANA: Yeah.

4 MR. TODD ANDRES: And so, if we -- in
5 there's in -- in -- where Ms. Schubert has stopped
6 right now, helpfully, is the response from MPI.

7 MS. SATVIR JATANA: And that would be
8 our response, yeah.

9 MR. TODD ANDRES: Thank you. And so,
10 you'll confirm that MPI's position is that capital
11 releases are permitted pursuant to the MPI Act.

12 Correct?

13 MS. SATVIR JATANA: That is correct.

14 MR. TODD ANDRES: Thank you. Just a
15 few questions on Project NOVA.

16 Does MNP advise you directly on Project
17 NOVA progress?

18 MS. SATVIR JATANA: Can you please
19 maybe clarify that question? What do you mean by
20 advise me regularly?

21 MR. TODD ANDRES: Well, so we have a
22 couple of updates in the materials, the Sprint 1 and
23 Sprint 2 updates.

24 Did they provide other updates and to
25 whom were they provided?

1 MS. SATVIR JATANA: So, they are our
2 governance body for NOVA. They report directly into
3 the tech committee, but I do get the reports. I do
4 engage with them on a monthly basis, but they are --
5 they report directly into the tech committee.

6 MR. TODD ANDRES: And in terms of an
7 update for NOVA, how -- what steps are you taking to
8 assure yourself that the original Project NOVA scope -
9 - original -- the -- the re-baselined Project NOVA
10 scope defined in 2022 will be delivered and accounted
11 for within the budget?

12 MS. SATVIR JATANA: Well, I can share
13 with the Board what I have done since I've stepped
14 into this role and without having to repeat kind of on
15 -- on what I took over and the state of the
16 Corporation.

17 But one thing I did was in addition to
18 speaking to my team, working very closely with the IT,
19 I have reviewed the Board Orders from the past and I
20 have, I'll say, very closely understood the criticism
21 and the input and the feedback from various
22 stakeholders, including the Board, like our regulator.

23 When -- I'll say I'll take us back to
24 February. At that time, a lot of the work on NOVA
25 was, I'll say, stopped to very minimum because one we

1 -- when we went into the strike, we had a handful of
2 employees left in the building to keep our lights on.
3 So, the NOVA work was not going on.

4 We had just implemented first a release
5 at the beginning of that year and going, I'll say very
6 close to as we were preparing for strike and labour
7 interruption, it was starting to highlight that there
8 was some -- still concerns with the first release and
9 that release needed a close attention.

10 And -- and we -- to the point that we
11 stopped migrating additional policy. So, but 50
12 percent of the policies went into the new system and
13 the rest of the policies are still in the old system.
14 And we did not feel that we should continue with that
15 without addressing some of the gaps that were being
16 identified by our team members, our users internal,
17 and also the broker community.

18 Then came the strike and of course all
19 hands-on deck was to just keep the lights on. We came
20 out of the strike and it took us nearly, probably
21 close to six (6) to eight (8) months to just clear the
22 backlog.

23 So, my focus at that point was, we're
24 here to serve our customers and that should be our
25 first priority and we minimize all other activity to

1 focus on the customer. Restore -- restore our
2 services and clear the backlog.

3 That brought us to spring. The team --
4 there was some work underway, like I said it was not
5 all stopped, but it was minimized so we can focus on
6 the things that was critical.

7 We were in the -- we were all -- I will
8 say in the implementation of second release, second
9 release was a -- much smaller in nature than third
10 release.

11 Commitment that we had internally as
12 this leadership team, that we did not want to start
13 implementing Release 3 unless -- until we have a clear
14 understanding of timeline, of ensuring that we stay
15 close to the scope that was initially anticipate --
16 was determined in the business case and that we needed
17 a thorough discovery done on this before we will go
18 into implementation and that was our commitment to our
19 Board, our shareholder and to the stakeholders.

20 We completed Release 2 in the summer in
21 month -- June we implemented and second release went
22 well. We had no concern where our users and those
23 that are impacted by this are inter -- international
24 registration program customers are enjoying the new
25 system and the way we can deliver service to them.

1 Then our attention turned to discovery
2 of R3. That discovery has begun in June and that is
3 still continuing on. We're halfway through that
4 discovery and that discovery should be concluded end
5 of this year. At that time, we have -- will have a
6 clear understanding of the time and -- and our
7 commitment to delivering rest of NOVA and -- and we
8 would be happy to share the findings.

9 I don't believe in doing these kind of
10 large projects in secrecy. Our commitment is to
11 commit to what we can deliver and deliver what we have
12 committed to. We are minimizing other noise so we can
13 focus on NOVA. Those days are gone that we're not
14 going to pursue three hundred (300) other initiatives
15 and trying to do NOVA on the side of our desk. NOVA
16 is a complex project for MPI.

17 And whatever capacity is left
18 internally, including we need to borrow some capacity
19 to complete this project and that's our commitment as
20 this management team.

21 MR. TODD ANDRES: Thank you for that.
22 And so, just to confirm, are there any further delays
23 in the project timeline that are anticipated?

24 MS. SATVIR JATANA: Like I said, you
25 know, we're seventeen (17) weeks into discovery and we

1 have another ten (10) weeks. And I'm -- I'm not
2 confident in talking about timelines today, but I will
3 be once the discovery is complete. And we will be
4 open and transparent and we are happy to engage in
5 that discussion at that point.

6 MR. TODD ANDRES: Thank you for that.
7 What does the organization look like upon the
8 completion of NOVA?

9 MS. SATVIR JATANA: Oh, the world
10 looks so beautiful with -- when that happens. One --
11 we would have our major systems that we need to
12 deliver services to Manitobans. We would have
13 replaced the outdated technology. That would relieve
14 -- that would provide, of course, relief to the
15 organization from a capacity and from the burdens of
16 having a -- managing an old technology.

17 In addition to that, it will enable
18 some online options for us to deliver to our customers
19 and it will provide efficiencies. It will provide
20 improvements to the services in -- internally the
21 process we have today to deliver our services.

22 So those are some of the things that I
23 would say are near and dear to my heart that this
24 project will bring.

25 MR. TODD ANDRES: Thank you for that.

1 And one final question on NOVA, will Release 3 of NOVA
2 provide customers an option to buy Extension coverage,
3 other than through MPI?

4 MS. SATVIR JATANA: I'm sorry, can you
5 repeat that?

6 MR. TODD ANDRES: Can a customer who
7 is going to renew their insurance using the online
8 database, will they be given an option to buy
9 Extension coverage, other than through MPI?

10 MS. SATVIR JATANA: Well, we're not
11 integrating our system with our competitors, if that's
12 the question.

13 MR. TODD ANDRES: I --

14 MS. SATVIR JATANA: That -- that --
15 option exists for customers today. They can purchase
16 our product and they can purchase other and that would
17 be the future as well.

18 MR. TODD ANDRES: Sorry, so I -- I --
19 I think understand the answer and the answer is that,
20 no, there won't -- the -- the option using the online
21 portal will be to purchase MPI Extension coverage
22 only. Correct?

23 MS. SATVIR JATANA: That is correct.

24 MR. TODD ANDRES: Thank you. So
25 yesterday afternoon, that's Monday afternoon, we -- we

1 heard from a number of presenters suffering from brain
2 injuries and from an advocate who spoke quite
3 passionately about this issue and I appreciate that
4 you stayed for that with your team. And just a few
5 questions about this. I -- I'm hoping you can speak
6 to it.

7 Has the Corporation assessed the
8 appropriateness of its compensation to victims of
9 brain injury -- brain injuries any time recently?

10 MS. SATVIR JATANA: I don't have that
11 information, how recent, so I would have to check with
12 my team.

13 MR. TODD ANDRES: Sure. If you could,
14 that would be great.

15 MR. ANTHONY GUERRA: Sorry, counsel.
16 Are you asking for an undertaking?

17 MR. TODD ANDRES: Yes.

18 MR. ANTHONY GUERRA: We're -- we're
19 not going to produce any information that's not
20 pertinent to the Rate Application this year. This was
21 done on a presentation basis which doesn't form part
22 of the evidentiary record, and it's not to be
23 considered by the PUB in determining rates this year.

24 So, while that information will
25 certainly be valuable to the organization in terms of

1 its practices going forward, I'm not sure exactly what
2 the relevance is in producing that in the context of
3 the 2025 GRA.

4 MR. TODD ANDRES: Mr. Guerra, that's a
5 fair comment, and -- and I -- I don't think that we
6 need an undertaking, but I think we'd be curious to
7 know, perhaps in future, if -- you know, especially
8 given what we've heard, if the Corporation has or in
9 future rate applications if the Corporation will
10 review its policies in terms of compensating victims
11 of traumatic brain injury just in terms of the --
12 there was a comment made yesterday that there was a
13 subsidy to rate holders, so I suppose it's germane in
14 that sense. So, thank you for that.

15

16 CONTINUED BY MR. TODD ANDRES:

17 MR. TODD ANDRES: And I guess a
18 somewhat related question: As a part of its
19 obligation to seek just and reasonable rates, does
20 requesting a lower rate limit MPI's ability to pay out
21 compensation to victims of motor vehicle accidents?

22 MS. SATVIR JATANA: Our cost is -- is
23 part of our Application, so no.

24 MR. TODD ANDRES: Thank you. And
25 again, you may not know the answer to this, but has

1 MPI done a comparison to other jurisdictions as it
2 relates to compensation levels payable to victims of
3 motor vehicle accidents?

4 MS. SATVIR JATANA: I know our team is
5 -- you know, there is a regular review of -- of those
6 benefits, and I know in my time we have made some
7 changes as recent as I was -- I would say in recent
8 years.

9 I don't know if there's one (1)
10 particular area that the question is -- is from but
11 overall, we -- we do review that our products and our
12 benefits align with the -- the industry, m-hm.

13 MR. TODD ANDRES: Thank you for that.

14 MS. SATVIR JATANA: Just having said
15 that, right, there is only two (2) other jurisdiction,
16 SGI and ICBC, that just recently -- and I -- I was
17 speaking to both of those CEOs, and -- and our
18 benefits are considered sometimes the Cadillac.

19 And I know that Alberta is looking at
20 it, and I -- I'm also aware they're looking at
21 Manitoba's PIPP Program as a -- as a starting point.

22 MR. TODD ANDRES: Thank you for that.
23 And I'm just wondering if you care to respond to the
24 comments yesterday from the presenter, Ms. McGhee,
25 about the -- the lack of requirement to provide a

1 driver's abstract from another jurisdiction.

2 MS. SATVIR JATANA: I was -- I was
3 surprised and a bit disappointed in that customer's
4 experience, but every customer -- I don't want to
5 underestimate, but I was surprised that that wouldn't
6 be the case because, generally, I know I have
7 relatives that have come, and usually the front
8 counter team member would generally ask, if you're
9 coming out of province, that do you have that record
10 to ensure that we put them in the appropriate DSR
11 level.

12 So, I can't speak to that individual
13 case, but it must have been an oversight. But I
14 recognize that perhaps there's opportunity for us to
15 look at our website and increase that education so
16 customers -- if the front counter employee, whether a
17 broker at our service centre did not remember to do
18 that, that at least the -- our website would provide
19 that information. So that was my take-away to just
20 check with my team.

21 MR. TODD ANDRES: Thank you for that.
22 We may be done. I just need to check with my
23 advisors.

24

25

(BRIEF PAUSE)

1

2 MR. TODD ANDRES: I've been told that
3 I have no further questions. Thank you.

4 PANEL CHAIRPERSON: Thank you, Mr.
5 Andres.

6 Mr. Guerra, question for you. Do you
7 know whether the affidavit motion and affidavit are
8 available yet?

9 MR. ANTHONY GUERRA: I don't have an
10 update. I'm just going to check with my regulatory
11 affairs team. One (1) second.

12 PANEL CHAIRPERSON: Thank you.

13

14 (BRIEF PAUSE)

15

16 MR. ANTHONY GUERRA: I'm told the
17 filing is imminent, so hopefully we will have it
18 within the next few minutes.

19 PANEL CHAIRPERSON: Okay. Thank you
20 very much. We will proceed, though, with cross-
21 examination by the Consumers' Association of Canada
22 (Manitoba).

23 MS. KATRINE DILAY: Thank you, Madam
24 Chair.

25

1 CROSS-EXAMINATION BY MS. KATRINE DILAY:

2 MS. KATRINE DILAY: Good morning, Ms.
3 Jatana. It's nice to see you again this year.

4 MS. SATVIR JATANA: Good morning.
5 Nice to see you as well. Familiar faces.

6 MS. KATRINE DILAY: Exactly. I do
7 have a few questions for you this morning. Of course,
8 I've been listening to My Friend Mr. Andres's cross.
9 I will have some questions that are similar, but I'll
10 try to keep them focussed.

11 MS. SATVIR JATANA: Thank you.

12 MS. KATRINE DILAY: Ms. Jatana, you
13 will confirm that MPI underwent an organizational
14 review conducted by the firm Ernst & Young last year?

15 MS. SATVIR JATANA: Yes.

16 MS. KATRINE DILAY: Which culminated
17 in a report released on January 25th, 2024, correct?

18 MS. SATVIR JATANA: That is correct.

19 MS. KATRINE DILAY: And this
20 organizational review was ordered by the then Justice
21 Minister and Minister responsible for MPI Mr. Kelvin
22 Goertzen?

23 MS. SATVIR JATANA: That is correct.

24 MS. KATRINE DILAY: And subject to
25 check, is it your understanding that the review was

1 ordered because of concerns raised by both the Public
2 Utilities Board, as well as concerns Minister Goertzen
3 raised, both publicly and privately to MPI?

4 MS. SATVIR JATANA: I think it was a
5 combination of all those things.

6 MS. KATRINE DILAY: Thank you. As CEO
7 of MPI, you would consider it your responsibility to
8 be familiar with the regulatory process governing
9 MPI's rates?

10 MS. SATVIR JATANA: It is.

11 MS. KATRINE DILAY: You have
12 responsibility to make a recommendation to the board
13 of directors to approve MPI's General Rate
14 Application?

15 MS. SATVIR JATANA: I do.

16 MS. KATRINE DILAY: And so, as part of
17 your responsibilities, you would have reviewed past
18 PUB orders relating to MPI's General Rate
19 Applications, correct?

20 MS. SATVIR JATANA: Yes.

21 MS. KATRINE DILAY: And so, you will
22 be confirm -- you will be familiar, sorry, with the
23 concerns raised by the PUB which led the government to
24 ordering the organizational review?

25 MS. SATVIR JATANA: I have a general

1 idea.

2 MS. KATRINE DILAY: And you'll confirm
3 your understanding that one (1) of the concerns that
4 was raised by the PUB two (2) years ago related to
5 staffing increases within the Corporation?

6 MS. SATVIR JATANA: Yes, I am.

7 MS. KATRINE DILAY: And we can go to a
8 reference if you'd like, or we can take this subject
9 to check, but you'll confirm your understanding that
10 the PUB stated in Order 4 of '23 that it was concerned
11 with the rate at which the Corporation plans to
12 increase its staffing complement?

13 MS. SATVIR JATANA: Maybe remind me
14 which Order was that two (2) years ago.

15 MS. KATRINE DILAY: Of course.

16 MS. SATVIR JATANA: Okay.

17 MS. KATRINE DILAY: Maybe we'll bring
18 it up on the screen --

19 MS. SATVIR JATANA: Yeah.

20 MS. KATRINE DILAY: -- just for -- for
21 ease. Kristen, if we could go to page 109 of PUB
22 Order 4 of '23. And if you look at -- thank you, Ms.
23 Schubert -- the last paragraph on the screen
24 currently, you'll see there that the Board stated it
25 was concerned with the rate at which the Corporation

1 plans to increase its staffing complement?

2 MS. SATVIR JATANA: Yes, I see that.

3 MS. KATRINE DILAY: And specifically,
4 the Board referred to this as a dramatic increase in
5 staffing costs?

6 MS. SATVIR JATANA: My recollection is
7 that was in the times that MPI was requesting a large
8 increase to FTEs.

9 MS. KATRINE DILAY: And --

10 MR. ANTHONY GUERRA: Full-time
11 equivalents.

12 MS. KATRINE DILAY: Sorry, Mr. Guerra?

13 MR. ANTHONY GUERRA: Full-time
14 equivalents.

15 MS. KATRINE DILAY: Thank you.

16 MS. SATVIR JATANA: Spelling out my
17 acronym. Thank you.

18

19 CONTINUED BY MS. KATRINE DILAY:

20 MS. KATRINE DILAY: We all like that.
21 And we could go to page 91, Ms. Schubert, towards the
22 middle of the page, just to confirm some of the
23 numbers.

24 And so -- and so you'll agree, in the
25 2023 GRA, MPI was planning for a jump of more than

1 four hundred (400) full-time equivalents between
2 2021/'22 and 2023/'24 as noted by the PUB here?

3 MS. SATVIR JATANA: I do see that.

4 MS. KATRINE DILAY: And at a high
5 level, the PUB also expressed concerns in this order
6 related to Project NOVA expenses?

7 MS. SATVIR JATANA: That is correct.

8 MS. KATRINE DILAY: And perhaps we
9 could go to page 110 of this Order, towards the bottom
10 of the page. Thank you, Ms. Schubert.

11 And you'll confirm that you see there
12 the PUB had found that:

13 "If MPI cannot demonstrate that it
14 has made prudent choices in its
15 plans for Project NOVA and is making
16 efforts to contain costs, there is a
17 significant risk that MPI's next
18 rate request will be found not to be
19 just and reasonable."

20 You see that?

21 MS. SATVIR JATANA: I do see that.

22 MS. KATRINE DILAY: And the PUB found
23 that it had serious concerns that -- the last two (2)
24 lines on this page -- serious concerns about any
25 increases to the Project NOVA budget beyond what has

1 already been approved.

2 MS. SATVIR JATANA: I recognize that.

3 MS. KATRINE DILAY: And at a high
4 level, you'll agree that another concern raised by the
5 PUB in this Order, 4/'23, was the lack of rigor in
6 MPI's performance measurement?

7 MS. SATVIR JATANA: Yes, I see that.

8 MS. KATRINE DILAY: And perhaps we'll
9 go to page 111 of this Order, at the top of the page.

10 The PUB found here that MPI should be
11 using key performance indicators to establish
12 performance measures and targets across all aspects of
13 the business, including IT, correct?

14 MS. SATVIR JATANA: That is correct.

15 MS. KATRINE DILAY: At a high level,
16 Ms. Jatana, you'll confirm that MPI has seen many
17 changes to both its executive team and its Board over
18 the last few years?

19 MS. SATVIR JATANA: That has been the
20 unfortunate part.

21 MS. KATRINE DILAY: And specifically,
22 in October 2023, the new provincial government
23 appointed nine (9) new Board members, correct?

24 MS. SATVIR JATANA: That is correct.

25 MS. KATRINE DILAY: And at the

1 executive level, you'll agree that MPI has had three
2 (3) CEOs and one (1) interim CEO in the span of about
3 six (6) to seven (7) years?

4 MS. SATVIR JATANA: I'll get you to
5 repeat this question, but I should correct the fact
6 that I just pointed. It was eight (8) Board members.

7 MS. KATRINE DILAY: Oh, thank you for
8 that. Appointed eight (8) -- so eight (8) new Board
9 members in October 2023.

10 And at the executive level, you'll
11 agree that since 2017, and -- and without you
12 included, MPI has seen three (3) CEOs and one (1)
13 interim CEO?

14 MS. SATVIR JATANA: The number sounds
15 right.

16 MS. KATRINE DILAY: And for a period
17 of time in 2023 while Ernst & Young were undertaking
18 their review, several key senior executives were
19 serving in interim roles at that time?

20 MS. SATVIR JATANA: That would be
21 correct.

22 MS. KATRINE DILAY: Including the
23 chief operations officer and the corporate controller,
24 to the best of your recollection?

25 MS. SATVIR JATANA: That is correct.

1 MS. KATRINE DILAY: And is it your
2 recollection that Ernst & Young found that the average
3 tenure of senior executives in their current role was
4 low?

5 MS. SATVIR JATANA: That would be
6 correct.

7 MS. KATRINE DILAY: And as we've
8 already confirmed -- as was already confirmed earlier,
9 you started as MPI president and CEO in February 2024?

10 MS. SATVIR JATANA: That is correct.

11 MS. KATRINE DILAY: And so, since
12 2017, you would be the -- the fourth -- sorry, the
13 fifth CEO or interim CEO since 2017?

14 MS. SATVIR JATANA: That sounds right.

15 MS. KATRINE DILAY: At a high level,
16 you will agree that changes at the executive level can
17 have an impact on the moral of staff within the
18 Corporation?

19 MS. SATVIR JATANA: It has an impact
20 on the entire organization.

21 MS. KATRINE DILAY: Including staff,
22 correct?

23 MS. SATVIR JATANA: That would be
24 correct.

25 MS. KATRINE DILAY: And you'll also

1 agree that executive turnover could have a negative
2 impact on large projects such as Project NOVA?

3 MS. SATVIR JATANA: I would agree with
4 that.

5 MS. KATRINE DILAY: And examples of
6 those -- of that negative impact could include
7 strategic direction and stability?

8 MS. SATVIR JATANA: That would be
9 fair.

10 MS. KATRINE DILAY: Loss of
11 institutional knowledge could be another impact?

12 MS. SATVIR JATANA: That would be.

13 MS. KATRINE DILAY: Stakeholder
14 confidence erosion could be another impact?

15 MS. SATVIR JATANA: That's fair.

16 MS. KATRINE DILAY: And project
17 sponsorship uncertainty could be another impact?

18 MS. SATVIR JATANA: It would
19 definitely change the project sponsorship.

20 MS. KATRINE DILAY: And you'll agree
21 that skill and experience at the executive level will
22 be required to steer MPI through the technological
23 transition of change that MPI is currently undergoing,
24 correct?

25 MS. SATVIR JATANA: Organization

1 benefits from having strong and commitment management
2 team, yes.

3 MS. KATRINE DILAY: And we've already
4 referred to this on the record this proceeding.
5 You'll agree that MPI has faced a ten (10) week labour
6 interruption from August to November of 2023?

7 MS. SATVIR JATANA: Yes.

8 MS. KATRINE DILAY: And MPI's services
9 were heavily impacted by that labour interruption,
10 correct?

11 MS. SATVIR JATANA: I would say the
12 services were stopped if not disrupted significantly.

13 MS. KATRINE DILAY: And this led to
14 delays for Manitobans to access many of MPI's
15 services, correct?

16 MS. SATVIR JATANA: That is correct.

17 MS. KATRINE DILAY: And the labour
18 interruption also led to backlogs, correct?

19 MS. SATVIR JATANA: Significant
20 backlogs.

21 MS. KATRINE DILAY: And the strike had
22 a financial impact on the Corporation, correct?

23 MS. SATVIR JATANA: That is correct.

24 MS. KATRINE DILAY: And at a high
25 level, you will agree that a labour interruption also

1 impacts the moral of staff, correct?

2 MS. SATVIR JATANA: Probably more than
3 anything. That was the biggest impact to us, that we
4 -- we lost trust and credibility with our people, and
5 probably something that is even more significant than
6 the financial impact that we would have taken.

7 MS. KATRINE DILAY: Ms. Schubert, if
8 we could turn to PUB/MPI 1-40, please, and
9 specifically page 5, figure 5. Thank you.

10 And so, you'll agree you see there on
11 the screen a figure which shows the average annual
12 turnover history for MPI, correct?

13 MS. SATVIR JATANA: That is correct.

14 MS. KATRINE DILAY: And if you look
15 specifically at the year 2023/2024, and if we look at
16 the turnover percentage, the -- the column to the
17 right for -- farthest to the right, you'll agree that
18 MPI's turnover rate for '23/'24 was higher than it has
19 been since at least 2018?

20 MS. SATVIR JATANA: It has been. But
21 I just want to check one (1) thing, was that factored
22 with the average headcount being so low. So, let me
23 just confirm something.

24 MS. KATRINE DILAY: Thank you for
25 that.

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(BRIEF PAUSE)

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MS. SATVIR JATANA: So, although the numbers are fairly consistent and we have seen a larger turnover in recent years, but for '23/'24, that number is slightly inflated because our average headcount is down given that our -- 85 of -- percent of our team members were not in the organization.

So, our average headcount is significantly lower for those reasons.

MS. KATRINE DILAY: Thank you, Ms. Jatana. So, to confirm, I think what I'm understanding is that the percentage would be perhaps inflated because of the average headcount. However, the actual number of --

MS. SATVIR JATANA: Yeah.

MS. KATRINE DILAY: -- departures would not be impacted, correct?

MS. SATVIR JATANA: Absolutely. Yes.

MS. KATRINE DILAY: And so, that turnover percentage for '23/'24 was 7.66 percent, correct?

MS. SATVIR JATANA: That is correct.

MS. KATRINE DILAY: And 6.06 percent

1 for '22/'23, correct?

2 MS. SATVIR JATANA: That is correct.

3 MS. KATRINE DILAY: And those two (2)
4 years would be the highest rates since at least 2018,
5 which is all that we have in this history, correct?

6 MS. SATVIR JATANA: That is correct.

7 MS. KATRINE DILAY: At a high level,
8 you'll agree that some staff may leave employment
9 because they find a better paying job somewhere else?

10 MS. SATVIR JATANA: I understand that
11 may be the reason. But my thirty (30) years in
12 leadership role, generally, compensation is not a main
13 factor employees leave.

14 MS. KATRINE DILAY: It could be one
15 (1) factor. You'll agree with that?

16 MS. SATVIR JATANA: It could be one
17 (1) factor, yeah.

18 MS. KATRINE DILAY: Another factor may
19 be that they find a job with more flexibility,
20 correct?

21 MS. SATVIR JATANA: Could be a number
22 of reasons.

23 MS. KATRINE DILAY: Another reason
24 could be if they are dissatisfied with their current
25 job?

1 MS. SATVIR JATANA: That could be the
2 reason, yeah.

3 MS. KATRINE DILAY: And another reason
4 could be if employees are dissatisfied with the
5 corporate culture, correct?

6 MS. SATVIR JATANA: Yes.

7 MS. KATRINE DILAY: Another reason
8 could be if they lack role clarity in their current
9 position?

10 MS. SATVIR JATANA: Yes.

11 MS. KATRINE DILAY: Another reason
12 could be if they lack direction?

13 MS. SATVIR JATANA: Yeah.

14 MS. KATRINE DILAY: And finally,
15 another reason could be if the employees felt they
16 were underemployed or misemployed in their current
17 position, correct?

18 MS. SATVIR JATANA: Those could all be
19 the factor, plus many other that could cause that.

20 MS. KATRINE DILAY: Thank you, Ms.
21 Jatana. Ms. Schubert, could we please turn to CAC/MPI
22 1-6, specifically in the preamble to that question.
23 And, Ms. Schubert, I'll -- I'll -- I'm sorry if I
24 misspoke, but I'll actually refer to CAC/MPI 1-6.
25 Thanks very much.

1 And I'll just give you a few seconds to
2 familiarize yourself with the preamble here.

3 And so, you see here that MPI's this --
4 this preamble you'll agree is taken from MPI's General
5 Rate Application. That's your understanding?

6 MS. SATVIR JATANA: That's my
7 understanding.

8 MS. KATRINE DILAY: And you see here
9 that MPI's Application referred to some of the actions
10 that you took when you became CA -- CEO of MPI.

11 You see that?

12 MS. SATVIR JATANA: I do.

13 MS. KATRINE DILAY: And looking
14 towards the three (3) last lines of this paragraph,
15 you'll agree that one (1) key step you took when you
16 became CEO was to establish a short-term Stability
17 Strategy?

18 MS. SATVIR JATANA: Yes.

19 MS. KATRINE DILAY: And if we just go
20 to attachment A to this Information Request and you'll
21 see before you, this is a copy of the short-term
22 Stability Strategy. Correct?

23 MS. SATVIR JATANA: That is correct.

24 MS. KATRINE DILAY: And this strategy
25 is for specifically the years 2024/'25 and not for the

1 longer term. Correct?

2 MS. SATVIR JATANA: This strategy was
3 specifically for this year to address -- provide that
4 clarity and direction and have a sense of calmness in
5 the organization and to ensure that we were not
6 chasing many shiny objects from the recent years and
7 that our initiatives aligned to the things that were
8 important and critical for us serving Manitobans.

9 MS. KATRINE DILAY: And especially as
10 you were working toward a multi-year or longer-term
11 strategy. Correct?

12 MS. SATVIR JATANA: That is correct
13 because somebody I -- I -- you know said recently that
14 when -- when you're bleeding, you need to first
15 stabilize the patient and I felt we were in that type
16 of a situation before we can understand what our long-
17 term strategy would be that how do we create that
18 healing for the organization.

19 MS. KATRINE DILAY: Thank you. And as
20 we heard yesterday, MPI's Corporate Strategic Plan,
21 that the five (5) year plan was only just finalized
22 and approved by the Board of Directors last week.
23 Correct?

24 MS. SATVIR JATANA: It was approved
25 last Friday. It took us six (6) months to get to this

1 point and it was approved in the sense that we now can
2 socialize with -- with our stakeholders and our team
3 members and seek that feedback, that input. And our
4 commitment is to do that over the next number of
5 months before we finalize our final -- final plan.

6 MS. KATRINE DILAY: Thank you, Ms.
7 Jatana. I have a few questions about MPI's budgeting
8 process, but most of my questions on this topic will
9 go to the Financial Forecasting Panel.

10 MS. SATVIR JATANA: I appreciate that.

11 MS. KATRINE DILAY: At a high level,
12 you will agree that MPI was operating in a holding
13 pattern for most of the '23/'24 year?

14 MS. SATVIR JATANA: I think that would
15 be fair.

16 MS. KATRINE DILAY: And we can turn to
17 a reference if you'd like, but you'll agree that the
18 tone and direction of the budget for '25/'26 was
19 established by you as CEO?

20 MS. SATVIR JATANA: Yeah, so when I
21 stepped into this role, we were also just starting the
22 application process. So, my direction at that point
23 was to hold and that once we figure out our -- our
24 short- and long-term objectives and once we have an
25 opportunity to look at closely our operating budget

1 and the structure and -- and the cost that we would
2 refine that. But at that time, it was to hold to the
3 baseline.

4 MS. KATRINE DILAY: And so just to --
5 to close the loop on that, so you'll agree that the
6 tone and direction of the budget for '25/'26 was
7 established or directed by you as CEO. Correct?

8 MS. SATVIR JATANA: That would be
9 correct.

10 MS. KATRINE DILAY: And that was
11 communicated to both the Board, the MPI Board and the
12 Executive Committee?

13 MS. SATVIR JATANA: I put
14 recommendation forward to the Board. The Board
15 approves that, but I do set the direction for my team
16 and for my finance teams, specific -- specifically for
17 that -- this year.

18 MS. KATRINE DILAY: Thank you. For --
19 and for '25/'26, when you said "this year," you mean
20 '25/'26. Correct?

21 MS. SATVIR JATANA: That would be
22 correct.

23 MS. KATRINE DILAY: And specifically,
24 the tone and direction were to return to a flat budget
25 on corporate expenses and hold on overall Corporate

1 FTE's or Full -- Full-Time Equivalents for '25/'26, as
2 compared to '24/'25. Correct?

3 MS. SATVIR JATANA: That would be
4 correct at that time.

5 MS. KATRINE DILAY: And you'll agree
6 that the Corporation's objective with respect to
7 budgeting was essentially a holding pattern for
8 '25/'26 as compared to '24/'25. Correct?

9 MS. SATVIR JATANA: I just want to
10 confirm one thing.

11

12 (BRIEF PAUSE)

13

14 MS. SATVIR JATANA: Sorry, I'm going
15 to give you a -- a lengthy explanation for this as
16 well.

17 Yes, at the time of the Application it
18 was hold it -- hold to what was approved by Gov, our
19 budget last year. We did adjust some -- our
20 initiative within that and our starting point was four
21 hundred and eight (408). We brought it down to around
22 three ninety-nine (399). That's what went into the
23 Application.

24 However, over the summer months as we
25 did our -- we reorganized our team. We looked at our

1 operating cost closely. Matter of fact, I -- I spent
2 three (3) weeks with each director looking at budget
3 line by line, with my CFO and the Finance Team.

4 And we -- we did reduce our FTE;
5 however, you're not seeing that because that did not
6 form -- that was kind of late as into
7 August/September.

8 The budget we are taking forward for
9 Gov -- our -- our Board and Gov approval, which is
10 early next month, will show our reduction in FTE
11 overall. But I recognize that you're dealing with a
12 little bit of a different numbers than what I'm -- I'm
13 going up.

14 Our hope would be that in future -- I
15 don't want to say "hope." Our plans are for next
16 year's budget that we do that all at once in the
17 spring time. That you're seeing the same information
18 that we are submitting to Gov leader and that we're
19 not, you know, dealing with two (2) sets of numbers.

20 That would be our plan going forward
21 but this will hopefully is the last year that we're
22 kind of -- you're dealing with one (1) set of number
23 and -- and we're dealing with another that has changed
24 after the fact.

25 MS. KATRINE DILAY: Thank you for

1 that, Ms. Jatana. And we may have further questions
2 for the Financial Forecasting Panel on that topic.

3 And so, at a high level you'll agree
4 that the 2025/'26 budget that we have in front of us
5 in this Application, the direction was essentially
6 top-down. Correct?

7 MS. SATVIR JATANA: Yes.

8 MS. KATRINE DILAY: And it was not
9 driven by a multi-year strategic direction at that
10 time. Correct?

11 MS. SATVIR JATANA: That strategy was
12 not finalized. But what I can see is -- is we
13 developed that strategy as I said yesterday, we wanted
14 to do it within our means. We're not planning to
15 bring a budget forward that's going to be asking three
16 hundred (300) FTEs for us to deliver on our long-term
17 strategy. We do not want to shock Manitobans with
18 that type of a surprise. And that is not our intent.
19 Like I said, we are going to live within our means and
20 deliver within our means.

21 MS. KATRINE DILAY: And just to
22 confirm the response to the question. The 2025/'26
23 budget that is in this Application, was not driven by
24 MPI's multi-year strategic direction. Correct?

25 MS. SATVIR JATANA: It has not. Not

1 what's in front of the PUB, yes.

2 MS. KATRINE DILAY: And that's because
3 the corporate strategic direction was not finalized at
4 that time. Correct?

5 MS. SATVIR JATANA: It was not
6 finalized but I can say it will not increase what's in
7 front of -- it actually -- it brings our operating --
8 we have brought our operating cost down. So, it --
9 there is not an increase to what you're seeing.

10 MS. KATRINE DILAY: Thank you. And
11 you'll agree that MPI plans to use its multi-year
12 strategic direction to inform the 2026 General
13 Rate Application and underlying budget, correct?

14 MS. SATVIR JATANA: I'm sorry. Can
15 you repeat that again?

16 MS. KATRINE DILAY: You'll agree that
17 MPI plans to use its multi-year Strategic Plan to
18 inform next year's General Rate Application, that
19 being, the 2026 General Rate Application, correct?

20 MS. SATVIR JATANA: Yes. We will --
21 what's -- we will use the budget that we put forward
22 to deliver on our '25/'26 initiatives within our
23 multi-year strategy.

24

25 (BRIEF PAUSE)

1

2 MS. SATVIR JATANA: Maybe repeat that
3 question --

4 MS. KATRINE DILAY: Yes, thank you.

5 MS. SATVIR JATANA: -- because I think
6 I got the years mixed up.

7 MS. KATRINE DILAY: Thank you. And so
8 -- so, we'll go back just one (1) question behind, and
9 then we'll move forward.

10 So, to confirm, the multi-year strategy
11 did not inform the budget for '25/'26 that the PUB has
12 in front of it in this Application, correct?

13

14 (BRIEF PAUSE)

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16 MS. SATVIR JATANA: The answer is
17 you're right.

18 MS. KATRINE DILAY: Thank you. But it
19 is MPI's plan for the 2026 GRA, which is next year's
20 GRA, that the budget underlying that GRA will be
21 informed by MPI's multi-year Strategic Plan, correct?

22 MS. SATVIR JATANA: That is correct.

23 MS. KATRINE DILAY: Thank you, Ms.
24 Jatana. Now I have a few questions about MPI's rate
25 request to this Board.

1 You'll confirm that MPI is requesting a
2 3 percent rate increase?

3 MS. SATVIR JATANA: That is correct.

4 MS. KATRINE DILAY: As well as a ten
5 dollar (\$10) increase to the base driver premium,
6 correct?

7 MS. SATVIR JATANA: That is correct.

8 MS. KATRINE DILAY: And just to
9 confirm what that is, it's the amount that MPI
10 customers pay for their driver's licence each year,
11 correct?

12 MS. SATVIR JATANA: That is correct.

13 MS. KATRINE DILAY: And this amount is
14 paid as a premium which is part of the Basic insurance
15 revenues for rate setting, correct?

16 MS. SATVIR JATANA: That is correct.

17 MS. KATRINE DILAY: And you confirmed
18 with My Friend, Mr. Andres, that the ten dollar (\$10)
19 increase to base driver premium was proposed in order
20 to lower the rate indication, correct?

21 MS. SATVIR JATANA: That is correct.

22 MS. KATRINE DILAY: And so, by adding
23 the ten dollar (\$10) increase to MPI's proposal, that
24 brought the rate indication down to 6.77 percent, as
25 confirmed by the October 15th update, correct?

1 MS. SATVIR JATANA: That is correct.

2 MS. KATRINE DILAY: And so, if we
3 removed the ten dollar (\$10) increase to base driver
4 premium, the AAP rate indication would be higher than
5 6.77 percent, correct?

6 MS. SATVIR JATANA: That is correct.

7 MS. KATRINE DILAY: I'd like to take
8 you to an MPI news release from July 5th, 2024. Ms.
9 Schubert, if we could bring that up, please.

10

11 (BRIEF PAUSE)

12

13 MS. KATRINE DILAY: Ms. Jatana, you'll
14 agree that you see on the screen before you an MPI
15 news release from July 5th, 2024?

16 MS. SATVIR JATANA: I do.

17 MS. KATRINE DILAY: And looking to the
18 first paragraph, MPI states there that it has filed
19 its provisional General Rate Application with the
20 Public Utilities Board requesting an approval of a 3
21 percent increase to overall rates for the 2025/'26
22 insurance year, correct?

23 MS. SATVIR JATANA: That is correct.

24 MS. KATRINE DILAY: And we can take
25 this subject to check, but you'll agree that MPI does

1 not refer in this news release to the AAP rate
2 indication being higher than 3 percent, correct?

3 MS. SATVIR JATANA: It does not.

4 MS. KATRINE DILAY: And again, subject
5 to check, you will agree that MPI did not include in
6 its news release that it was also seeking an approval
7 for a ten dollar (\$10) increase to the driver premium,
8 correct?

9 MS. SATVIR JATANA: Subject to check,
10 I'm not seeing this on this page, m-hm.

11 MS. KATRINE DILAY: And again, subject
12 to check, you will agree that this news release does
13 not refer to increases in Extension rates, correct?

14 MS. SATVIR JATANA: Well, Extension
15 rate is not part of the rate ask. This is for Basic
16 line of business. The Extension, we don't bring the
17 increase to this venue.

18 MS. KATRINE DILAY: Thank you. And
19 so, you'll agree that this news release did not refer
20 to projected increases to Extension rates, correct?

21 MS. SATVIR JATANA: It does not speak
22 to the 2 percent that we're forecasting for next year
23 for Extension line of business.

24 MS. KATRINE DILAY: Or the 10 percent
25 that was implemented for 2024/'25, correct?

1 MS. SATVIR JATANA: This news release
2 does not speak about the last year. That would have
3 been last year. This is talking about next year's
4 Basic rate and what we're applying for.

5 MS. KATRINE DILAY: And this news
6 release also did not refer to projected transfers from
7 Extension to Basic over the next few years, correct?

8 MS. SATVIR JATANA: Well, I'm not sure
9 if that would be in a news release when there is no
10 plans for that. Sorry, can you repeat that question
11 so I don't misstate something here?

12 MS. KATRINE DILAY: You'll agree this
13 news release did not refer to projected or forecasted
14 transfers from Extension to Basic over the next few
15 years.

16 MS. SATVIR JATANA: You know, this
17 news release does not have all the details that go
18 behind filing an application and our request. This is
19 a very high-level news release.

20 MS. KATRINE DILAY: And so just to
21 confirm the response, there is no reference to
22 Extension transfers to Basic, correct?

23 MS. SATVIR JATANA: There is no
24 reference in the news release.

25 MS. KATRINE DILAY: And you'll confirm

1 your understanding that MPI's actuaries determined a
2 6.15 percent rate indication based on Accepted
3 Actuarial Practice in Canada in July of 2024?

4 MS. SATVIR JATANA: At the time of the
5 filing, that was the AAP.

6 MS. KATRINE DILAY: And the 6.15
7 percent was updated to 6.77 percent in the rate update
8 filed on October 15th, 2024?

9 MS. SATVIR JATANA: That is correct,
10 again with the investment impact, m-hm.

11 MS. KATRINE DILAY: And you'll recall
12 your conversation with My Friend, Mr. Andres, this
13 morning where you said that MPI has a different rate
14 indication which has minimized the gap between the
15 6.77 percent and the 3 percent?

16 MS. SATVIR JATANA: I don't know
17 they're different, but we -- we have updated our claim
18 forecast to -- internally to understand what was that
19 gap and whether, if we were -- if we had the
20 opportunity to file, then we would have definitely
21 exercised that.

22 MS. KATRINE DILAY: And just to
23 confirm my understanding, you referred to an updated
24 claims forecast. And you'll agree that that led to an
25 updated rate indication, correct?

1 MS. SATVIR JATANA: That would have
2 been the case, yes.

3 MS. KATRINE DILAY: And when you say
4 that would minimize the gap between 6.77 percent and 3
5 percent, that would mean that it's lower than 6.77
6 percent, correct?

7 MS. SATVIR JATANA: It would minimize
8 between the AAP as a starting point and our ask of 3
9 percent.

10 MS. KATRINE DILAY: And so, in other
11 words, lower than 6.77 percent?

12 MS. SATVIR JATANA: That is correct.

13 MS. KATRINE DILAY: But you'll confirm
14 that the Public Utilities Board does not have those
15 updated numbers to which you refer in this hearing,
16 correct?

17 MS. SATVIR JATANA: We were not able
18 to file in time for the PUB to allow enough time to
19 digest that information and possibly order another
20 round of information.

21 And for those reasons, you know, we --
22 we also obeyed the Order that -- that spoke to what
23 the updated rate was supposed to include, so we obeyed
24 and complied to the Order.

25 MS. KATRINE DILAY: But it would be

1 fair to say that MPI no longer believes that the
2 indicated rate indication of the 6.77 percent that it
3 has filed with the PUB is the best available evidence,
4 correct?

5 MS. SATVIR JATANA: Just one (1)
6 moment, please.

7

8 (BRIEF PAUSE)

9

10 MS. SATVIR JATANA: Can you repeat
11 that question, please?

12 MS. KATRINE DILAY: Certainly. It
13 would be fair to say that MPI no longer believes that
14 the indicated rate indication that is before the PUB
15 on the record of this proceeding is the best available
16 evidence, correct?

17 MS. SATVIR JATANA: What I would say,
18 that given the direction of this Board, they have the
19 best information in front of them -- available to them
20 to make that decision.

21 MS. KATRINE DILAY: Thank you, Ms.
22 Jatana.

23 Madam Chair, just for your information,
24 I do have, I would estimate, about fifteen (15) more
25 minutes, and so I -- of course, I leave it to your

1 discretion whether you'd like to take the break or
2 have me continue.

3 PANEL CHAIRPERSON: Thank you, Ms.
4 Dilay. Yes, let's take the morning break right now.
5 In addition to the morning break, I notice that Mr.
6 Meira has arrived. And given Ms. Schubert -- what I
7 assume is the motion on affidavits. So, perhaps we
8 can also deal with that.

9 I would ask Ms. Meek and Ms. Nelko to -
10 - or to advise whether you have instructions from your
11 clients. Ms. Meek...?

12 MS. CHARLOTTE MEEK: I don't have at
13 this time yet.

14 PANEL CHAIRPERSON: Thank you. Ms.
15 Nelko...?

16 MS. SHARNA NELKO: I don't yet have
17 instructions either.

18 PANEL CHAIRPERSON: Okay. Thank you.
19 We'll -- we'll distribute the information that's been
20 received to the Board and our advisors. We'll take a
21 break and be back at 10:45, please. Yes, and to CAC.

22

23 --- Upon recessing at 10:26 a.m.

24 --- Upon resuming at 10:46 a.m.

25

1 PANEL CHAIRPERSON: Ms. Dilay...?

2 MS. KATRINE DILAY: Thank you, Madam
3 Chair.

4

5 CONTINUED BY MS. KATRINE DILAY:

6 MS. KATRINE DILAY: Good morning
7 again, Ms. Jatana. I'd like to just go back to our
8 conversation from earlier relating to the updated
9 claims forecast that MPI referred to.

10 And I believe -- and correct me if I'm
11 wrong, but I believe you referred to the Public
12 Utilities Board ordering MPI not to file the updated
13 claims forecast. Do you recall making that comment?

14

15 (BRIEF PAUSE)

16

17 MS. SATVIR JATANA: I'm confirming
18 with my legal team. There was an email confirming
19 that from PUB counsel.

20 MS. KATRINE DILAY: Thank you. And
21 so, you'll confirm that it was not an Order or formal
22 directive from the PUB to MPI to not file the claims
23 forecast, correct?

24 MR. ANTHONY GUERRA: So, that's
25 certainly how we took it, that the PUB would not

1 accept for filing the updated claims forecast.

2

3 CONTINUED BY MS. KATRINE DILAY:

4 MS. KATRINE DILAY: And you'll agree
5 that the rationale communicated to MPI was that there
6 would be no time to test that evidence, that updated
7 claims forecast, through Information Requests?

8 MS. SATVIR JATANA: That is my
9 understanding, that it would not allow sufficient time
10 for the Board to review that material, order another
11 round of Information, and could jeopardize I -- our
12 hearing schedule as -- my understanding -- it wouldn't
13 have been able to start on the 21st.

14 MS. KATRINE DILAY: And just again to
15 -- to confirm, there was no formal Order issued by the
16 Board on that topic, correct?

17 MS. SATVIR JATANA: No formal Order.

18 MS. KATRINE DILAY: You'll agree that
19 on May 29, 2024, the MPI Board of Directors approved a
20 rate request of 6.4 percent at the time which was
21 subject to confirmation of the impact of introducing
22 rate group 41?

23 MS. SATVIR JATANA: That is correct.

24 MS. KATRINE DILAY: And you'll agree
25 that it was on your recommendation that the Board of

1 Directors rescinded the rate request for 6.15 percent
2 and replaced it with a 3 percent rate request on July
3 2nd, 2024, correct?

4 MS. SATVIR JATANA: That is correct.

5 MS. KATRINE DILAY: And we've gone
6 through this already, but you'll agree the reason for
7 seeking a 3 percent rate increase as opposed to the
8 6.15 percent at that time is to keep MPI rates
9 affordable?

10 MS. SATVIR JATANA: Yes. But I'm --
11 I'm happy to repeat everything again, but, yes, I -- I
12 mentioned a few times the reasons behind that.

13 MS. KATRINE DILAY: Yes. And I'm just
14 looking for confirmation just for the context.

15 MS. SATVIR JATANA: That was the
16 factor, absolutely.

17 MS. KATRINE DILAY: And as MPI's CEO,
18 you can confirm that you are aware that in 2016 the
19 PUB directed MPI to seek rates that are anchored on
20 rate level indications derived in accordance with
21 Accepted Actuarial Practice in Canada, correct?

22 MS. SATVIR JATANA: I understand that.
23 I accept that. And, as I said -- and that's why AAP
24 was a starting point before we looked at what our ask
25 was going to be.

1 In addition, too, we -- we have
2 submitted our AAP as per the minimum filing
3 requirement.

4 MS. KATRINE DILAY: And recognizing
5 that My Friend, Mr. Andres, already asked a few
6 questions on premium deficiency, I'm just hoping we
7 can -- I can ask two (2) questions to confirm the
8 definition of 'premium deficiency'.

9 At a high level, you'll confirm you are
10 familiar with the concept of -- of premium deficiency?

11 MS. SATVIR JATANA: I am, very well.

12 MS. KATRINE DILAY: And you'll agree
13 that premium deficiency occurs where the unearned
14 premium reserve is insufficient to cover the expected
15 future liabilities, including claims, associated
16 expenses, and claim adjustment expenses, for the
17 remainder of the policy period?

18 MS. SATVIR JATANA: I would agree with
19 that.

20 MS. KATRINE DILAY: And you'll agree
21 that where premium deficiency occurs, this would be
22 where MPI's premiums are not high enough to cover its
23 costs on a going-forward basis, correct?

24 MS. SATVIR JATANA: For the reading
25 year, yes.

1 MS. KATRINE DILAY: Thank you. Ms.
2 Jatana, are you familiar with the regulatory principle
3 of intergenerational equity?

4 MS. SATVIR JATANA: I am familiar.

5 MS. KATRINE DILAY: You'll agree that
6 this is a regulatory principle under which customers
7 in a given period should only pay the costs that are
8 necessary to provide them with services in that
9 period?

10 MS. SATVIR JATANA: That is correct.

11 MS. KATRINE DILAY: And, in addition,
12 you'll agree that under this principle, customers
13 should not have to pay any costs incurred to provide
14 services to customers in any other period, correct?

15 MS. SATVIR JATANA: I understand that
16 to be the -- the definition of that.

17 MS. KATRINE DILAY: And you'll agree
18 the principle of intergenerational equity is
19 consistent with setting rates that are just and
20 reasonable, correct?

21 MS. SATVIR JATANA: That would...

22

23 (BRIEF PAUSE)

24

25 MS. SATVIR JATANA: I -- I understand

1 that that is always the starting point, but we do want
2 to consider other factors, as well. But I -- I
3 recognize that that is the starting point.

4 MS. KATRINE DILAY: And at a high
5 level, you will agree that if rates are not set to
6 cover MPI's costs and maintain adequate reserves
7 during the rating period at issue, customers in the
8 future may have to pay more to make up the difference?

9

10 (BRIEF PAUSE)

11

12 MS. SATVIR JATANA: You know, there's
13 -- that is definitely a hypothetical scenario and
14 there could be a number of things that could go. So,
15 I'm -- I'm not sure if I can project all of the
16 hypothetical scenario, including that, you know, we
17 could have a positive fallout of our investment side.
18 There -- there's many things that could happen in the
19 future.

20 You know, this rate -- this request is
21 for the rating year. And -- and I believe that, you
22 know, we -- we made the right decision. And I -- I'm
23 going to continue to say that I remain confident with
24 our ask.

25 MS. KATRINE DILAY: Thank you, Ms.

1 Jatana. I'm hoping we can turn to attachment B to
2 CAC/MPI 1-43. And while Ms. Schubert is pulling that
3 up, that document is Judge Kopstein's report of the
4 Autopac Review Commission from 1988.

5 Do you see that on the screen before
6 you?

7 MS. SATVIR JATANA: I do.

8 MS. KATRINE DILAY: And recognizing
9 that you went to this document already with Mr.
10 Andres, I just want to take you to one (1) reference.
11 Ms. Schubert, if we could go to page 72 of 136. Thank
12 you.

13 And if we look at recommendation 7.12,
14 you'll see there the recommendation that the
15 Corporation not budget deliberately for losses in any
16 year, correct?

17 MS. SATVIR JATANA: I see that.

18 MS. KATRINE DILAY: And the
19 recommendation goes on to say that:

20 "The Corporation budget for
21 surpluses where reserves have been
22 reduced below target levels."

23 Correct?

24 MS. SATVIR JATANA: I see that.

25 MS. KATRINE DILAY: I just have one

1 (1) last question of -- one (1) last section of
2 questions for you, Ms. Jatana.

3 You'll agree that MPI is a Crown
4 corporation created by legislation?

5 MS. SATVIR JATANA: I do agree with
6 that.

7 MS. KATRINE DILAY: And as per
8 legislation, MPI is a monopoly for the provision of
9 Basic insurance products?

10 MS. SATVIR JATANA: That is correct.

11 MS. KATRINE DILAY: And as a result of
12 being a monopoly for these services, Manitobans have
13 no other choice but to purchase Basic insurance from
14 MPI, correct?

15 MS. SATVIR JATANA: Basic is a
16 mandatory product for Manitobans, yes.

17 MS. KATRINE DILAY: And so, they have
18 no other choice for Basic insurance, correct?

19 MS. SATVIR JATANA: That would be
20 correct.

21 MS. KATRINE DILAY: In other words,
22 MPI does not compete with other service providers for
23 the provision of Basic insurance products, correct?

24 MS. SATVIR JATANA: No, it does not.

25 MS. KATRINE DILAY: And so, you will

1 agree that customers do not have to compare the
2 various products and services of multiple companies
3 and make a choice where to purchase their Basic
4 insurance, correct?

5 MS. SATVIR JATANA: And that's exactly
6 why the responsibility falls on MPI to ensure that we
7 provide affordable, valuable products that meet our
8 customers' needs.

9 And we -- as a monopoly business, I
10 truly believe that we have added responsibility than a
11 private insurer in any sector, any market.

12 MS. KATRINE DILAY: And you'll agree
13 that rates for MPI are regulated by the PUB?

14 MS. SATVIR JATANA: I do understand
15 that and respect that process.

16 MS. KATRINE DILAY: And this means
17 that the PUB reviews MPI's rates every year and
18 decides what level is just and reasonable, correct?

19 MS. SATVIR JATANA: I do agree with
20 that.

21 MS. KATRINE DILAY: And generally, you
22 will agree that the PUB reviews similar issues in rate
23 hearings relating to MPI from year to year?

24 MS. SATVIR JATANA: I do understand
25 that.

1 MS. KATRINE DILAY: And this provides
2 continuity for ratepayers, correct?

3 MS. SATVIR JATANA: That's fair.

4 MS. KATRINE DILAY: And it also
5 provides stability for ratepayers, correct?

6 MS. SATVIR JATANA: Yes.

7 MS. KATRINE DILAY: And you'll agree
8 that as a -- as a Crown corporation, MPI must be
9 accountable to Manitobans?

10 MS. SATVIR JATANA: I take that
11 responsibility very seriously in everything I do,
12 every decision I make, and every action I take.

13 MS. KATRINE DILAY: And one (1) way in
14 which MPI is accountable to Manitobans is by opening
15 its books in PUB hearings, correct?

16 MS. SATVIR JATANA: I recognize that.

17 MS. KATRINE DILAY: And you'll agree
18 that money spent by MPI on a specific project is then
19 not available to spend on another project, correct?

20 MS. SATVIR JATANA: Can you elaborate
21 on that question. I'm not sure...

22 MS. KATRINE DILAY: Just at a high
23 level, Ms. Jatana, if MPI funds are used for one
24 project, those funds are then not available to use on
25 another project, correct?

1 MS. SATVIR JATANA: Yes. But we would
2 determine those funds for the project based on the
3 criticality of -- of that product -- of that project
4 to need to deliver on our services and to sustain the
5 public insurance model if -- at a high level.

6 MS. KATRINE DILAY: And so, you'll
7 agree many factors go into the decision to spend funds
8 on particular projects?

9 MS. SATVIR JATANA: Every dollar we
10 spend we should be responsible for.

11 MS. KATRINE DILAY: Recognizing that
12 there are tradeoffs because MPI cannot spend on
13 everything?

14 MS. SATVIR JATANA: Of course, yeah.

15 MS. KATRINE DILAY: And so, the funds
16 that are used on specific projects are not available
17 to reduce premiums, correct?

18 MS. SATVIR JATANA: When we put our
19 ask forward, we put our total cost, what it's going to
20 cost us to pay claims, cover our expenses, investments
21 needed for any initiatives. All of that form a rate -
22 - a rate ask that we put forward to the PUB.

23

24 (BRIEF PAUSE)

25

1 MS. KATRINE DILAY: Thank you, Ms.
2 Jatana. And you'll agree that the majority of MPI
3 funds come from MPI ratepayers, correct?

4 MS. SATVIR JATANA: That is correct.

5 MS. KATRINE DILAY: As well as a
6 certain amount of MPI funds come from MPI ratepayers,
7 correct?

8 MS. SATVIR JATANA: That is correct.

9 MS. KATRINE DILAY: As well as a
10 certain amount of MPI funds coming from investment
11 income, correct?

12 MS. SATVIR JATANA: That would be
13 correct also.

14 MS. KATRINE DILAY: And I believe this
15 is what you were alluding to, but at a high level,
16 you'll agree that Manitobans look to MPI to
17 demonstrate value for the money that it spends?

18 MS. SATVIR JATANA: Absolutely.

19 MS. KATRINE DILAY: Thank you, Ms.
20 Jatana. Those are all our questions for you this
21 morning.

22 Thank you, Madam Chair.

23 MS. SATVIR JATANA: Thank you.

24 PANEL CHAIRPERSON: Thank you, Ms.
25 Dilay. Ms. Meek...?

1 MS. CHARLOTTE MEEK: I don't have any
2 questions this morning. Thank you, Madam Chair.

3 PANEL CHAIRPERSON: Thank you.
4 Ms. Nelko...?

5 MS. SHARNA NELKO: No questions from
6 me this morning either. Thank you, Madam Chair.

7 PANEL CHAIRPERSON: Thank you.
8 Mr. Monnin...?

9 MR. CHRISTIAN MONNIN: Thank you,
10 Madam Chair.

11

12 CROSS-EXAMINATION BY MR. CHRISTIAN MONNIN:

13 MR. CHRISTIAN MONNIN: Good morning,
14 Ms. Jatana. Thankfully it's a clear day so I can see
15 you from back here. I just have a few questions for
16 you.

17 First, I'd like to start off by
18 thanking you on behalf of my client, Bike Winnipeg,
19 for attending the entirety of the Road Safety
20 Technical Conference; that's certainly commendable,
21 and my client wishes to extend its most sincere thanks
22 in that regard.

23 I don't have many questions for you
24 today. I'd like to touch upon the issues of the
25 Corporation's vision and mission, as we saw in the

1 slide deck yesterday. And I'd also like to ask you
2 some questions regarding what I understand to be an
3 essential objective as found on slide 4 of 7 -- no
4 need to take the witness there at this point in time -
5 - in particular, strengthening stakeholder
6 relationships.

7 With regards to the mission versus
8 vision, I'd like to get a better understanding of
9 that.

10 Would you agree with me that, if I said
11 a mission statement is what the Corporation is doing
12 now and a vision statement is what a Corporation
13 wishes to achieve in the future, is that fair to say?

14 MS. SATVIR JATANA: Good morning, and,
15 you know, I -- I was going to touch on this in the
16 strategy slides, but I'm happy to take some of those
17 questions if you think right now is the time. I might
18 answer those -- some of those questions later.

19 But what I would say, your vision
20 drives your mission, and -- and they go hand in hand.
21 You need to know what is it that you're inspiring to
22 do, and you need to do those things that you're
23 inspiring to do. So, I -- that's how I would answer
24 that question.

25 MR. CHRISTIAN MONNIN: Okay. And --

1 and if we would proceed on the premise that a mission
2 statement is what the Corporation is doing now --
3 let's for the sake of argument follow -- proceed on
4 that premise -- I note that the -- that MPI's or the
5 Corporation's revised vision reads as follows:

6 "Manitoba's trusted auto insurer and
7 driver services provider. Dedicated
8 to road safety for all."

9 Is being dedicated to road safety for
10 all a future objective or is it a current objective,
11 and what does that mean?

12 MS. SATVIR JATANA: This is where
13 you're stealing my thunder before I talk about our
14 strategy. The intent is -- you know, I do not believe
15 we need to reimagine MPI. MPI has been here for
16 fifty-three (53) years, and my role with my team, my
17 entire team, is to strengthen that model and to ensure
18 it's here for decades to come.

19 So, when we looked at our vision and
20 mission -- and we did start the conversation there --
21 we didn't -- we didn't include that to necessarily --
22 to say, that's what we're going to do.

23 I truly believe we are doing that
24 today. We have a dedicated team that is doing many,
25 many things to improve road safety for all, from

1 education and awareness, from programming.

2 And I would say, you know, that gives
3 me such a great sense of pride, and -- and that is the
4 highlight of our team to our purpose, what we do as
5 MPI. So, no, it's -- that was not put there to say,
6 This is what we're going to do. It was to recognize
7 the -- my team's work that we already do.

8 Having said that, you know, we -- we
9 can always do more. We can always improve, and we
10 continue to engage with stakeholders and ensure that
11 we continue to meet the needs of -- of those
12 stakeholders. And hence, you know, why I want to be
13 in every conversation.

14 I -- I wanted to sit through the Safety
15 Tech Conference so I can hear myself what's important
16 to our stakeholders, and how can I enable my team that
17 we meet the needs of stakeholders with (AUDIO CUTS).

18 DR. DARREN CHRISTLE: ...for a second.
19 We're just having a IT Issue, just for one moment,
20 please.

21

22 (BRIEF PAUSE)

23

24 DR. DARREN CHRISTLE: Mr. Monnin, can
25 you repeat your last question, please, on the record,

1 and then I think we're ready to go.

2

3 CONTINUED BY MR. CHRISTIAN MONNIN:

4 MR. CHRISTIAN MONNIN: I can't
5 remember what I had for breakfast.

6 If I recall correctly, I was
7 apologizing to the witness to -- to leading you to an
8 area of question that you may not have anticipated
9 touching upon at this moment in time. So, I would
10 like -- but I'll still nevertheless ask you some
11 questions.

12 With regards to the revised mission, it
13 appears that the only change is the addition of the
14 word 'efficient'.

15 Are you able to say why that word was
16 added and what -- what does it mean with regards to --
17 to the mission?

18 MS. SATVIR JATANA: Again, you know,
19 without re-imagining MPI, but I do believe we as an
20 organization, we can do things smart and not work
21 hard. And -- and although our team members are hard
22 workers, don't -- don't get me wrong, but I do believe
23 there's an opportunity for us to be an efficient
24 organization.

25 Whether it's adoption of new

1 technology, new tools, or improving our processes,
2 there's an opportunity for us to -- and -- and there
3 is a momentum in the organization that I believe that
4 is -- is building, and we want to build on that.

5 So, we have purposely installed that --
6 that efficient because, you know, we -- we are a proud
7 fifty-three (53) year old company. But as the world
8 evolves around us, so do we need to do that as well,
9 and that's with that intent that we don't want to get
10 stagnant, and where opportunity exists that we look at
11 our processes and improve those to ensure that we
12 continue to meet the needs of Manitobans.

13 MR. CHRISTIAN MONNIN: And -- and on
14 the issue of -- of efficient public auto insurance,
15 how does that apply to the mission of safer roads?
16 How do you reconcile both of those?

17 MS. SATVIR JATANA: I am sorry, but
18 maybe I'm not understanding your question, so can you
19 maybe elaborate on that?

20 MR. CHRISTIAN MONNIN: Well,
21 certainly. We can start at -- the mission itself, and
22 that would be slide 3 of 7. It reads as follows:

23 "Exceptional coverage and service,
24 affordable rates, and safer roads
25 through efficient public auto

1 insurance."

2 And I'm just wondering how safer roads
3 will be achieved through efficient public auto
4 insurance.

5 MS. SATVIR JATANA: How will safer
6 road be achieved through efficient -- well, there's --
7 there's a couple of direct linkage. As -- as we -- as
8 we improve our services, product and services create
9 efficiencies, it benefits Manitobans.

10 Directly to road safety, I would say
11 one (1) of the areas that of course we -- on an annual
12 basis, we -- we bring our funding request as part of
13 the rate ask.

14 If we're -- if we're able to improve
15 services, continue to maintain our cost, it allows us
16 opportunity to have that additional funds for road
17 safety and other things. That's at a very high level.

18 MR. CHRISTIAN MONNIN: Appreciate
19 that. If I can -- no pun intended -- shift gears a
20 little bit here, I believe I understood part of your
21 testimony yesterday as being that the Corporation is
22 currently focussed on delivering product to
23 Manitobans.

24 Is that a fair recollection?

25 MS. SATVIR JATANA: Product and

1 services.

2 MR. CHRISTIAN MONNIN: Okay. And
3 focussing on product and maybe then touching upon
4 services, when the Corporation refers to product, it
5 means insurance coverage to ratepayers.

6 MS. SATVIR JATANA: Product is -- is -
7 - can be perceived both tangible and intangible. But
8 product and services encompasses all of our delivery
9 from road safety programming to insurance product to
10 driver testing to, you know, any -- anything we
11 deliver, the intent is to encompass all that we do as
12 a company.

13 MR. CHRISTIAN MONNIN: And -- and
14 therefore --

15 MS. SATVIR JATANA: And I don't see
16 Road Safety as a separate, I see Road Safety as part
17 of that delivery.

18 MR. CHRISTIAN MONNIN: Okay. And --
19 and that's where I was going with that. So the -- the
20 Corporation, it's fair to say, views delivering road
21 safety initiatives as -- as part of the products that
22 it is delivering?

23 MS. SATVIR JATANA: It's -- it's part
24 of who we are and it's something that we take a great
25 pride in and it's ,like I said, it's probably one area

1 that I know I lit up and there's many, many team
2 members in -- take this responsibility to heart
3 because we all benefit from safe roads in Manitoba
4 because we live in Manitoba and it has a direct impact
5 on all of us.

6 MR. CHRISTIAN MONNIN: And -- and
7 having that question -- that answer in -- in -- hand,
8 I -- I -- I think the following question is already
9 answered but I'll put it to you anyways.

10 Does the Corporation therefore view
11 road safety as part of its insurance mandate, which I
12 understand to be an aspect of is to reduce losses to
13 the Corporation?

14

15 (TECHNICAL DIFFICULTIES)

16

17 DR. DARREN CHRISTLE: I -- I need to
18 get our IT specialist. Can we take five (5) minutes?

19 PANEL CHAIRPERSON: Certainly can.

20 Thank you. Our apologies.

21

22 (BRIEF PAUSE)

23

24 PANEL CHAIRPERSON: Our apologies
25 everyone. Our technical person advises that the

1 government network is having issues and that's what's
2 causing all the beeping.

3 What we can do is we can carry on and
4 we'll just have to stop when the beeping occurs, but
5 we can't shut everything else down because our Digi-
6 Tran is coming in by TEAMS, so if we can't have TEAMS
7 running, then we don't have a record.

8 So, sorry, Mr. Monnin, if you can
9 continue until you hear the next beep.

10

11 CONTINUED BY MR. CHRISTIAN MONNIN:

12 MR. CHRISTIAN MONNIN: How many beeps
13 do I get before I'm voted off the island?

14 Ms. Jatana, thank you for -- for your
15 patience. Just a few more questions for you. What --
16 on -- on the issue of mandate, it -- it -- does the
17 Corporation view that there's a separate mandate with
18 respect to road safety independent of the insurance
19 mandate, for lack of a better term?

20 MS. SATVIR JATANA: No, I -- I -- I
21 don't -- we don't have one (1) set of mandate for
22 insurance, one (1) set of DVA or one for other, our
23 mandate is overall to deliver product and services
24 that fall under the privy of -- of MPI.

25 MR. CHRISTIAN MONNIN: And I -- I

1 don't want to get too granular on this particular
2 issue, but does the Corporation's ambition to being
3 dedicated to road safety for all, does that include
4 the adoption of Vision Zero as being part of its road
5 safety strategy?

6 MS. SATVIR JATANA: I recognize that
7 that has been a -- what the strategy was call. In my
8 time actually, I -- I led that portfolio.

9 MPI's aim is to contribute to the road
10 safety in Manitoba. But I recognize that road safety
11 is a three (3) legged stool, I often reference to.

12 There's MPI, there's the enforcement
13 and then there's the infrastructure. While we try to
14 stay within our lane and deliver on what's expected of
15 us, but we do work with other two (2) legs as well,
16 from sharing data, information, working with those two
17 (2) other entity, to ensure that we all contribute to
18 the road safety.

19 And our aim is to reduce, eliminate,
20 prevent any fatalities, reduce the risk on the road,
21 so we all have safer roads. And despite, I would say,
22 you know, our -- our effort, we -- we still see that,
23 you know, we -- we still see fatalities. We still see
24 risk on the road, but, you know, we're not giving up
25 on -- on what we need to do and we will continue to do

1 what MPI's responsibility is in road safety.

2 MR. CHRISTIAN MONNIN: Thank you. I -
3 - I'd like to move on to ask you some questions about
4 -- regarding the Corporation's commit -- commitment to
5 stakeholder engagement.

6 A more robust commitment to -- to
7 stakeholder engagement seems to be prevalent in the
8 slide deck we saw yesterday.

9 At slide 2 of 7 it's under the Guiding
10 Principles:

11 "To be transparent and seek
12 engagement opportunities with all
13 stakeholders, employees in
14 particular."

15 If I could just pause on employees
16 there, is -- is that on account of -- of the strike
17 that the employees, in particular, the engagement is -
18 - is a guiding principle?

19 MS. SATVIR JATANA: No, that should be
20 just the foundation of who MPI is. We -- our
21 employees serve our customers. Our employees engage
22 with our stakeholders and they know our business. And
23 I -- I personally spend every Thursday, half a day,
24 talking to the frontline team members because they
25 know our business. They -- they have -- they are the

1 voice of customers. They are the voice of our
2 stakeholders as well.

3 But I'm not stopping just that. That
4 is a voice, a critical voice in everything we do. But
5 we engage with stakeholders. I don't think a week
6 goes by that I'm not speaking to a stakeholder.

7 And that -- that commitment is there to
8 -- and I don't mean to kind of say that, you know,
9 it's just a temporary thing. I -- I -- I believe that
10 any good organization should understand the needs of
11 those that they are serving and the stakeholder is --
12 is an important group for us to continue to engage
13 with.

14 MR. CHRISTIAN MONNIN: Thank you for
15 that commitment here today. And would you also agree
16 that that equal commitment was made during the
17 Technical Conference where it was stressed that the
18 Corporation viewed Road Safety as part of its vision
19 and its mission and welcomed the opportunity to listen
20 -- to listen to stakeholders in that regard?

21 MS. SATVIR JATANA: That is the tone
22 I'm setting in the organization and I appreciate my
23 team is living on that commitment.

24 MR. CHRISTIAN MONNIN: And as well
25 during the Technical Conference, is it fair to say

1 that some stakeholders asked about the process and
2 about the opportunities to provide input into the
3 development of the next iteration of the Corporation's
4 road safety strategy?

5 MS. SATVIR JATANA: I do recall that.

6 MR. CHRISTIAN MONNIN: And -- and as
7 far as my client goes, Bike Winnipeg recognizes that
8 it had -- has had success working with the Corporation
9 in the past delivering specific programs, for example,
10 BEST, Bicycling, Education, Skills, Training in
11 schools.

12 Would you agree if I suggested that
13 there are stakeholders that may have different
14 interests? And -- and what I mean by that is some
15 stakeholders may be interested in collaboration on
16 delivering road safety projects and others may be
17 interested in advising on road safety policy and
18 priorities?

19 MS. SATVIR JATANA: I -- I can
20 understand that.

21 MR. CHRISTIAN MONNIN: And both of
22 these would be part and parcel of -- of the commitment
23 to engagement with -- with stakeholders and that the
24 Corporation seeks to build upon. Is that fair to say?

25 MS. SATVIR JATANA: That's fair to

1 say.

2 MR. CHRISTIAN MONNIN: And -- and as
3 it relates to this engagement, what -- what does the
4 Corporation envision as the role of stakeholders and
5 working with it to set road safety priorities and road
6 safety policies going forward?

7 MS. SATVIR JATANA: I think it's all
8 of the above. Some stakeholders provide us important
9 feedback and input. Other stakeholders we work with
10 in delivering programing. It -- it varies from a
11 program to program and from stakeholder to
12 stakeholder.

13 MR. CHRISTIAN MONNIN: And from a
14 larger perspective, would you agree with me that
15 across Canada and postsecondary institutions, there's
16 training and there's certification offered for
17 stakeholder engagement?

18 MS. SATVIR JATANA: I'm sure there is.
19 And I'm sure there's probably some in Manitoba, too.

20 MR. CHRISTIAN MONNIN: And -- and as
21 part of -- of the Corporation's commitment to improve
22 stakeholder engagement, would the Corporation agree
23 that having employees -- key employees with such
24 training and such certification would lend itself to
25 reaching the goal of strengthening stakeholder

1 engagement?

2 MS. SATVIR JATANA: You know, if I
3 defer -- if I determine that there was a deficiencies
4 that I was not able to set the tone in the
5 organization and my team was not able to follow
6 through and if training was required, then we would
7 take those necessary steps.

8 MR. CHRISTIAN MONNIN: And -- and if
9 such a deficiency was identified and -- and taking
10 those necessary steps were pursued, would you agree
11 that this is something that could benefit the
12 Corporation as it relates to articulating road safety
13 strategies and policies?

14 MS. SATVIR JATANA: You know, as -- as
15 a management, our responsibility is to develop our --
16 our folks in both technical and -- and all the skills
17 that they require to be successful.

18 MR. CHRISTIAN MONNIN: Does anyone
19 have that type of training or certification right now?

20 MS. SATVIR JATANA: I'm -- I'm not
21 sure as I -- as I, you know -- is training required
22 for them to do what they're doing today? I -- I don't
23 find that to be a deficiency in the organization to
24 seek feedback.

25 I believe our -- our team engages with

1 stakeholders almost, you know, on a quarterly basis.
2 And I know through road safety that we do that, as
3 well.

4 I'm happy to, you know, understand --
5 and where the opportunity may be. And if -- if we
6 can't address that internally, I'm -- I'm happy to
7 look at that. But I -- I was not aware that -- that
8 there was any particular areas that perhaps required
9 that training.

10 MR. CHRISTIAN MONNIN: And if I could
11 leave on a parting question then.

12 Would it be safe to say that, from the
13 Corporation's perspective, its stakeholder engagement
14 is -- is of a suitable standard, but there -- there
15 would -- there can be room (AUDIO CUTS OUT) fair to
16 say?

17 MS. SATVIR JATANA: That's in every --
18 we're not perfect. We're not aiming perfection.
19 We're aiming progress -- progression. And we're
20 aiming to understand where we fall short. And if we
21 can correct that, that's -- that's our commitment.

22 MR. CHRISTIAN MONNIN: Thank you, Ms.
23 Jatana. Those are my questions. And I appreciate
24 your patience and your indulgence this morning. Thank
25 you.

1 MS. SATVIR JATANA: Thank you.

2 PANEL CHAIRPERSON: Thank you.

3 Questions from the Board? Mr. Gabor...?

4 BOARD CHAIR GABOR: Sorry, I have a
5 few questions. Earlier on, Ms. Jatana, you mentioned
6 that MPI's administering the EV program for the
7 government. What does 'administering' mean?

8 MS. SATVIR JATANA: So, Mr. Gabor,
9 'administering' means that we receive funds from
10 government to issue rebate to those that have EV and
11 hybrid type of vehicles. There's a clear set of
12 guidelines from government as to how we administer
13 that program.

14 In addition to that, we have entered
15 into agreement that allows us to recover our admin
16 cost associated with administering that program.

17 BOARD CHAIR GABOR: Okay. So, the
18 government announced that there's a rebate of, I
19 believe, forty-five hundred dollars (\$4,500) for new
20 EV cars and twenty-five hundred dollars (\$2,500) for
21 used EV cars. Those are the funds you rebate?

22 MS. SATVIR JATANA: Yeah. I believe
23 it's up to four thousand (4,000), but, yeah --

24 BOARD CHAIR GABOR: Four thousand
25 (4,000)? Okay.

1 MS. SATVIR JATANA: -- something
2 similar.

3 BOARD CHAIR GABOR: The government
4 pays you. And then you reimburse? How does -- how
5 does the money flow for that?

6 MS. SATVIR JATANA: We received money
7 upfront before we issued those rebates both to cover
8 our cost and to issue those rebates.

9 BOARD CHAIR GABOR: Okay. So, you're
10 never in a position whereby you're out of money
11 waiting for the government to issue you a cheque?

12 MS. SATVIR JATANA: That is correct.
13 That was part of our agreement, that we receive those
14 funds upfront.

15 BOARD CHAIR GABOR: Okay. Thank you.
16 At one point you were talking about MNP. And I
17 believe you said that they report to the Technical
18 Committee. And then you mentioned that you get
19 monthly reports, and I was a little confused.

20 Are you getting -- is MNP providing the
21 Technical Committee with monthly reports or does the
22 monthly -- sorry -- the Technical Committee create
23 monthly reports that you see?

24 MS. SATVIR JATANA: So, MNP governance
25 body reports directly to the Technical Committee of

1 the Board. That is the committee that sets their
2 agenda, where they are to focus on and the work they
3 will be focusing on.

4 We, of course, as they're completing
5 those analysis, and those sprints and work, of course,
6 they engage with our teams to get the details so that
7 they can provide reporting.

8 The reporting goes directly to the
9 Technical Committee. But I do -- I have started the
10 process of meeting with them on a monthly basis as a
11 CEO if I should be aware of anything that requires my
12 attention. And often those conversations are once the
13 report is generated and sent to the Technical
14 Committee, also to bring me -- share those findings
15 with me.

16 And, of course, we provide management
17 response if there is any gaps or -- or opportunities
18 identified within that to report.

19 BOARD CHAIR GABOR: And what frequency
20 does MNP provide reports to the Technical Committee?

21 MS. SATVIR JATANA: Let me confirm
22 that, please.

23

24 (BRIEF PAUSE)

25

1 MS. SATVIR JATANA: So, our Technical
2 Committee of the Board meets every other month. And
3 there's a report by MNP generally every meeting.

4 BOARD CHAIR GABOR: Okay. Thank you.
5 And are you ex officio on the Technical Committee, or
6 -- I guess it's Technology Committee.

7 MS. SATVIR JATANA: Yes.

8 BOARD CHAIR GABOR: Yeah.

9 MS. SATVIR JATANA: I am.

10 BOARD CHAIR GABOR: You are. Okay.

11 MS. SATVIR JATANA: Yeah.

12 BOARD CHAIR GABOR: You were talking
13 about -- there's the question about Extension. And I
14 believe it was put to you whether MPI would disclose
15 other competitors for Extension online. You indicated
16 they wouldn't.

17 I believe at other hearings the
18 question was asked about the MP service centres to Mr.
19 Graham. He used a little more colourful language to
20 indicate that they wouldn't be advertising for the --
21 for other companies selling Extension.

22 The question I have is in relation to
23 the agents. Is there a direction or anything from MPI
24 to agents, directing them to advise customers that
25 Extension may be purchased from other companies?

1 MS. SATVIR JATANA: Mr. Gabor, I'm --
2 I'm thinking when you're saying "agent," you're
3 referencing broker.

4 BOARD CHAIR GABOR: Brokers, yeah.

5 MS. SATVIR JATANA: Yeah. You know,
6 we don't give one (1) specific direction one way or
7 the other. As you know, they are independent brokers.
8 They serve our products. But they do serve other
9 products, as well.

10 And it would be -- I mean, I'm not
11 going to sit here and say that I want them to sell
12 others product, obviously. Naturally, we're -- we're
13 happy that we're able to meet the needs of Manitobans
14 and they -- they are taking our products.

15 And our responsibility, having kind of
16 managed the product portfolio, we do an annual check
17 to ensure that are we competitive, you know, how our
18 products are priced, the value that we deliver through
19 those products, but there's no -- no set direction
20 that you must offer somebody else's product.

21 I -- I have been in a broker's office
22 where they have; buying a new vehicle. They have
23 shown me product with MPI and a product with another
24 provider.

25 So, I -- I have personally experienced

1 that, but that may not be the case in every
2 transaction.

3 BOARD CHAIR GABOR: The -- the
4 computer screen the broker uses for MPI where a
5 customer comes in and they ask, How much insurance
6 would you like? What would the deductible be in that?
7 It's a single screen, isn't it?

8 It combines both -- it combines
9 information of Basic and Extension, so they don't go
10 through a Basic screen and they -- and they switch to
11 an Extension screen. It's like, Would you like seven
12 hundred and fifty (750), five hundred (500)? How much
13 insurance would you like, five hundred thousand
14 (500,000), a million, 2, 5, 10 million, correct?

15 MS. SATVIR JATANA: It's -- it's a one
16 system that you could start from Basic and finish that
17 transaction --

18 BOARD CHAIR GABOR: Right.

19 MS. SATVIR JATANA: -- in one (1)
20 system.

21 BOARD CHAIR GABOR: Right. Okay.

22 Final area: Were you troubled by the information or -
23 - that you heard yesterday about the traumatic brain
24 injury?

25 MS. SATVIR JATANA: You know, I'm --

1 I'm troubled every time I hear a customer that we were
2 not able to meet their needs. I don't undermine any
3 experience, and -- and I, you know, directly hear from
4 customers as well.

5 My goal is always, you know, how can we
6 improve that experience? Is there anything we could
7 have done differently to ensure that customer had a
8 different experience than the one they're left with.

9 But I -- I recognize that sometimes I'm
10 only also hearing from customers that have not had a
11 great experience. I'm not always hearing from
12 customers that do have a great experience.

13 And -- and, like I said, you know, many
14 times, we may have fallen short at times. I'm happy
15 to, you know, learn more about this situation and
16 whether, you know, we have done everything we could
17 have to serve this customer and if there's any
18 opportunity for us to revisit.

19 I -- I don't think that we should ever
20 lose an opportunity to go back and revisit anything
21 that requires.

22 BOARD CHAIR GABOR: Well, I guess my
23 question is: You've heard from them. Will you be
24 doing anything now in relation to what you heard
25 yesterday?

1 MS. SATVIR JATANA: So, we did take
2 some information, and if I'm able to get in touch with
3 the customer through my team, we -- we will take a
4 look at this, absolutely, this customer's experience.

5 BOARD CHAIR GABOR: Okay. Those are
6 my questions. Thank you. Thank you.

7 PANEL CHAIRPERSON: Thank you. Ms.
8 Nemec...?

9 BOARD MEMBER NEMEC: Thanks, Mr.
10 Gabor. Very good questions. I had two (2) of them
11 myself.

12 But just to extend the question with
13 the Brain Injury Association, I'm assuming -- are they
14 one (1) of MPI's stakeholders, defined stakeholders?

15 MS. SATVIR JATANA: I -- I don't know
16 if they're one (1) of the stakeholders, but what I can
17 say, you know, we know that there is a large TBI cases
18 that come from a vehicle injury. I am aware of that,
19 and I don't have the exact number.

20 And hence why, a couple of years ago,
21 MPI has invested \$2 million towards understanding how
22 can we care for those that suffer from TBI from an
23 injury?

24 And we -- we partnered with the Health
25 Science Centre and we contribute those funds for

1 exactly that, not just, you know, how do you ensure --
2 how do they as a medical provider provide the right
3 care. And then those that are living with TBI, what
4 kind of ongoing care they require.

5 So, you know, I'm -- I'm familiar with
6 -- with this I'll say ongoing concern, and I recognize
7 that there's many Manitobans that -- that do suffer
8 from that.

9 BOARD MEMBER NEMEC: Okay. And I'm
10 thinking more of long-term process in this area.
11 There was an investment made. I think it was 2017.

12 Has some of that information from the
13 research project been actually incorporated into the
14 way the organization provides those services?

15 So -- and I'm not sure if you have the
16 answer to that, but I'll kind of leave that as a good
17 place to start.

18 MS. SATVIR JATANA: Yeah. There was
19 actually, you're right, in 2017, but we made another
20 funding just two (2) years ago, and I think it was an
21 endowment that we created roughly close to \$5 million
22 with Health Science Centre to funds to go towards
23 research and -- and understanding.

24 And one (1) of our commitment and --
25 and our ask through that engagement was that if MPI

1 could receive information and data that could help us
2 in the claim management process and providing that
3 ongoing care.

4 So, I -- I just have to follow up with
5 my team as to what we have received, but that was --
6 that was our agreement, that we know as -- we would
7 benefit from having additional information as well.

8 BOARD MEMBER NEMEC: Okay. Thank you.
9 My next question -- and I'd like to go to the book of
10 documents, page 21 of 189, Figure 3. And this is one
11 I think that was brought up by PUB counsel earlier,
12 and I think it's Exhibit -- Figure 3. Might have
13 given you the wrong page.

14 And just my question here is: I see
15 sort of the five (5) year projection outward showing a
16 3 percent projected rate indication for the current
17 GRA filing. So, I see continuing losses supported by
18 continuing transfers from non-Basic retained earnings.

19 And I'm wondering if this is something
20 new, or is this something in the past that Extension
21 has -- Extension earnings or non-Basic retained
22 earnings has been used to fund Basic and so that it's
23 not a self-sustaining line of business? Is this a new
24 policy direction or -- I'd just like you to comment on
25 that.

1 MS. SATVIR JATANA: I -- you know,
2 Basic has benefited from Extension surpluses coming
3 in. That -- I'm not sure of the policy, but that
4 definitely has been the practice. And it was further
5 spelled out in our Capital Management Plan as well.
6 That has been kind of the tradition, and it's
7 something that -- it's -- it's there to benefit the
8 Basic.

9 BOARD MEMBER NEMEC: So, do you see
10 this as something ongoing? It's projected to be
11 ongoing.

12 MS. SATVIR JATANA: That is the plan,
13 and I haven't been given any direction other than
14 that.

15 BOARD MEMBER NEMEC: And I just want
16 to ensure that this is the total non-Basic retained
17 earnings being trans -- shown in this transfer. Here
18 there is no transfer to DVA, the Driver Vehicle --

19 MS. SATVIR JATANA: That -- that would
20 be correct, and I -- I do want to kind of -- Basic has
21 been self-sustaining. So, when we do price that
22 product, it is priced as a break-even. However, any
23 surpluses for Extension goes into Basic.

24 BOARD MEMBER NEMEC: Another question
25 on -- I believe you said the hailstorm was a one (1) -

1 - I'm not sure if you said once in a lifetime or once
2 in a hundred (100) years, but that's a good enough
3 time.

4 MS. SATVIR JATANA: My actuarial team
5 tells me it's one (1) -- 1:100 year event.

6 BOARD MEMBER NEMEC: One (1) in a
7 hundred (100). Okay. Which would be a good lifetime.

8 So when -- when an event like that
9 happens -- and we see a lot of events happening like
10 this in the world that seem to be once in a lifetime -
11 - reinsurance I think covered about \$70 million of the
12 loss, which the hailstorm and I think corporately
13 impacted the organization by \$130 million or so of a
14 net loss.

15 So, one (1) of the questions was asked
16 if one (1) of the processes you go through as
17 management go through reinsurance, was that
18 sufficient? Should we change it? And that's
19 something you mentioned would be happening.

20 Now, is that something you think about
21 the reserves at the same time? Excuse me. So, you
22 have a -- the RSR where you have anywhere from a
23 hundred to 120 percent that you need to stay within
24 that level.

25 So, does that reserve then suggest to

1 you that, when you're doing reinsurance, that's
2 another part of your risk of managing liquidity and
3 rates in the future?

4 MS. SATVIR JATANA: You know, we
5 always managed the known risk, and I would say reserve
6 is for the unknown risk.

7 The known risk, of course, we know that
8 we can have these type of events, and we do utilize
9 our reinsurance program for that. And we -- we place
10 that reinsurance for anticipating those type of
11 events. And then the risks that are not known, you --
12 I would say is captured within the reserve.

13 BOARD MEMBER NEMEC: So, are you saying
14 that, right now that hundred (100) -- anywhere between
15 a hundred percent to a hundred and twenty percent
16 reserve is sufficient?

17 I don't know if that's ever an
18 actuarially calculated reserve or if that is a reserve
19 that is -- is stated in -- in legislation.

20 MS. SATVIR JATANA: Let me confirm
21 that with my team. I know this set before my time,
22 but just give me a second.

23

24 (BRIEF PAUSE)

25

1 MS. SATVIR JATANA: So, it's my
2 understanding the target was set using the FCT under
3 Luke Johnson's leadership and since then there has
4 been some updated information that, by our external
5 actuary, that would suggest to be a hundred and twenty
6 (120), however, we have confirmed the hundred percent
7 as part of last year's filing.

8 BOARD MEMBER NEMEC: Sorry, very quick
9 question on -- just to confirm my understanding. I
10 believe if you -- might have said that if we use an
11 AAP of 6.77 percent versus 3 percent, that you looked
12 at the different impact at the D -- DSR level 0 and I
13 believe 6.77 percent might have cost or impacted that
14 group by 12.6 percent.

15 I just wondered what the impact was at
16 3 percent, just a difference between the AIP rate and
17 then the recommended rate, what the difference would
18 be to -- to DSR level 0.

19 MS. SATVIR JATANA: What I referenced
20 earlier was with the 3 percent increase and if the DSR
21 changes were -- were to go through, it would be over 9
22 percent between 9 and 10 percent.

23 BOARD MEMBER NEMEC: Okay. Thank you.
24 My last question.

25 When you were proposing a 3 percent

1 rate increase, I'm assuming you considered the last
2 couple -- and you mentioned that the Board Ordered
3 Rate Reductions in the past several years, so did you
4 consider the variety of rates or the declining rates
5 when you thought 3 percent was affordable, but 6.15
6 percent might not have been affordable?

7 MS. SATVIR JATANA: Absolutely all of
8 those factors were definitely considered when -- when
9 I put that recommendation forward to the Board.

10 BOARD MEMBER NEMEC: And so even
11 though that the rate using a AI -- AAP of 6.15, I'm
12 sorry it might be 6.14, might have been a similar rate
13 to a couple of years ago.

14 MS. SATVIR JATANA: Sorry, can you
15 elaborate, what do you mean similar rate to?

16 BOARD MEMBER NEMEC: Well, the -- if
17 there was a 5 percent decrease in prior years and
18 decreases previous to that, a 6 percent increase would
19 have taken them back a couple years. So be in a
20 similar position where they may have been a couple
21 years ago, so therefore, perhaps not so unaffordable
22 as might at first seem.

23

24 (BRIEF PAUSE)

25

1 MS. SATVIR JATANA: Yeah, I -- I -- I
2 follow and I -- I recognize that it's -- what I'm
3 understanding is that if we had received the bigger
4 increase that the increase would not be here today.
5 And maybe...

6 BOARD MEMBER NEMEC: Thank you.

7 PANEL CHAIRPERSON: Mr. Bass...?

8 BOARD MEMBER BASS: Thank you. We
9 talked earlier this morning about an updated Claims
10 Forecast that was not filed.

11 What was the date of that updated
12 Claims Forecast?

13

14 (BRIEF PAUSE)

15

16 MS. SATVIR JATANA: So, we -- we used
17 a August end data to forecast -- to update that
18 forecast and we -- it was the last week of September
19 that we were contemplating taking it to the Board and
20 having that discussion there.

21 BOARD MEMBER BASS: Okay. Thank you.
22 And yesterday Mr. Andres was talking and we talked
23 multiple times, or heard multiple times, about just
24 and reasonable rates.

25 But you -- you'd agree with me,

1 wouldn't you, that just and reasonable rates also
2 includes a concept of the financial health of MPI?

3 MS. SATVIR JATANA: Absolutely.

4 BOARD MEMBER BASS: Good. When the --
5 you were considering the rate of 6.15 back in June and
6 then you decided to -- to change it or to recommend to
7 change it to 3 percent, did you just -- how did you
8 come up with the 3 percent? Like did -- did you have
9 a number of steps that you used to come down from 6.15
10 or did you just feel that -- that felt like a good
11 number?

12 MS. SATVIR JATANA: There was a little
13 bit more rigour than that but it wasn't exactly
14 scientific number. We looked at Canadian and -- and
15 Manitoba CPI as to what -- what would be aligned with
16 that.

17 There was no magic to kind of the three
18 (3) number, but those were some of the factors as to
19 what affordability could be.

20 We also looked at what the recent rate
21 of reductions has been. And -- and we knew that, you
22 know, as you said, you know, the financial health of
23 the organization, of course, is a factor. So, we --
24 we felt what would be a fair ask that allows us to
25 deliver on the affordability but also maintaining the

1 health of the organization.

2 BOARD MEMBER BASS: So, would it be
3 fair to say that it was more some external factors,
4 such as inflation as opposed to changes within the
5 business?

6 MS. SATVIR JATANA: That would be fair
7 at that time, yeah.

8 BOARD MEMBER BASS: At that time,
9 yeah.

10 MS. SATVIR JATANA: Yeah.

11 BOARD MEMBER BASS: Thank you. And as
12 I understand that you're a member of the Board of
13 Directors of MPI?

14 MS. SATVIR JATANA: I am.

15 BOARD MEMBER BASS: And,
16 coincidentally, we have figure 3 still on the -- the
17 screen. The transfers from Extension, in order for
18 those to take place that requires a -- a motion, an
19 agreement, from the Board of Directors. Correct?

20 MS. SATVIR JATANA: That is correct.

21 BOARD MEMBER BASS: And these numbers
22 that are -- are forecast before us, has there been any
23 commitment from the Board of Directors to make those
24 transfers?

25 MS. SATVIR JATANA: I have not taken

1 that request forward in the last eight (8) months, but
2 I -- I -- I don't have any reasons to say that the
3 Board would not support that.

4 BOARD MEMBER BASS: But we also don't
5 have any commitment from the Board to do it.

6 MS. SATVIR JATANA: I don't have that
7 commitment as of today.

8 BOARD MEMBER BASS: Thank you. No
9 further questions.

10 PANEL CHAIRPERSON: Thank you, Mr.
11 Ireland...? Thank you.

12 Mr. Guerra, do you have any redirect?

13 MR. STEVE SCARFONE: Thanks, Madam
14 Chair. No questions for Ms. Jatana on redirect. I do
15 have one exhibit to -- to read in. The multi-year
16 Strategy Plan that the redacted version was filed this
17 morning as MPI Exhibit Number 43.

18

19 --- EXHIBIT NO. MPI-43: The multi-year Strategy Plan,
20 redacted version.

21

22 PANEL CHAIRPERSON: Thank you, Mr.
23 Scarfone. It is five (5) to 12:00. We'll adjourn now
24 until 1:00 and come back and hear from the Panel with
25 regard to MPI's multi-year Strategic Plan.

1 Thank you.

2

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

4 --- Upon resuming at 1:11 p.m.

5

6 PANEL CHAIRPERSON: Thank you,
7 everyone. Sorry for the delay, but we've been trying
8 to sort out the time and availability of everybody
9 with regard to the motion on the MPI Strategic Plan.

10 So, we have determined that we will
11 hear that motion tomorrow starting at four o'clock in
12 the afternoon and running until six o'clock if we need
13 to. However, what we will do is start that hearing
14 after a short break as soon as the Panel on Financial
15 Forecasting and Financial Condition Test has
16 concluded.

17 We will then deliberate the following
18 day and provide our decision with regard to that on
19 Thursday.

20 We have a technical matter to address,
21 and that is that Mr. Monnin asked a question. The
22 question was recorded. And the response came up
23 "technical difficulty." So, I wondered if Mr. Monnin
24 would like to repeat that question and have the answer
25 on the record.

1 MR. CHRISTIAN MONNIN: Yes. Thank
2 you, Madam Chair. The question is as follows: Does
3 the Corporation, therefore, view road safety as part
4 of its insurance mandate, which I understand an aspect
5 of it to be to -- to reduce losses to the Corporation?

6 MS. SATVIR JATANA: The road safety
7 mandate is part of our overall mandate. And I -- I
8 understand that road safety -- the main objective is
9 to reduce road risk, improve road safety and driver
10 behaviour.

11 But I -- I recognize that the secondary
12 or indirect impact is on the claim cost and our
13 insurance line of business. But the main objective
14 remains that we want to reduce road risk and improve
15 road safety.

16 MR. CHRISTIAN MONNIN: Thank you.

17 PANEL CHAIRPERSON: Thank you for
18 that. Any re-direct, Mr. Scarfone?

19 MR. STEVE SCARFONE: On that question?
20 No, there isn't, Madam Chair. Thank you.

21 PANEL CHAIRPERSON: Thank you.

22 MR. STEVE SCARFONE: And so, now it
23 appears we're ready to hear from the Strategic Vision
24 Panel with Ms. Jatana's evidence having been entered.
25 And we have, as introduced yesterday, Ms. Hildahl, who

1 is ready to share her presentation with the Board.

2 PANEL CHAIRPERSON: Thank you. Please
3 proceed.

4

5 STRATEGIC VISION PANEL

6 EXAMINATION-IN-CHIEF BY MR. STEVE SCARFONE:

7 MS. SATVIR JATANA: Well, thank you
8 for allowing us the opportunity to share our multiyear
9 Strategic Plan. And it's -- like I stated earlier,
10 it's this truly kind of hot off the press.

11 And in my ideal manner, I would have
12 preferred to share this with my team before bringing
13 it to PUB, but I -- I recognize that the time did not
14 allow us to share this widely with our team and -- and
15 get that feedback.

16 And we will be looking to do that
17 shortly after the PUB hearing. But I am happy to
18 share with this audience what we -- the work that has
19 been completed, and it goes back to -- when I accepted
20 the role, one (1) of my commitment was to ensure there
21 was a clarity and direction in the organization both
22 on a short-term basis, but also on a long-term basis,
23 as well.

24 And -- and we started this plan and the
25 commitment to develop a corporate strategic plan that

1 provides a clarity and direction both for our team and
2 sets MPI on the road ahead towards long-term
3 stability, restored trust, and sustainable growth.

4 Today we're pleased to share the
5 details of that plan. And we're happy to take some
6 questions today. And we look forward to the 29th to
7 provide a greater detail as once every has the
8 opportunity to review the details of the plan that's
9 been submitted.

10 This plan and this strategy continues
11 that -- that theme as a humble, thoughtful approach to
12 building on the strong foundation of our fifty-three
13 (53) year history while strengthening our province's
14 public insurance model and sustaining that value for
15 Manitobans.

16 Our plan aligns with who we are and
17 what we can achieve together. And if I can please ask
18 to turn to the next slide.

19 Here are some guiding principles. And
20 -- and, you know, you may be asking kind of how is
21 this plan different than the one that was presented a
22 few years -- or three (3) years ago by MPI. And to
23 the best of my knowledge, I don't believe in my nine
24 (9) years we've actually had such a plan that we're
25 presenting today.

1 We may have had aspiration, but we have
2 not had a detailed strategic plan that goes beyond the
3 what.

4 So, maybe I'll just highlight how is
5 this different from the past. And -- and, 1) I -- I
6 often kind of light up when I talk about my team. I'm
7 particularly proud how we do things and -- and how
8 this plain -- plan came together.

9 It was built within from our experts
10 who know our business, our customers, and
11 stakeholders. Our two thousand (2,000) employees were
12 heavily involved in the development. And we
13 incorporated feedback from Manitobans through our
14 research and surveys and we consulted our
15 stakeholders.

16 This plan represents the voice of those
17 that have a vested interested in MPI versus a plan I
18 would say that was built in executive room by a few of
19 the executive members.

20 Our long-term strategic plan builds on
21 our Stability Strategy that we're operating under.
22 And we'll continue that theme of providing direction
23 and clarity for -- on MPI's future to our team.

24 This plan also emphasized the need for
25 financial stability, financial responsibility,

1 internal alignment, and strengthening and protecting
2 our public insurance model.

3 This plan goes far into details beyond
4 the general aspiration that formulated the last plan.
5 And, as I've said, we've done the hard work of
6 determining the critical actions to achieving our
7 plan, creating clear ownership for objectives right
8 down to the initiative level.

9 We didn't stop at describing what is
10 that we need to accomplish. And we went beyond to why
11 we needed to do that but, more importantly, we
12 dedicated over the last six (6) months significant
13 effort in discussing the how, when, and who for the
14 strategic plan.

15 This is a plan routed in responsibility
16 designed to reach its goal in a reasonable timeframe
17 without the pressure of rigid deadlines that could
18 compromise our shared values or overstretch our
19 capabilities and financial means.

20 And most importantly, this is a plan
21 that prioritizes people, aiming to restore and
22 reinforce trust both internally and externally.

23 I truly believe that strategy is much
24 about clarity on what we cannot achieve as it is about
25 what we can focus on within our organization capacity.

1 And last, but certainly not least, a
2 major difference will be in how we are set up to
3 deliver on this plan. I am personally committed to
4 keeping this plan alive by ensuring it evolves with --
5 with and for the needs of -- of the Corporation and
6 for Manitobans, meaning that it is not intended to be
7 once and done but rather a living and a breathing
8 strategy.

9 Now, we have organized this strategic
10 plan to be collaborative while the specific actions we
11 take my shift on our road ahead. We have established
12 the internal structure to provide the ongoing
13 discipline of staying true to our strategic direction.

14 And we also want to emphasize that our
15 initiatives are built in with the corporate operating
16 budget of '25/'26. And any future strategic
17 initiative plans will be addressed through the normal
18 business planning process. And if I may now turn to
19 the next slide.

20 And I -- I touched on this earlier,
21 but, you know, through these discussions it became
22 clear that we have a strong foundation and brand;
23 something we are so proud of that has been here for
24 the last fifty-three (53) years serving Manitobans and
25 -- as -- as their public insurance provider.

1 We do not need to reimagine our vision
2 and our mission, but we do need to protect and re-
3 emphasize what's important to Manitobans, which
4 includes our pride in delivering quality product --
5 products and services to Manitobans.

6 To support this, we have refined our
7 vision statement to emphasize that we are Manitoba's
8 trusted insurer and driver service provider dedicated
9 to road safety for all.

10 And that goes back to my earlier
11 statement and -- I made yesterday, that we are a
12 Manitoba company serving Manitoban and employing and
13 giving back to Manitoba.

14 It is a testament to the strength of
15 MPI as we stay true to our mission of providing
16 exceptional coverage and services, affordable rates
17 and safer road through efficient auto insurance.

18 And we want to continue to build on the
19 momentum of the last eight (8) months by enabling our
20 team to work smart through continuous improvement and
21 adoption of new tools.

22 As proud Manitobans, it gives me a
23 great pleasure and confidence that through this work
24 we are building a strong public insurance model that
25 will benefit us all for years to come.

1 And now I'm going to turn to one of our
2 experts. And it's -- it's my pleasure to be sitting
3 next to our -- our team member here, Director of
4 Strategy and Customer Experience, Amanda Hildahl.
5 Now, Amanda has led this important work in conjunction
6 with myself, Board, management, and cross-functional
7 team across the entire organization.

8 Amanda's past experience in strategy
9 development with other private and Crown corporations,
10 along with proven framework that we used, has allowed
11 us to build this solid plan to focus and guide our
12 future.

13 She has worked alongside myself and the
14 entire executive team and has worked to capture and
15 incorporate the voice of our employees, customers, and
16 stakeholders. She truly has a very unique and rare
17 skillset and we are extremely fortunate to have her on
18 our team to lead us through this journey.

19 I am so proud of Amanda and the entire
20 team for the work that our team has accomplished in
21 creating a multiyear strategy. And it's my pleasure
22 in allowing her the opportunity to also share some of
23 that plan, and I will support her throughout.

24 MS. AMANDA HILDAHL: Thank you,
25 Satvir. So, good afternoon. So, I joined MPI just

1 under two (2) years ago as the director of strategy,
2 and recently began leading the customer experience
3 portfolio, as well.

4 One (1) of my mandates is to help grow
5 the strategic mindset at MPI, ensuring that all
6 employees are involved in and inspired by the
7 strategic planning -- planning -- the strategic
8 planning and execution processes because I believe
9 truly that clear strategy is what helps us all see how
10 our day-to-day roles from the top and all across the
11 organization fit into the big picture.

12 I've chosen to work for Crown
13 corporations for more than a decade because I'm a
14 Manitoban born and raised, and I know firsthand the
15 positive impact that Crowns can make in our provincial
16 economy and in our shared experiences as Manitobans.

17 Today I am going to share some -- some
18 of the core elements of our Multiyear Strategic Plan
19 and to really make up the strategic direction of where
20 we're headed as an organization with the intent to
21 help you understand our -- our strategic direction
22 and, in other words, what MPI will prioritize in the
23 long-term and how we'll achieve those goals that we've
24 set for ourselves. And I look forward to diving into
25 the implementation details next week.

1 So, on this slide, we'll -- we're going
2 to talk about the -- the -- our strategic objectives.
3 And yesterday the CAC used the words "road to
4 recovery," and I really like that. This strategy
5 isn't a re-imagining of our organization, it's about
6 returning to our focus on our core business and
7 honouring our purpose.

8 It's about recovery, and resilience,
9 and it's about building MPI back from a particularly
10 challenging period that we can all acknowledge.

11 The purpose of this plan is to re-
12 establish a strong foundation of MPI's operations, and
13 it might be ambitious, but it's not overreaching in a
14 way that exceeds our organizational capacity.

15 These strategic objectives are based on
16 our current state analysis about what we know to be
17 true about our organization and the operating
18 environment that we live within. And they represent
19 what we will accomplish through the implementation of
20 the Strategic Plan.

21 These objectives underscore the
22 continued theme of building an organizational that --
23 an organization that is stable and -- and strong.

24 So, these eight (8) objectives, what
25 are they? Well, first and foremost, MPI will protect

1 our core business by finding measures of what
2 affordability really means in the -- in the minds of
3 Manitobans, and delivering affordable insurance for
4 all.

5 MPI will also prioritize financial
6 stability and -- and responsibility by making sure our
7 teams have the right financial data at the right time
8 to build trust with our stakeholders and encourage all
9 leaders across MPI to see the impact of their
10 decisions on our financial big picture.

11 MPI will also demonstrate aligned
12 direction and leadership with clear corporate
13 priorities that are shared broadly and often by all
14 leaders and well understood by all people across the
15 organization, and that those priorities don't just
16 change at the drop of a hat.

17 MPI will also build a foundation of
18 trust and elevated employee experience, and that's not
19 just about listening to our employees, but that's
20 about acting on the conversations that we have with
21 our employees and making sure, as the world evolves
22 around us, that we're growing with our teams and we're
23 ensuring that they have the skillset they need to be
24 mutually successful.

25 MPI will also strengthen our

1 stakeholder relationships -- we talked about that a
2 little bit this morning -- and by sharing the facts
3 about what we're seeing in the industry and clearly
4 describing the potential impacts on our business in a
5 way that invites open dialogue.

6 MPI will also operate with
7 effectiveness and simplicity by focussing -- operate
8 with effectiveness, simplicity, and focus by
9 understanding the volume and complexity of the work
10 that we can take on as an organization comfortably,
11 but that invites a little bit of inspiration and
12 aspiration, and respect those guardrails during our
13 planning activities.

14 MPI will also balance accessibility,
15 affordability, and customer experience by responding
16 to the feedback our customers are always very eager to
17 share with us about what's really important about how
18 they -- how, where, and when they transact with us,
19 and what value they expect from our products.

20 And we'll also -- the last, but
21 certainly not least, is MPI will achieve purposeful
22 corporate social responsibility by continuing to
23 dedicate efforts to road safety and investing in the
24 community at large in a way that matches the -- the
25 space that Manitobans hold in their hearts and in

1 their minds for MPI.

2 So, if we go to the next slide. Thank
3 you. We've covered what we aim to achieve as an
4 organization over this multi-year corporate Strategic
5 Plan. Let's discuss about how those eight (8)
6 objectives are going to be accomplished.

7 So, it will take many small shifts and
8 some big efforts over this long term to achieve our
9 desired future state. And without a clear plan that
10 maps all those different changes, we can lose momentum
11 pretty quickly.

12 And how we organize our Strategic Plan
13 really does matter. We took a deliberate approach to
14 organizing the actions and assigning ownership to
15 ensure that we foster collaboration and engagement.

16 We could have organized our Strategic
17 Plan by divisional lines, and that's pretty common.
18 You usually see, you know, a people pillar, an
19 operational pillar, an IT pillar. But instead, we are
20 actively breaking down our silos by structuring cross-
21 functional pillars.

22 Each pillar has an assigned executive
23 committee member as the pillar owner, and that
24 executive committee member will work with senior
25 leaders from across other divisions that may not

1 actually report to them formally to execute on
2 programs that support the pillar in a matrix style.

3 So, what are those pillars? So, the
4 first pillar is optimize value for customers --
5 customers, which is owned by our chief operating
6 officer, and it's dedicated -- dedicated to acting on
7 a wealth of customer insights that we have with the
8 intent of making the experiences that our customers
9 have with MPI easier and added value.

10 Our second pillar of building
11 engagement and pride is owned by our chief people
12 officer, and this is dedicated to the success and
13 well-being of our employees.

14 Our third pillar of delivering --
15 delivering on our promises is owned by our chief legal
16 and risk officer, and focussing -- focusses on, as
17 Anthony likes to say, walking the talk by having the
18 right data and clear accountability to create and
19 substantiate our business decisions.

20 Our fourth pillar of strengthening our
21 financial practices is owned by our chief financial
22 officer and ensures that we have sustainability and
23 performance targets for each of our lines of business,
24 as well as enhanced corporate financial planning and
25 analysis capabilities.

1 And finally, being ready for what's
2 ahead is owned by our chief customer and product value
3 officer, and this pillar focusses on ensuring that we
4 organize ourselves internally to respond to a changing
5 landscape in the ways we interact with our customers,
6 in the products that we offer, and in the investments
7 that we make to ensure that we have a strong
8 technology backbone.

9 On this -- on this next slide is all
10 about how we're pacing delivery. So as mentioned
11 previously, the pace of delivery was a key
12 consideration when we are developing the multi-year
13 Strategic Plan.

14 This graph is exclusively for
15 illustrative purposes, but it really makes the point
16 that, as we developed this Strategic Plan, our actions
17 and initiatives related to delivering on this
18 Strategic Plan respect existing organizational efforts
19 to modernize our IT legacy systems by anticipating a
20 low degree of change in the first one (1) to three (3)
21 years of our Strategic Plan delivery.

22 We recognize wholeheartedly the
23 bandwidth required to modernize our legacy systems.
24 It's a lot of effort and it's a lot of -- of bandwidth
25 and both the resources required and the change

1 capacity of our people.

2 In keeping with our promise to stay
3 within our organizational means, we will pace the
4 delivery of the Strategic Plan appropriately.

5 Now, on to next steps. So, we've been
6 eagerly anticipating the approval of our multi-year
7 Strategic Plan, which was acquired this past Friday,
8 and we're looking forward to preparing for
9 implementation.

10 So, three (3) key areas of preparations
11 that are already underway are: communication and
12 engagement, implementation, and governance.

13 So related to communication and
14 engagement, the importance of bringing all of MPI and
15 our stakeholders along for the journey doesn't end at
16 just creating the plan. Efforts are being scheduled
17 to socialize the Strategic Plan, drive awareness and
18 buy-in, and to seek input.

19 As an example of just how much it means
20 to MPI to democratize the Strategic Plan development
21 and to ensure that everyone has a hand and is involved
22 in this process, we had, you know, a series of
23 potential names for our strategy. And we decided at
24 the end of the day that we'll -- we will be inviting
25 our employees to -- to name this strategy because it

1 is really theirs to implement.

2 Next from an implementation planning
3 perspective, the timing of the strategic plan works
4 well to integrate the planned initiatives for year 1
5 into our '25/'26 objective setting and to confirm the
6 initiatives that we have earmarked for year 1, and
7 apply our corporate prioritization process and
8 criteria to ensure that we know the ranked order of
9 importance of the strategic initiatives associated
10 with this Plan.

11 And last, but maybe most important, to
12 ensure that we deliver on this Plan is the -- is the -
13 - all the aspects related to establishing governance
14 structures; setting specific strategic goal and KPI
15 baselines and targets to make sure that we can measure
16 the impact this Strategic Plan will have on our
17 organization; determining risk mitigation strategies
18 to ensure that we are addressing roadblocks that we
19 might face in delivering this Strategic Plan.

20 And it might sound boring, but this is,
21 you know, the -- the thing that I love the most is the
22 strategic governance and reporting piece. I believe
23 that energizing routines to hold us accountable and to
24 check in our -- on our progress are going to what --
25 are going to be what helps us to stay on track and

1 will ensure our pillar owners and our program owners
2 are supported to lead all of the efforts related to
3 the Strategic Plan.

4 It has been my absolute pleasure to
5 lead not just the executive team or a select group of
6 senior leaders, but all two thousand (2,000) employees
7 at MPI in the Strategic Planning process.

8 What struck me again and again over the
9 last number of months was the vested interest every
10 employee at MPI has in creating the vision of our
11 future, and their enthusiasm to achieve that vision.
12 And I -- I look forward to executing on the Plan with
13 the whole MPI team.

14 MS. SATVIR JATANA: Thank you, Amanda.
15 We couldn't have had a better leader walking us
16 through this journey.

17 And maybe I'll just wrap up by
18 reiterating four (4) key messages here. First, this
19 is a living and breathing Plan. It will evolve over
20 time as -- as we respond to the changes in our
21 operating environment to ensure that we're -- it's not
22 a once-and-done approach.

23 Secondly, this is a plan built on five
24 (5) pillars that will grow in stability by protecting
25 our core business. It will foster collaboration

1 internally and externally, and it will mature our
2 effective execution.

3 Third, this plan allows MPI to pace its
4 delivery within its capacity and financial means to
5 ensure future rate affordability.

6 And finally, we are committed to
7 seeking input as we evolve the details of this
8 Strategic Plan. We are open to feedback and if we
9 missed an opportunity to address something, we look
10 forward to working together.

11 And -- and like I said, you know, the
12 Board approved this on Friday for socialization and
13 our approach was we started this with input with our
14 employees, with our -- from our customers and
15 stakeholders. And now that we baked -- I'll say half-
16 baked the plan, we want to go back to the same group
17 to ensure that we've captured anything. And if there
18 is any opportunity to make it better, we open -- we
19 are open to that feedback.

20 So, thank you for allowing us the
21 opportunity to showcase this plan to you and I'll turn
22 it back to you.

23 MR. STEVE SCARFONE: Thank you,
24 Satvir. Maybe just dealing last with what you just
25 indicated, Ms. Jatana, so do I understand your last

1 comments to mean that the multi-year strategy could
2 still see some further iterations?

3 MS. SATVIR JATANA: Absolutely. Like
4 I said, this is a living and a breathing document.
5 It's -- it's at a really good stage now for us to
6 socialize with all of the stakeholders. But, we're --
7 like I said, and if there's feedback that could make
8 it better or improve or -- or make us rethink
9 something that's already in it, we -- we would be open
10 to it.

11 MR. STEVE SCARFONE: Thank you. And I
12 liked your analogy yesterday, I believe, about the --
13 about the patient in distress and the stability
14 strategy.

15 I understand that the stability
16 strategy was the foundation upon which the multi-year
17 strategy was built. Is that right?

18 MS. SATVIR JATANA: That was the
19 starting point. And -- and -- and I also recognize
20 that -- that the strategy was a year strategy, but
21 there might be some elements of that strategy that
22 goes into '25/'26.

23 I believe that, you know, we -- you
24 commit to work and you don't create such a rigidity
25 into your planning bed, you know. You create both,

1 I'll say chaos or confusion internally, but the
2 strategy is the starting point and this -- this
3 compliments and picks it up where the stability
4 strategy leads.

5 MR. STEVE SCARFONE: Okay. Thank you
6 and that was my next question. Is -- is -- is there a
7 clear demarcation between the Stability Strategy and
8 the multi-year strategy? And what I mean by that is I
9 saw Ms. Hildahl's implementation plan and it looked as
10 though there might be a start date of about April.

11 So, does that mark the end of the
12 Stability Strategy and the beginning of the multi-year
13 strategy?

14 MS. SATVIR JATANA: Stability is an
15 on-going focus. The -- there -- you know, the way I
16 would separate it, put -- perhaps there's some
17 initiatives that are linked to our one (1) year and
18 some of those initiatives will continue into the
19 second year if they do not complete by the end of the
20 year.

21 MR. STEVE SCARFONE: Okay. Thank you.
22 And I'm glad this slide is up before us now.

23 Can you just briefly, I -- I see there
24 what appears to be an almost an inburst relationship
25 between the strategy and NOVA.

1 Can you just explain further, perhaps
2 Ms. Hildahl can, how the transformation IT project has
3 informed the multi-year strategy?

4 MS. SATVIR JATANA: You know this is
5 the very illustrative image and what it's showcasing
6 both that we want to pace our work knowing that we
7 have a large complex project that is taking our -- our
8 -- any, I'll say access capacity, in the business.

9 So, what we want to -- and -- and this
10 strategy has a -- initiatives over the life of the
11 strategy. And we want to pace the work, especially in
12 the early year of strategy where NOVA is still
13 underway so that we don't -- one (1) we don't
14 constrain our -- our capacity in our financial means.

15 And I'm -- I'm happy to let Amanda add
16 anything I may have missed out.

17 MS. AMANDA HILDAHL: Nothing to add.

18 MR. STEVE SCARFONE: Well, you might
19 have something to add, Ms. Hildahl, because I'm going
20 to ask you about slide 4 and perhaps, if you can,
21 explain how Project NOVA once implemented will help
22 achieve some of the key strategic objectives under the
23 multi-year Strategic Plan?

24 And as -- I know that you've listed
25 eight (8) of them there, would NOVA touch on all eight

1 (8) or are there some of them that will be fully
2 addressed by NOVA?

3

4 (BRIEF PAUSE)

5

6 MS. AMANDA HILDAHL: Once Project NOVA
7 has been delivered, our -- our core functionality will
8 -- will be different and our core systems will enable
9 new functionality that we don't have today.

10 So, when you think about the -- the
11 objectives specifically of balancing accessibility and
12 affordability and customer experience, of course, as
13 NOVA is completed that will unlock capabilities for us
14 internally that will enable us to deliver on that
15 objective, as well as there -- the -- protecting our
16 core business.

17 Our -- our core business will also be
18 enhanced by the delivery of -- of NOVA. So, there are
19 -- there are strategic objectives built on a
20 successful delivery of Project NOVA.

21 MS. SATVIR JATANA: And -- and I may
22 also add, like Amanda said, it touches all of these
23 eight (8), I'll say core elements of our Strategic
24 Plan.

25 Employee experience is a -- another

1 one, right? Our -- our team members are using
2 outdated technology and cumbersome process that a new
3 technology improves our employee experience as well.

4 MR. STEVE SCARFONE: Thank you for
5 that. And lastly for Ms. Jatana, and I appreciating
6 your comments about how -- at least in your time,
7 this multi-year strategy is -- is perhaps the most
8 robust strategy that you've seen in your time with
9 MPIC.

10 Moving beyond, as you called it, the
11 aspirations of -- of its predecessor. When we were
12 here last, we heard about MPI 2.0.

13 Is MPI 2.0 now fully replaced by this
14 new multi-year strategy?

15 MS. SATVIR JATANA: We are operating
16 under MPI's Stability Strategy with -- that we have
17 shared and then we will take this multi-year strategy
18 comes in, so those are the only strategies that I am
19 directing MPI under.

20 MR. STEVE SCARFONE: Yes. Thank you
21 for confirming that. Those are all my questions for
22 the Strategy Panel, Madam Chair.

23 PANEL CHAIRPERSON: Thank you, Mr.
24 Scarfone. And I'd like to thank Ms. Jatana and Ms.
25 Hildahl and the second row on the Strategic Vision

1 Panel and we will see you again on October 29th.

2 So, if you could please move to the
3 Investments, Asset, Liability Management Panel that
4 would be great.

5 MR. STEVE SCARFONE: Yes, they're
6 making their way up now. Thank you.

7 PANEL CHAIRPERSON: Okay.

8

9 (BRIEF PAUSE)

10

11 PANEL CHAIRPERSON: Mr. Scarfone, I'm
12 assuming.

13 MR. STEVE SCARFONE: Thank you, Madam
14 Chair. So, before you now are two (2) faces that this
15 Board will be familiar with for the investments and
16 ALM evidence: Cara Low, Vice-president and Chief
17 Actuary, Actuarial, Investments, and Underwriting
18 team, and Glenn Bunston, Director of Asset Liability
19 Management and Investment Management.

20 And supporting the Panel in the back
21 row are Paula Mandina (phonetic) and Enes, Jeina. And
22 I believe Mr. Bunston's going to make his presentation
23 this morning once the witnesses are sworn.

24

25 INVESTMENTS/ALM PANEL:

1 GLENN BUNSTON, Affirmed

2 CARA LOW, Affirmed

3

4

5 EXAMINATION-IN-CHIEF BY MR. STEVE SCARFONE

6 MR. STEVE SCARFONE: So, good
7 afternoon. Was I correct, Mr. Bunston, that you are
8 going to leading the presentation this -- this
9 afternoon?

10 MR. GLEN BUNSTON: Yes, that's
11 correct.

12 MR. STEVE SCARFONE: Okay. Thank you.
13 And I'll just have you confirm, as I sometimes do,
14 that you're adopting the content of the slide deck
15 into your direct examination?

16 MR. GLENN BUNSTON: Yes, that's
17 correct.

18 MR. STEVE SCARFONE: Thank you.

19 MR. GLENN BUNSTON: Well, once again,
20 it's my pleasure to be here before you today to
21 present regarding MPI's investment portfolio.

22 So, similar to the past, I'll cover the
23 objectives of our portfolio. I'll talk about interest
24 rate forecasting, an update on the economic
25 environment. I'll talk about performance of our

1 portfolio and our benchmarks and peer universes, and
2 then finally, the -- an update on the status of
3 implementing our new investment strategy.

4 So, in terms of the objectives, they're
5 unchanged for the Basic claims portfolio; that's to
6 ensure that we have the funds available to pay claims
7 when necessary, also, to minimize interest rate risk
8 associated with the claims liabilities and to pursue
9 modest incremental returns.

10 So, it's really a liability driven
11 investment strategy.

12 The objective of the RSR portfolio is
13 to sure -- to ensure that sufficient levels of capital
14 are maintained so that Basic is in a satisfactory
15 financial condition and to maintain sufficient capital
16 to withstand plausible adverse events and deliver rate
17 stability and predictability.

18 And finally, for the employee future
19 benefits portfolio, the objective is to ensure that
20 pension and other obligations are paid as they become
21 due.

22 So, our ALM strategy continues to -- to
23 be effective at limit -- limiting the impact of
24 interest rate risk. And so, the net impact of changes
25 in interest rates during our last fiscal year for the

1 Basic line of business was \$11.7 million, which was
2 below our limit of approximately \$20 million, which is
3 1 percent of the market value of our investment
4 portfolio.

5 And total fixed income assets are just
6 under 1.8 billion. And there's also real estate
7 assets included in the portfolio which are valued
8 around \$200 million.

9 And in addition to the numbers on that
10 slide, the -- the tracking error which measures the
11 net impact of changes in interest rates from -- during
12 our current fiscal year, from March 31st to August
13 31st, was \$1.7 million which, again, is well below the
14 \$20 million limit.

15 Turning to our asset liability
16 management strategy. At the beginning of our current
17 fiscal year, we changed from moment matching to a
18 hedge ratio. And this change was necessary to ensure
19 that the fixed income assets continue to have similar
20 sensitivity to interest changes as do the liabilities.

21 It's not a fundamental change to the
22 strategy, just an operational change to account for
23 the fact that the market value of the fixed income
24 assets no longer matches the present value of the
25 liabilities. Therefore, the -- the duration of the

1 assets needed to be increased.

2 So, interest rate sensitivity is
3 measured by dollar duration. And the hedge ratio is
4 simply the dollar duration of the assets divided by
5 the dollar duration of the liabilities. And our goal
6 is for the hedge ratio to be as closed to a hundred
7 percent as possible so that the dollar duration of the
8 two (2) assets and liabilities are equal.

9 The introduction of real estate to the
10 Basic claims portfolio required a change because when
11 real estate was added, we sold fixed income to fund
12 that addition.

13 So, the result of that was that the
14 market value of the fixed income assets no longer
15 matched the present value of the liabilities. And so,
16 to continue to effectively hedge the interest rate
17 sensitivity of the liabilities, the duration of the
18 assets had to be increased to ensure that the hedge
19 ratio remained at a hundred percent.

20 So, in terms of forecasting interest
21 rates, we continue to recommend using a naive interest
22 rate forecast, which assumes that the current level of
23 interest rates will remain unchanged during the
24 forecast period.

25 The consensus bank forecasts have been

1 closer to actual interest rates in the short-term, but
2 over the long-term the naive forecast has been closer
3 to actual interest rates. And we believe it's hard to
4 say what will occur in the future, so we do not take a
5 position on the future direction of interest rates.

6 And stability in forecasting
7 methodology is important in terms of delivering
8 stability to customers. And the cost of using
9 inaccurate interest rate forecasts in the past had
10 been significant.

11 So, based on recommendations from
12 Mercer, we made a number of changes to our forecasting
13 methodology in 2023, so these have been in place for -
14 - for a year now.

15 So, the infrastructure benchmark was
16 changed from CPI plus 5 to CPI plus 4. For bond
17 spreads, we now use a mean reversion assumption and
18 the equity forecast is based on a shorter period,
19 starting in 1991 rather than 1956.

20 So, in terms of the economic
21 environment, we've seen short-term interest rates
22 falling. The Bank of Canada has cut the overnight
23 rate at its last three (3) meetings, reducing the rate
24 from 5 percent to 4.25 percent. And these are the
25 first rate cuts since the -- since the pandemic.

1 The labour market has weakened with
2 Manitoba unemployment increasing from 4 percent in
3 January to 5.7 percent in July.

4 Interest rates -- long-term interest
5 rates have started to fall. In our previous fiscal
6 year, the yield on corporate bonds fell by five (5) to
7 ten (10) basis points while provincial and federal
8 bonds saw yields increase by thirty-five (35) to sixty
9 (60) basis points. But since March of 2024, yields
10 have fallen for all bond types.

11 In terms of inflation, Canadian
12 inflation has fallen from 3.8 percent in September of
13 2023 to 2 percent in August of 2024 and fell a further
14 below 2 percent in September of this year to 1.6.

15 And Manitoba inflation started the year
16 at 2.6 percent, declined as low as .4 in April, and in
17 September the reading was 0.8 percent.

18 So, the -- the yield curve remains
19 inverted, but short-term rates have fallen due to the
20 cuts by the Bank of Canada. The three (3) month yield
21 fell by a hundred basis points from March 31st of this
22 year to August 31st, and since August fell a further
23 forty-five (45) basis points.

24 Bond spreads have declined slightly
25 during this period. And in our last fiscal year, our

1 corporate bond portfolio had a return just above 6
2 percent while provincial bonds had a return of sixty
3 (60) basis points. And there were no write-downs of
4 bonds in the last fiscal year.

5 Historically, a recession has always
6 occurred as a result of an inverted yield curve in --
7 in Canada, but this may be the first time in history
8 when a recession does not occur as economists are not
9 expecting the proverbial soft landing for the Canadian
10 economy.

11 In terms of our public equity
12 portfolio, our -- in our previous fiscal year Canadian
13 equities performed well versus the benchmark with a
14 return of 14 1/2 percent while global equities had
15 strong absolute returns but struggled versus the
16 benchmark.

17 In the first six (6) months of our
18 current fiscal year equities have performed well with
19 a return of 9 percent, which is just twenty (20) basis
20 points below the benchmark.

21 In our last fiscal year, real estate
22 returned 1.9 percent -- a modest return, but it did
23 outperform the benchmark by 1.8 percent over that
24 period; while infrastructure had a smaller return at
25 0.2 percent and underperformed its benchmark by 6.7

1 percent during that period.

2 In terms of the broader portfolios, we
3 can see here that, during our previous fiscal year,
4 the RSR and -- and employee future benefit portfolios
5 had higher absolute returns than the Basic at 5.5
6 percent and 6.1 percent, but all three (3)
7 underperformed their benchmarks.

8 I am pleased to say, though, that since
9 then, during our current fiscal year from March 31st
10 to August 31st, all three (3) portfolios have
11 outperformed their benchmarks by twenty-seven (27)
12 basis points for Basic, ninety (90) basis points for
13 RSR, and a hundred and fifty-five (155) basis points
14 for employee future benefits.

15 We are in the process of reviewing our
16 benchmarks to ensure that they're properly aligned
17 with the managers' investment strategies and styles,
18 and we plan to make -- to recommend some changes to
19 our investment committee for their consideration at
20 our next investment committee meeting in November.

21 Our peer universes are currently in
22 transition. Previously, the peer universes were
23 provided to us by an external consultant called
24 Ellement, and they used Morningstar databases to
25 create those universes.

1 We now have direct access to
2 Morningstar, and so we're in the process of creating
3 peer universes for each manager in each portfolio in
4 Morningstar.

5 In terms of implementing our new asset
6 mixes, the new asset allocation was fully implemented
7 by March 31st of 2024. We selected managers for
8 mortgages, real estate, and infrastructure.

9 Mortgages were fully invested in a fund
10 managed by TD Asset Management by March 31st. Within
11 the infrastructure portfolio, we made a temporary
12 investment in an exchange-traded fund, and that was
13 completed in March.

14 And we have signed contracts since then
15 with Brookfield & Igneo which is one of our previous
16 infrastructure managers. Essentially, we decided to
17 give them some additional money to invest in their
18 infrastructure fund, and the capital calls were
19 received from both managers in October.

20 And finally, for real estate, we made a
21 temporary investment in an exchange-traded fund in
22 March, and we selected two (2) managers. And
23 contracts were signed with those managers in late
24 September and early October, and we expect capital
25 calls to begin likely in -- in December or January.

1 So, in terms of our asset allocation,
2 there's been minimal changes. A 4 percent allocation
3 to real-return bonds was added to explicitly recognize
4 the real-return bonds that were purchased in December
5 2022. And as a result, the allocation to provincial
6 bonds and non-marketable bonds were each reduced by 2
7 percent. All other asset classes remain unchanged.

8 So, what we've learned from prior
9 asset-liability management studies is that illiquid
10 asset classes take a long time to -- to become fully
11 invested. For private debt, it took two (2) years.

12 And so, for -- we're fully invested in
13 mortgages and real estate by -- by March 31st, but we
14 are, as I said, waiting for capital calls from our
15 real estate and infrastructure managers, and the
16 timing of those calls will be at the managers'
17 discretion as they're able to identify suitable
18 investments.

19 And then, finally, the use of a real
20 liability benchmark is -- is important to accurately
21 capture the -- the impact of inflation on the claim
22 liabilities.

23 So, in conclusion, the new asset
24 classes -- the asset mix has been fully implemented.
25 All asset classes were invested by March 31st, and for

1 mortgages, the funds were invested in the TD Asset
2 Management Fund.

3 For infrastructure and real estate, we
4 were invested temporarily in liquid -- liquid
5 investment vehicles or exchange-traded funds, as the
6 searches were not complete prior to March 31st.

7 And for infrastructure, the first
8 capital calls were received in October, and for real
9 estate, we're expecting capital calls late this year
10 or early next year.

11 And finally, interest rates have
12 started to fall, and as we see, the net impact to the
13 Corporation has been small due to the effect of asset-
14 liability management strategy in place.

15 MR. STEVE SCARFONE: Thank you, Mr.
16 Bunston. Just some follow-up questions.

17 The Corporation is still operating
18 under the asset-liability management study from 2022?

19 MR. GLENN BUNSTON: Yes, that's right.

20 MR. STEVE SCARFONE: And that
21 particular study saw the adoption of the real
22 liability benchmark?

23 MR. GLENN BUNSTON: Yes, it did.

24 MR. STEVE SCARFONE: In that matching
25 exercise that occurs under the ALM, sir, you mentioned

1 that there's been a change from moment matching to
2 what you call the hedge ratio?

3 MR. GLENN BUNSTON: Yes, that's right.

4 MR. STEVE SCARFONE: And you -- I
5 think I saw that you attributed it to the inclusion of
6 real estate assets in the Basic claims portfolio?

7 MR. GLENN BUNSTON: Yes, that's
8 correct.

9 MR. STEVE SCARFONE: I thought I saw,
10 though, that at one slide -- and I'm not trying to
11 cross-examine my own witness -- but you said there was
12 no change to the asset mixes from prior to current,
13 and that included real estate.

14 MR. GLENN BUNSTON: Yes. We had --

15 MR. STEVE SCARFONE: If you want to go
16 back to slide 23, I believe it was.

17 So, we had a prior allocation of real
18 estate under the Basic claims portfolio of 10 percent,
19 and -- and we remain at 10 percent.

20 MR. GLENN BUNSTON: So, in our
21 previous fiscal year, we had a 10 percent allocation
22 to -- to real estate in our investment policy
23 statement for -- for Basic claims, and it took us
24 until almost the end of the fiscal year to -- to get
25 that -- to become invested in that asset class, which

1 we did through an exchange-traded fund.

2 So, we did have a 10 percent allocation
3 to real estate in Basic claims in our prior fiscal
4 year and in our current fiscal year.

5 MR. STEVE SCARFONE: I see. Okay.
6 Thank you. And the forecast has -- as you've said in
7 your economic slide, interest rates falling, correct?

8 MR. GLENN BUNSTON: No. Our forecast
9 is for interest rates to remain where they are now.

10 MR. STEVE SCARFONE: Oh, under the
11 naive, but I'm talking about the overnight interest
12 rate, so that's forecasted to -- those interest rates
13 are forecasted to drop. Is that not correct?

14 MR. GLENN BUNSTON: No. We don't
15 forecast interest rates to change going forward. My
16 testimony was that interest rates have fallen to this
17 -- up until now --

18 MR. STEVE SCARFONE: I see.

19 MR. GLENN BUNSTON: -- (INDISCERNIBLE).

20 MR. STEVE SCARFONE: And you're
21 speaking now about the naive forecasting methodology,
22 correct?

23 MR. GLENN BUNSTON: Correct.

24 MR. STEVE SCARFONE: Yes, Outside of
25 MPIC, though, interest rates are expected to drop. Is

1 that fair?

2 MR. GLENN BUNSTON: I think that would
3 be the general consensus, that -- that central banks
4 will continue to cut short-term interest rates and
5 that that will be translated into long-term interest
6 rates falling as well.

7 MR. STEVE SCARFONE: Thank you for
8 that. And that would affect the yields on the bond
9 portfolio?

10 MR. GLENN BUNSTON: Correct, yeah.
11 The yields would decline as general market rates
12 decline.

13 MR. STEVE SCARFONE: Thank you for
14 that. And you mentioned, sir, that recently there's
15 been a strong performance shown as against the
16 benchmark. Would that include the bond portfolio?

17 MR. GLENN BUNSTON: Yes, it would.

18 MR. STEVE SCARFONE: And the
19 Corporation continues to segregate its portfolio into
20 Basic claims and the employee future benefits, the
21 RSR, and Extension, correct?

22 MR. GLENN BUNSTON: Yes. We continue
23 to have five (5) investment portfolios.

24 MR. STEVE SCARFONE: Did I miss one?

25 MR. GLENN BUNSTON: You did, SRE.

1 MR. STEVE SCARFONE: Oh, thank you.
2 Yes. And concerning inflation, Mr. Bunston, what is
3 the Corporation's outlook with respect to long-term
4 inflation as it relates to the Bank of Canada's
5 target?

6 MR. GLENN BUNSTON: Our outlook for
7 inflation is -- is 2 percent for the long term, so --

8 MR. STEVE SCARFONE: And is -- is that
9 in line with the Bank of Canada?

10 MR. GLENN BUNSTON: -- equivalent to
11 the Bank of Canada's target --

12 MR. STEVE SCARFONE: Thank --

13 MR. GLENN BUNSTON: -- for inflation.

14 MR. STEVE SCARFONE: -- thank you for
15 that, sir. And the reason I'm asking is because the
16 Board will be interested in -- in understanding from
17 last year when the Corporation was proposing through
18 two (2) witnesses the adoption of what it called the
19 bond overlay strategy.

20 I understand that particular strategy
21 is not going forward?

22 MR. GLENN BUNSTON: Yes, that's
23 correct.

24 MR. STEVE SCARFONE: And is that, at
25 least in part, attributable to the inflation forecast

1 that the Bank of Canada has set out?

2 MR. GLENN BUNSTON: Well, it was a
3 decision that was taken by our Board of Directors.
4 And one of the rationale that they stated was a -- an
5 expected period of disinflation, by which they meant
6 declining inflation, which we have seen so far.

7 MR. STEVE SCARFONE: Okay. Thank you.
8 And that particular strategy that would have hedged
9 the Corporation more fully against inflation involved
10 the purchase of a real return bond. Correct?

11 MR. GLENN BUNSTON: Yes, that's
12 correct.

13 MR. STEVE SCARFONE: And if my
14 recollection is correct, it would have been in excess
15 of half a billion dollars in RRB's?

16 MR. GLENN BUNSTON: Yes, it was close
17 to a billion dollars was the proposal.

18 MR. STEVE SCARFONE: Okay. Were there
19 any other reasons other than the -- the inflation
20 projections that caused the Corporation to move away
21 from adopting the strategy?

22 MR. GLENN BUNSTON: Two (2) other
23 reasons: cost and complexity.

24 MR. STEVE SCARFONE: Thank you for
25 that. Are you aware whether the hedge ratio that

1 would have determined the amount of bonds that would
2 be purchased under that strategy was ever determined
3 (INDISCERNIBLE) Corporation?

4 MR. GLENN BUNSTON: The hedge ratio
5 was not determined, no.

6 MR. STEVE SCARFONE: And what
7 percentage of the Basic claims portfolio now contains
8 real return bonds to hedge against inflation?

9 MR. GLENN BUNSTON: Approximately 4
10 percent equivalent to the target weight in the
11 investment policy statement. So, it's about -- the
12 purchase was \$85 million.

13 MR. STEVE SCARFONE: And are there any
14 other assets in -- in the investment fund that would
15 hedge against inflation?

16 MR. GLENN BUNSTON: Yes. In the Basic
17 claims portfolio, we have real estate -- a 10 percent
18 allocation to real estate. Real estate does provide
19 some inflation protection. It's not as direct as for
20 real return bonds, but there is some protection there.

21 And then for the RSR and Employee
22 Future Benefits Portfolios, they have other growth
23 assets in them that offer some inflation protection,
24 those being, equities and infrastructure as well.

25 And so, the combined allocation to

1 asset class, as it provides some inflation protection
2 in the Basic line of business, is about 29 percent --
3 at was -- at March 31st of 2024.

4 MR. STEVE SCARFONE: Thank you. And
5 in your view at least, sir, does that form of hedging
6 provide the Corporation with adequate protection in
7 the event inflation starts to rise again?

8 MR. GLENN BUNSTON: It provides us
9 with some protection from inflation. I guess it
10 depends on how you define the word 'adequate'. It's
11 definitely less protection than we would have achieved
12 under the bond overlay strategy, but it does provide
13 us with some level of protection.

14 MR. STEVE SCARFONE: Okay, thank you.
15 And I -- I recall in years past that the Corporation
16 was of the view that it needed at least five (5) years
17 to adequately assess whether any particular ALM
18 strategy was working. Do you recall that evidence?

19 MR. GLENN BUNSTON: I do. It --
20 typically you'd want to wait for a full market cycle
21 to assess the effectiveness of an investment strategy,
22 which is typically four (4) to five (5) years.

23 MR. STEVE SCARFONE: Okay. And does
24 that still apply to the ALM study that was done in
25 2022?

1 MR. GLENN BUNSTON: Yes, it does.

2 MR. STEVE SCARFONE: Okay, so when
3 would the next anticipated ALM study happen if MPIC so
4 decides?

5 MR. GLENN BUNSTON: Well, we typically
6 do them every four (4) years, so the next study would
7 be targeted to be completed in 2026.

8 MR. STEVE SCARFONE: And are there any
9 plans to have such a study done?

10 MR. GLENN BUNSTON: We've not started
11 any preparations for an ALM study and we're operating
12 under the assumption that it will happen in 2026.

13 MR. STEVE SCARFONE: Okay, thank you
14 for that. And recognizing your comment with respect
15 to the objective or the objectives of the Basic claims
16 portfolio, sir, the introduction of real estate
17 assets, has the Corporation given any consideration to
18 the introduction of other asset classes to help that
19 performance?

20 MR. GLENN BUNSTON: Sorry, could you
21 clarify it -- could we -- have we considered the
22 introduction of asset classes to Basic claims?

23 MR. STEVE SCARFONE: Other asset
24 classes, such as growth assets --

25 MR. GLENN BUNSTON: It's not something

1 --

2 MR. STEVE SCARFONE: -- Basic claims
3 portfolio.

4 MR. GLENN BUNSTON: No, it's not
5 something we're actively considering right now.

6 MR. STEVE SCARFONE: And -- and what's
7 the reason for that?

8 MR. GLENN BUNSTON: Other asset
9 classes, while they may offer the -- a partial hedge
10 against inflation, they introduce other sources of
11 volatility. So, equities, commodities, infrastructure
12 have some inflation hedging characteristics, but they
13 -- they don't hedge the interest rate sensitivity
14 associated with the liabilities and so they would --
15 they would negatively affect our interest rate hedging
16 strategy and introduce other sources of volatility.

17 MR. STEVE SCARFONE: And that I take
18 it to mean is more important than performance of the -
19 - of the portfolio, correct?

20 MR. GLENN BUNSTON: Well, as I stated
21 at the very beginning of my presentation, the -- the -
22 - the objective of the Basic claims portfolio is to --
23 to hedge the -- the risks associated with the
24 liabilities. And that the primary risk is interest
25 rate risk.

1 And so that is why the portfolio was
2 primarily -- contains fixed income asset classes.
3 And, you know, that the -- the objective is to pursue
4 modest incremental returns, but with -- with hedging
5 of risk associated with the liabilities is the primary
6 objective.

7 MR. STEVE SCARFONE: And would that
8 primary -- primary objective translate into not
9 having, as a primary objective, meeting the benchmarks
10 that -- that the Basic claims portfolio is measured
11 against?

12 MR. GLENN BUNSTON: Well, that would
13 fall under the -- the third objective, which is to
14 pursue modest and incremental returns. So returns
15 matter, but the primary objective is to -- to mitigate
16 the risk associated with the liabilities, that --
17 that's the first objective.

18 MR. STEVE SCARFONE: Okay, thank you.
19 And in your view, sir, has the Basic claims portfolio
20 met its objectives over the last fiscal year?

21 MR. GLENN BUNSTON: Yes, the -- this
22 ALM strategy has been very effective at mitigating
23 interest rate risk, so it has met the primary
24 objective, yes.

25 MR. STEVE SCARFONE: Thank you. Those

1 are all my questions for Mr. Bunston.

2 PANEL CHAIRPERSON: Thank you, Mr.
3 Scarfone. Ms. Moore...?

4 MS. KARA MOORE: Thank you, Madam
5 Chair.

6

7 CROSS-EXAMINATION BY MS. KARA MOORE:

8 MS. KARA MOORE: Good afternoon, Ms.
9 Low and Mr. Bunston. My name is Kara Moore, counsels
10 the Public Utilities Board. I'll ask my questions
11 generally to both of you and whoever wishes to answer
12 can jump in and do so.

13 So, I'd like to start by bringing up
14 Information Request PUB/MPI 1-28A. If we could just
15 scroll down to the question.

16 In this Information Request, MPI was
17 asked to provide figures, INV2 and INV3 for total
18 corporate investment income. And if we could scroll
19 down to the answer, figure 2, please.

20 So as of March 31st, the Corporate --
21 2024 that is, the Corporate portfolio was three point
22 six (3.6) billion in investments, which included a
23 hundred and seventy-one (171) million in cash.

24 MR. GLENN BUNSTON: Yes, that's
25 correct.

1 MS. KARA MOORE: And this is forecast
2 to decline in the 2024/'25 year to a total portfolio
3 of three point four eight (3.48) billion, comprising
4 of a hundred and twenty-six (126) million in cash.

5 MR. GLENN BUNSTON: Correct.

6 MS. KARA MOORE: And it appears that
7 the reduction in the Corporate portfolio stems from a
8 reduction in line items 2, 3, 4 and 5 being cash,
9 provincial bonds, Corporate bonds and MUSH bonds.

10 MR. GLENN BUNSTON: That's correct.

11 MS. KARA MOORE: Thank you. I'd now
12 like to bring up figure INV3 from the investment
13 section of the application. This schedule provides
14 the composition of the Basic investment portfolio.

15 Correct?

16 MR. GLENN BUNSTON: For the Basic line
17 of business, which includes the Basic portfolio, RSR
18 and a portion of the employee future benefits.

19 MS. KARA MOORE: Thank you. So, if we
20 look at line 14 total assets for the 2023/'24 year,
21 the overall Basic investment portfolio is two point
22 eight six five (2.865) billion.

23 MR. GLENN BUNSTON: Correct.

24 MS. KARA MOORE: Therefore, this would
25 comprise about seventy-nine (79) -- subject to check,

1 79.4 percent of the total Corporate investment
2 portfolio?

3 MR. GLENN BUNSTON: Approximately,
4 yes.

5 MS. KARA MOORE: Thank you. And the
6 figures in the called '2023/'24 actuals' was based on
7 the March 31, 2024, actuals?

8 MR. GLENN BUNSTON: Yes.

9 MS. KARA MOORE: Thank you. I'd now
10 like to bring up the 2023 annual report which was
11 attached as Exhibit 1 to part 13 of the Application on
12 page 87 of 94 of the report. Thank you.

13 This is a table showing the statement
14 of financial positions by line of business, correct?

15 MR. GLENN BUNSTON: Yes, that's
16 correct.

17 MS. KARA MOORE: Thank you. And then
18 the line item second from the top called 'cash and
19 investments', in the first column under the 'March 31,
20 2024' column, the actual balance assigned to Basic is
21 2.935 billion?

22 MR. GLENN BUNSTON: Correct.

23 MS. KARA MOORE: Thank you. So, this
24 is a difference of 70 million from the amount that we
25 just looked at at figure INV-3.

1 Are you able to explain the difference
2 -- or the reason for this difference rather?

3

4 (BRIEF PAUSE)

5

6 MR. STEVE SCARFONE: Ms. Moore, can we
7 provide that response by way of undertaking?

8 MS. KARA MOORE: Sure. That's fine.

9 MR. STEVE SCARFONE: Thank you. Do
10 you want to read your undertaking into the record or -
11 - I think we've got it.

12 MS. KARA MOORE: Yeah, no, I can read
13 the undertaking. So, the undertaking is for an
14 explanation of the difference of 70 million from
15 figure INV-3 to the 2023 annual report.

16 MR. STEVE SCARFONE: Page 87?

17 MS. KARA MOORE: Page 87, correct.

18

19 --- UNDERTAKING NO. 1: MPI To provide an explanation
20 Of the difference of 70 million from
21 figure INV-3 to the 2023 annual
22 report, page 87

23

24 MR. STEVE SCARFONE: Thank you.

25

1 CONTINUED BY MS. KARA MOORE;

2 MS. KARA MOORE: So, if we could go
3 back to figure INV-3. Cash and short-term investments
4 are 49 million in 2023/'24?

5 MR. GLENN BUNSTON: Correct.

6 MS. KARA MOORE: Okay. And if we
7 could now turn to figure PF-2 from the GRA, the
8 balance sheet for Basic includes cash and cash
9 equivalence at 119 million for 2023/'24?

10 MR. GLENN BUNSTON: Yes, that's
11 correct.

12 MS. KARA MOORE: Do you see that?
13 Again, there's a difference of 70 million from the 20
14 -- or 49 million figure in figure INV-3. I'd like to
15 know the reason for that difference.

16 And I assume you'd like to provide that
17 by way of undertaking, as well?

18 MR. STEVE SCARFONE: Yes. Thank you.

19 MS. KARA MOORE: Thank you. Do you
20 need me to read the undertaking?

21 MR. STEVE SCARFONE: No.

22 MS. KARA MOORE: Okay.

23

24 --- UNDERTAKING NO. 2: MPI to provide why there's a
25 difference of 70 million from the 49

1 million figure in figure INV-3

2

3 CONTINUED BY MS. KARA MOORE:

4 MS. KARA MOORE: Okay. I'd now
5 like to direct your attention to MPI Exhibit 3, which
6 is the supplementary filing in support of the 3
7 percent rate increase, and it will be figure 3. Thank
8 you.

9 This figure provides an update to
10 figure INV-45 from the Application. And I understand
11 this table represents the composition of the Basic
12 claims investment portfolio?

13 MR. GLENN BUNSTON: Yes, that's
14 correct.

15 MS. KARA MOORE: At line 8, the total
16 assets in 2024/'25 are 1.88 billion?

17 MR. GLENN BUNSTON: Correct.

18 MS. KARA MOORE: And the portfolio is
19 projected to increase to 1.98 billion in 2025/'26.

20 MR. GLENN BUNSTON: Correct.

21 MS. KARA MOORE: And further increase
22 to 2.055 billion in 2026/'27?

23 MR. GLENN BUNSTON: Yes, that's right.

24 MS. KARA MOORE: Okay. And again,
25 this update figure INV-45 was provided to reflect

1 MPI's rate request of 3 percent?

2 MR. GLENN BUNSTON: That's right.

3 MS. KARA MOORE: Is it fair to say
4 that because MPI is seeking a lower rate and
5 collecting -- presuming that that -- if that rate were
6 to be ordered, they would be collecting less revenue
7 and, in turn, the amount that MPI would be able to
8 invest is therefore lower?

9

10 (BRIEF PAUSE)

11

12 MS. CARA LOW: The rate ask of 3
13 percent is lower than the AAP, so you're collecting
14 less premium. But this exhibit that we're looking at
15 is to do with the MP claims balance, and that's
16 independent of the rate.

17 MS. KARA MOORE: Okay. Would you
18 agree with me though that your forecast now reflects
19 lower investment income of about 27 million? And I
20 can bring you to -- to a reference if you'd like.

21 So, if we could look at figure INV-45
22 in the GRA. And we'll compare that with figure 3 that
23 we just looked at. So, in figure INV-45, line 8, for
24 the 2025/'26 year, MPI forecast total assets in the
25 amount of 2.007 billion.

1 MR. GLENN BUNSTON: Sorry, was that a
2 -- that's a question?

3 MS. KARA MOORE: Yes, just confirming.

4 MR. GLENN BUNSTON: Yes, that's right.

5 MR. STEVE SCARFONE: Yes. Just to
6 confirm, this is the July 5 filing you're looking at
7 now, correct?

8

9 CONTINUED BY MS. KARA MOORE:

10 MS. KARA MOORE: Yes, yes, that's --
11 that's correct. So, if we go back to figure 3 of MPI
12 Exhibit 3 at line 8 for the 2025/'26 year, MPI is now
13 forecasting total assets in the amount of 1.980
14 billion. You see that?

15 MR. GLENN BUNSTON: Yes.

16 MS. KARA MOORE: So, this would be a
17 decrease of about 27 million?

18 MR. GLENN BUNSTON: Yes. That sounds
19 correct, yeah.

20 MS. KARA MOORE: Okay. And there's a
21 similar decrease for the 2026/'27 year by about 28
22 million. Do you agree with that?

23 MR. GLENN BUNSTON: Could you bring up
24 the previous --

25 MS. KARA MOORE: Sure.

1 MR. GLENN BUNSTON: Yes, there's a --
2 there's definitely a decrease.

3 MS. KARA MOORE: Thank you. We'll now
4 turn to Information Request PUB/MPI 1-126. Thank you.

5 So, in this Information Request MPI was
6 asked to provide a schedule comparing the details of
7 INV-46 and INV-47 in the July 18th filing with that
8 provided in the original Application.

9 So, if we could scroll down to the
10 answer at figure 3. This figure shows a summary of
11 the changes. At line 7, it appears investment income
12 for the RSR portfolio is reduced by a hundred and
13 ninety-six thousand (196,000) in 2025/'26, correct?

14 MR. GLENN BUNSTON: Correct, yeah.

15 MS. KARA MOORE: And it's further
16 reduced by 1.5 million in 2026/'27?

17 MR. GLENN BUNSTON: Correct.

18 MS. KARA MOORE: And again, this
19 reduction is the result of collecting less premium?

20 MR. GLENN BUNSTON: Well, it's partly
21 also driven by the fact that interest rates are lower.
22 And so, we've updated the interest rate to reflect the
23 new lower interest rates.

24 MS. KARA MOORE: Thank you.

25

1 (BRIEF PAUSE)

2

3 MS. KARA MOORE: Okay. So, we're
4 still looking at the same Information response --
5 Information Request rather further into the response,
6 figures 4, 5, 6. We can just kind of scroll through
7 them. They show the changes in the RSR portfolio due
8 to the lower rate request.

9 And I'd like to draw your attention to
10 figure 6 specifically, line 13. The total RSR assets
11 are forecast to be \$1.3 million lower in 2025/'26,
12 correct?

13 MR. GLENN BUNSTON: Yes, that's right.

14 MS. KARA MOORE: And \$30.6 million
15 lower in 2026/'27?

16 MR. GLENN BUNSTON: Correct.

17 MS. KARA MOORE: And again, this is --
18 and I -- I'll let you tell me if your response is the
19 same as -- as the previous time I asked this question,
20 but this is a result of seeking the 3 percent rate
21 indication as opposed to the AAP rate?

22

23 (BRIEF PAUSE)

24

25 MR. STEVE SCARFONE: With respect to

1 that last question, counsel, we'd like to take that
2 away 'cause there may be other factors again that are
3 attributing to that, including transfers from the Rate
4 Stabilization Reserve. So, we'd like to look at it
5 more fully before responding.

6 MS. KARA MOORE: Okay. So, are you
7 proposing to provide that response by way of
8 undertaking?

9 MR. STEVE SCARFONE: Yes.

10 MS. KARA MOORE: Okay. I understand.
11 Okay.

12 MR. ANTHONY GUERRA: All right. Can
13 we just read out that undertaking on the record? It
14 just helps our regulatory --

15 MS. KARA MOORE: Yeah. I'm just
16 trying to formulate that undertaking.

17 MR. ANTHONY GUERRA: Thank you.

18

19 (BRIEF PAUSE)

20

21 MS. KARA MOORE: All right. So, for
22 the record, I'm asking for an undertaking -- for --
23 for MPI to explain the cause of the reduction in
24 invested assets in the RSR portfolio and claims
25 portfolio from the July 5th Application to the July

1 18th update.

2

3 --- UNDERTAKING NO. 3: MPI to explain the cause
4 of the reduction in
5 invested assets I the RSR
6 portfolio and claims
7 portfolio from the July
8 5th Application to the
9 July 18th update

10

11 MR. STEVE SCARFONE: Yes. Thank you
12 for that.

13

14 CONTINUED BY MS. KARA MOORE:

15 MS. KARA MOORE: And just to circle
16 back to Mr. Bunston's earlier answer regarding
17 interest rates being lower, would you agree with me
18 that between July -- the July 5th filing and the July
19 18th update, there isn't a change in interest rates
20 provided in these documents?

21

22 (BRIEF PAUSE)

23

24 MR. GLENN BUNSTON: Yes, I believe
25 you're correct. We would have used March 31st

1 interest rates for both of the filings.

2 MS. KARA MOORE: Thank you.

3 PANEL CHAIRPERSON: Ms. Moore, sorry
4 to interrupt, but would now be an appropriate time to
5 take the break for the afternoon?

6 MS. KARA MOORE: Yes, it would be.
7 Thank you.

8 PANEL CHAIRPERSON: Thank you. Can we
9 back at quarter to 3:00, please.

10

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

12 --- Upon resuming at 2:46 p.m.

13

14 PANEL CHAIRPERSON: Ms. Moore...?

15 MS. KARA MOORE: Thank you, Madam
16 Chair.

17

18 CONTINUED BY MS. KARA MOORE:

19 MS. KARA MOORE: Ms. Schubert, I'd now
20 ask you to pull up Information Request PUB/MPI-1-121.

21

22 (BRIEF PAUSE)

23

24 MS. KARA MOORE: So, in this
25 Information Request, if we could -- sorry, if we could

1 go up to the question, just for the witnesses to see.
2 The question was to provide PF-6 and PF-7 comparing
3 the original Application to the July 18th filing, and
4 there were further PF figures to be provided, but MPI
5 did provide an updated PF-6 and PF-7.

6 And so, we'll go down now to Figure 1,
7 which is Figure PF-6. If we look at line item 17, MPI
8 has determined that there is a reduction in net
9 investment income of four hundred and seventy-one
10 thousand (471,000) in 2025/'26 when comparing the
11 original Application to the July 18th filing.

12 Is that correct?

13 MR. GLENN BUNSTON: Yes, that's
14 correct.

15 MS. KARA MOORE: And if we could
16 scroll down to Figure 3, PF-7, again looking at line
17 17, MPI has determined that there is a reduction in
18 net investment income of 2 million in 2026/'27 when
19 comparing the original Application to the July 18th
20 filing, correct?

21 MR. GLENN BUNSTON: Yes, correct.

22 MS. KARA MOORE: Thank you. And is it
23 accurate to say that the majority of the reduction in
24 net investment income in both 2025/'26 and 2026/'27 is
25 due to the RSR portfolio?

1

2

(BRIEF PAUSE)

3

4

MS. CARA LOW: Yes, but the rate ask
of 3 percent instead of the AAP, your RSR will drop
and there will be less investment income.

7

MS. KARA MOORE: Thank you. If we
could now look at INV Appendix 1 at Part 10 of the
Application. This is MPI's Investment -- Investment
Policy Statement, dated April 1, 2024. If we could go
to the table on page 18, please. Thank you.

12

Looking at the line item that says,
"Real return bonds," there is a range for real return
bonds of zero to 10 percent, with a target level of 4
percent. You see that?

16

MR. GLENN BUNSTON: Yes, I do.

17

MS. KARA MOORE: Thank you. And if we
could now go to Information Request PUB/MPI-1-33, in
this Information Request -- if we could just scroll
down to the question, please.

21

MPI was asked to provide and did
provide a black-lined version of the updated
Investment Policy Statement reflecting all changes.
And this was an update to the Investment Policy
Statement dated August 10 of 2023.

1 So, if we could scroll down to the
2 attachment in response to this question, please, and
3 it's unfortunately not numbered, so it's a bit tedious
4 to get there, but it's I believe page 31. It's under
5 the heading '8.1'. There it is. Thank you.

6 Next to the line item called 'Real
7 Return Bonds', if we looked -- look at the tracked
8 changes, it appears that the target allocation for
9 real return bonds was previously 34 percent.

10 Is that correct?

11 MR. GLENN BUNSTON: Yes, that's right.

12 MS. KARA MOORE: And that was
13 consistent with the bond overly -- overlay strategy
14 that MPI presented at last year's General Rate
15 Application hearing?

16 MR. GLENN BUNSTON: That was based on
17 the asset-liability management study that was
18 completed with Mercer and their recommended allocation
19 to real return bonds.

20 MS. KARA MOORE: Yes. Thank you. And
21 just confirming that this is the same line that now
22 shows a target range of zero to 10 percent, with a
23 midrange target of 4 percent?

24 MR. GLENN BUNSTON: Yes, that's
25 correct.

1 MS. KARA MOORE: So, if we could
2 please go back to Appendix 1, Part 10 of the
3 Application, and scroll down to section 8.2.

4

5 (BRIEF PAUSE)

6

7 MS. KARA MOORE: Just at the top of
8 the page there. So, I'll just read in for the purpose
9 of the record. Section 8.2 says that:

10 "The target asset allocations have
11 been determined in order to meet the
12 objectives of the relevant
13 portfolio. They reflect risk-return
14 trade-offs selected by the
15 committee."

16 So, my question is: How did MPI
17 determine in its updated investment policy statement
18 that an optimal range for real return bonds was zero
19 to 10 percent with a target of 4 percent?

20

21 (BRIEF PAUSE)

22

23 MS. CARA LOW: The 4 percent target
24 was set just to match the real return bonds that we
25 currently had in our portfolio. And this was just

1 until we got around to doing some additional work in
2 the next little while.

3 MS. KARA MOORE: Thank you. If we
4 could now go to Information Request PUB/MPI-2-32(a).

5 So, with respect to MPI's decision not
6 to implement the bond overlay strategy, MPI was asked
7 who was determining the next steps and when they will
8 be providing an update to the investment committee.

9 And if we scroll down to the response,
10 the response from MPI was that it was exploring other
11 options and timing would be determined based on the
12 options considered.

13 Is -- is the panel to provide an update
14 to this response?

15 MS. CARA LOW: Nothing has been
16 decided in this time.

17 MS. KARA MOORE: Okay. So just to
18 clarify, in terms of next steps is -- is that
19 something that MPI intends to consider this year, next
20 year or is it not until the next study in 2026?

21

22 (BRIEF PAUSE)

23

24 MS. CARA LOW: MPI knows that we're
25 currently not on the efficient frontier because we

1 were not -- and we didn't adopt the full
2 recommendation.

3 We have just renewed our contract with
4 Mercer to do some further work, but we don't have any
5 outcomes from that analysis or whether --
6 (INDISCERNIBLE) 2026 for the ALM study, we -- yet to
7 see.

8 MS. KARA MOORE: Thank you. I'd like
9 to pull up figure INV1 from last year's General Rate
10 Application.

11 So, in this figure at line 40, MPI
12 forecasted Basic investment income of a hundred and
13 twenty-five point six (125.6) million for 2023/'24.

14 MR. GLENN BUNSTON: Yes, that's right.

15 MS. KARA MOORE: And that was with a
16 new money yield of four point four (4.4) which I -- I
17 don't believe is on that page. You can take my word
18 for it or I could find a reference for you.

19 MR. GLENN BUNSTON: Yeah, I don't
20 recall what the new money yield was last year off the
21 top of my head.

22 MS. KARA MOORE: Sure. So perhaps,
23 Ms. Schubert, if you could pull up from the 2024 GRA
24 Information Request PUB/MPI 1-7.

25 MR. GLENN BUNSTON: Just to clarify,

1 the new money yield is used for pricing. It's not
2 used for forecasting the return on the investment
3 portfolio.

4 MS. KARA MOORE: Okay. Sorry, Ms.
5 Schubert, we can ignore this after all. We'll ignore
6 the new money yield and we'll just focus on the
7 forecast for Basic investment income.

8 So just for the purpose of my next
9 question, I'll just confirm that you -- or you just
10 confirmed that MPI forecasted Basic investment income
11 of a hundred and twenty-five point six (125.6) million
12 for 2023/'24 in last year's General Rate Application.

13 I'd now like to bring up MPI Exhibit 50
14 from the 2024 GRA, please. At line 18 and this is
15 last year's October rate update.

16 But looking at line 18 it appears that
17 the investment income forecast was decreased from a
18 hundred and twenty-five point six (125.6) million down
19 to ten point three (10.3) million? Sorry, it's line
20 40.

21 MR. GLENN BUNSTON: Yes, that's
22 correct.

23 MS. KARA MOORE: And if we could now
24 pull up from this year's General Rate Application, MPI
25 Exhibit 3 figure 1.

1 And if we look at the last row, being
2 the total Basic line of business investment income,
3 for 2023/'24 the actual number was ninety-one point 8
4 (91.8) million?

5 MR. GLENN BUNSTON: Yes, that's right.

6 MS. KARA MOORE: Okay. So, to sum it
7 up in the October General Rate Application, the
8 forecasted investment income went from a hundred and
9 twenty-five point six (125.6) million in the original
10 application, down to ten point three (10.3) million in
11 the October update and we now know that the actual
12 results was investment income in the amount of ninety-
13 one point 8 (91.8) million.

14 So, my question is: Can you explain
15 the cause for this variation?

16 MR. GLENN BUNSTON: Yeah, I believe
17 it's due to changes in interest rates. If you look at
18 line 20 and 21 you see the marketable bonds realized
19 and unrealized gains and losses and if you compare
20 those lines between the different dates of our
21 forecast, you'll see that they've changed
22 significantly and that's because of changes in
23 interest rates between the -- the dates of the
24 forecasts.

25 MS. KARA MOORE: Thank you. So, I'm

1 going to switch gears a little bit to benchmarking.
2 MPI's Investment Committee Working Group is
3 responsible for monitoring the investment portfolio
4 performance. Is that correct?

5 MR. GLENN BUNSTON: Yes, that's
6 correct.

7 MS. KARA MOORE: And MPI's review of
8 the investment manager portfolio -- sorry, I'm just
9 going to restart that question.

10 MPI's review of the investment manager
11 performance is based on the active manager monitoring
12 policy?

13 MR. GLENN BUNSTON: Correct.

14 MS. KARA MOORE: Thank you. MPI has
15 engaged Ellement to provide comparison metrics for its
16 portfolios relative to benchmarks?

17 MR. GLENN BUNSTON: They were engaged
18 up until March 31st of 2024, yes.

19 MS. KARA MOORE: Thank you. If we
20 could go to Information Request PUB/MPI 1-32(d).

21

22 (BRIEF PAUSE)

23

24 MS. KARA MOORE: So, as part of this
25 Information Request, MPI was asked to provide a

1 comprehensive explanation from Ellement of the results
2 in the performance summary and MPI's relative trailing
3 performance for the total fund and total fixed income
4 for Basic claims as at March 31, 2024.

5 And if we could scroll down to the
6 response. I don't intend to read it onto the record,
7 but perhaps if you could just read it for yourselves.
8 And then I'll ask a follow-up question.

9

10 (BRIEF PAUSE)

11

12 MS. KARA MOORE: Is it your
13 understanding based on Ellement's response that
14 Ellement was attributing the poor performance of MPI's
15 portfolio in general to the poor returns for the Basic
16 claims portfolio?

17 MR. GLENN BUNSTON: Well, this
18 response is specific to the Basic claims portfolio, at
19 least in the first paragraph, and it talks about the
20 fact that it's invested entirely on fixed income
21 instruments.

22 And given that interest rates have been
23 increasing over this period, that that negatively
24 affects fixed income instruments. I think it's
25 important though to keep in mind that this is a

1 liability driven investment strategy and the
2 liabilities are similarly sensitive to changes in
3 interest rates. So, it's really the net of the two
4 (2) that matters at the end of the day.

5 MS. KARA MOORE: Thank you. And if we
6 could look at attachment A to this Information
7 Request. MPI has attached a report prepared by
8 Ellement as of March 31, 2024. If we could go to page
9 4 of this report, please. Thank you.

10 So, looking at the graphs on this page,
11 the red dot represents the benchmark. Can you explain
12 MPI's portfolio -- portfolio's relative position
13 against the benchmark?

14 MR. GLENN BUNSTON: For which period?

15 MS. KARA MOORE: So, for the top row
16 of graphs, for the one (1) and four (4) year graphs.

17 MR. GLENN BUNSTON: So, for the one
18 (1) year period, the total fund had a return of 3.35
19 percent. The custom benchmark had a return of 5.2
20 percent, and so that ranked us at the 64th percentile.

21 And for the four (4) years, our return
22 was 2.34 percent and the custom benchmark had a return
23 of 2.64 percent, which ranked us at the 85th
24 percentile.

25

1 (BRIEF PAUSE)

2

3 MS. KARA MOORE: Okay. So, I
4 understand from your presentation earlier that MPI's
5 position is that they're -- they're better off from
6 where they were at the time that this report was
7 issued.

8 Do you have updated reports from
9 Ellement to confirm this?

10 MR. GLENN BUNSTON: We don't because
11 our contract with Ellement ended at March 31st. And
12 so, we now have an internal investment management
13 reporting system which we're using. And we are in the
14 process, as I mentioned during my presentation, of
15 developing peer universes and that they're not
16 complete at this point.

17 MS. KARA MOORE: So, MPI will not be
18 engaging an external source to provide this
19 information going forward. This will be an internal
20 analysis?

21 MR. GLENN BUNSTON: That's correct.

22 MS. KARA MOORE: Okay. So, I'll shift
23 gears again. I'm now going to ask some questions
24 regarding the October rate update that MPI filed as
25 Exhibit 33.

1 So, just for background, the
2 information contained in the October update reflects
3 interest rates as at August 31, 2024?

4 MR. GLENN BUNSTON: Yes, that's right.

5 MS. KARA MOORE: Thank you. If we
6 could go to figure 1 of Exhibit 33, please.

7

8 (BRIEF PAUSE)

9

10 MS. KARA MOORE: Thank you. So, this
11 -- just for context, this was an update to Information
12 Request PUB/MPI 2-25.

13 And in figure 1, just to confirm, the
14 investment income has been revised on the updated new
15 money yield of 4.42 percent?

16 MR. GLENN BUNSTON: As I said earlier,
17 the investment income is not based off of the new
18 money yield.

19 MS. KARA MOORE: Okay.

20 MR. GLENN BUNSTON: This is used to
21 discount the liabilities.

22

23 (BRIEF PAUSE)

24

25 MR. GLENN BUNSTON: Sorry, I misspoke.

1 This is used for pricing purposes, not for discounting
2 liabilities. We have a separate yield curve that's
3 used to discount the liabilities.

4 MS. KARA MOORE: So, pricing means to
5 value the investment portfolio for gains and losses?

6 MS. CARA LOW: For pricing, we need to
7 reflect the time value of money. Even though we're
8 pricing for rates for the '25/'26 year, liabilities
9 sometimes are not paid out for a long after, and we
10 reflect the time value of money, and that's where the
11 new money yield is used.

12 MS. KARA MOORE: Thank you. If we
13 could scroll down to figure 2 just on the next page.
14 There's reference to the investment expense ratio.

15 Can you explain what that ratio
16 represents?

17 MS. CARA LOW: It would be the
18 management fee. So, again, for pricing, we can't --
19 if we're not going to -- we see the full yield because
20 we have to pay our investment managers. We can't
21 reflect that in our AAP.

22 So, we take the expected yield less
23 investment expenses.

24 MS. KARA MOORE: Okay. Is it accurate
25 to say that in order to determine the new money yield,

1 the investment expense ratio is deducted from the
2 portfolio's expected yield?

3 MS. CARA LOW: That is correct.

4 MS. KARA MOORE: Okay. And the new
5 money yield, after applying the investment expense
6 ratio, is the 4.25 percent rounding up?

7 MS. CARA LOW: Correct.

8 MS. KARA MOORE: Yes?

9 MS. CARA LOW: Correct.

10 MS. KARA MOORE: Thank you. The new
11 money yield included in the application was 4.61
12 percent. Is that correct? Would you like a
13 reference?

14 MS. CARA LOW: That sounds correct.

15 MS. KARA MOORE: Okay. So, just to
16 confirm, the new money yield as at August 31, 2024, of
17 4.25 percent is thirty-six (36) basis points lower
18 than what was indicated in the originating
19 application?

20 MS. CARA LOW: Net of expenses. It
21 originally was 4.61 and went to 4.25. Doing the math.
22 Thirty-six (36) basis points.

23 MS. KARA MOORE: Thank you. If we
24 could now go -- still on Exhibit 33 -- to figure 5.
25 So, looking at this figure at line 17, MPI is now

1 forecasting investment income as 177 million for
2 2024/'25. And this is an increase of 40.6 million
3 from the Application, correct?

4 MR. GLENN BUNSTON: Yes, that's
5 correct.

6 MS. KARA MOORE: And if we scroll down
7 to the next page, it appears that MPI attributes this
8 increase to changes in interest rates?

9 MR. GLENN BUNSTON: Correct.

10 MS. KARA MOORE: Thank you. Going
11 back up to Figure 5 at line 7, the October update also
12 showed a reduction in claims incurred of 13.3 million
13 in 2024/'25, correct?

14 MR. GLENN BUNSTON: Correct.

15 MS. KARA MOORE: And MPI explained
16 that this change was due to inflation, offset
17 partially by discounting?

18 MS. CARA LOW: It would be mainly due
19 to the impact of discounting --

20 MS. KARA MOORE: Okay.

21 MS. CARA LOW: -- because we updated
22 the yield curves.

23 MS. KARA MOORE: Thank you. Has MPI
24 adjusted these numbers to determine the effect of the
25 change in inflation on subsequent years?

1 MS. CARA LOW: Sorry. Could you
2 restate that question?

3 MS. KARA MOORE: The question was
4 whether MPI has adjusted these numbers to determine
5 the effect of the change in inflation on subsequent
6 years.

7 MS. CARA LOW: We have future
8 inflation built into our forecasts so that we have a
9 real yield, so a real rate of return rather than a
10 nominal return. And we do expect long term to go back
11 to the 2 percent target.

12 MS. KARA MOORE: Okay. I might circle
13 back to that, but we'll move on for now. So, if we
14 could look at line 18 of Figure 5, there's an increase
15 in finance expenses from insurance contracts of about
16 26.5 million, correct?

17 MS. CARA LOW: Correct.

18 MS. KARA MOORE: And this increase
19 reflects the change in the claims discount rate from
20 4.46 percent to 4.21 percent?

21 MS. CARA LOW: Correct.

22 MS. KARA MOORE: And that's a twenty-
23 five (25) basis point reduction in the average
24 discount rate?

25 MS. CARA LOW: Sorry. Could you

1 repeat that?

2 MS. KARA MOORE: Just confirming that
3 that's a twenty-five (25) basis point reduction in the
4 average discount rate?

5 MS. CARA LOW: Yes.

6 MS. KARA MOORE: Thank you. And the
7 explanation provided by MPI for this change is that
8 this increase is the result of higher unwinding?

9 MS. CARA LOW: One (1) minute, please.

10

11 (BRIEF PAUSE)

12

13 MS. CARA LOW: Line 20 is due to the
14 change in the yield curve.

15 MS. KARA MOORE: In the yield curve
16 Okay. But what I'm asking about is line 18, and --
17 and -- you know what, we can move on. It's fine.

18 So going back to lines 17 and 18 of
19 Figure 5, the impact of the increased investment
20 income in line 17 is offset by the increased finance
21 expense in line 18, for a net favourable impact of
22 14.2 million.

23 Is that correct?

24

25 (BRIEF PAUSE)

1

2 MS. KARA MOORE: So, I'm looking at
3 the 40.65 million figure in line 17 and subtracting
4 26.5 million in line 18.

5 MS. CARA LOW: Correct.

6 MS. KARA MOORE: Would this be what we
7 formerly called the net impact of change in interest
8 rates?

9 MS. CARA LOW: No. One (1) minute,
10 please.

11 MS. KARA MOORE: Sure.

12

13 (BRIEF PAUSE)

14

15 MS. CARA LOW: The impact of
16 discounting for the current year is up in the current
17 claims. When you're looking down, further down and
18 the finance expense, that's the unwinding from the
19 discounting from the older claims, the older accident
20 years and also the change in the impact of discounting
21 or the change in the yield curve.

22 So IFR-17 is put in different places
23 than your income statement.

24 MS. KARA MOORE: So just to confirm,
25 the changes in lines 17 and 18 are related to changes

1 in interest rates?

2 MS. CARA LOW: 17 is related to the
3 investment income on your investment portfolios.

4 Finance income and expenses from
5 insurance contracts is the unwinding of your discount
6 for your prior years, not your current years, and your
7 change in your yield curve. It's both in there.

8

9 (BRIEF PAUSE)

10

11 MS. KARA MOORE: Okay. Thank you.

12 We'll move on.

13 MR. STEVE SCARFONE: Sorry. Just one
14 (1) moment, counsel. Part of the reason why we're
15 having some difficulty with the back and forth on the
16 questions is because some of the individuals who would
17 be best suited to respond to them are appearing
18 tomorrow on the panel.

19 MS. KARA MOORE: Okay.

20 MR. STEVE SCARFONE: And so, some of
21 these questions may be better suited for that panel.

22 MS. KARA MOORE: Okay. Thank you.

23

24 CONTINUED BY MS. KARA MOORE:

25 MS. KARA MOORE: So, I'm going to ask

1 some questions about the new money yields and sort of
2 walk you through a calculation, so bear with me.

3 For background purposes, the new money
4 yield is based on the expected return of the
5 investments supporting the Basic claims liabilities
6 net of investment expenses?

7 MR. GLENN BUNSTON: Yes, that's
8 correct.

9 MS. KARA MOORE: And in the original
10 2025 General Rate Application, filing the new money
11 yield was determined to be 4.61 percent, as we
12 discussed earlier?

13 MS. CARA LOW: Correct.

14 MS. KARA MOORE: Thank you. So, if we
15 could turn to MPI Exhibit 3, Figure 2, INV-44 and
16 Figure 3, INV-1 -- INV-45, sorry, on the same page
17 there.

18 Again, just for background, the Office
19 of the Superintendent of Financial Institutions, or
20 OSFI, as I'll refer to them going forward, provides an
21 investment yield formula.

22 Subject to check, that formula is two
23 (2) times investment income divided by opening assets
24 plus closing assets minus investment income?

25 MS. CARA LOW: Correct.

1 MS. KARA MOORE: Okay. So, if we look
2 at Figure 2 on this page, the investment income for
3 the year 2025/'26 is 96 million?

4 MR. GLENN BUNSTON: Yes, that's right.

5 MS. KARA MOORE: And if we look at
6 Figure 3, opening assets would be 1.88 billion,
7 correct?

8 MR. GLENN BUNSTON: Yes.

9 MS. KARA MOORE: And closing assets
10 would be 1.98 billion, correct?

11 MR. GLENN BUNSTON: Yes.

12 MS. KARA MOORE: So, if we use those
13 numbers -- and this is all subject to check, unless
14 you'd like to do math on the fly; I'll leave that up
15 to you -- so if we're using those numbers in the OSFI
16 formula, that would provide for an investment yield of
17 5.13 percent, subject to check?

18 MR. GLENN BUNSTON: Yes, that sounds
19 approximately correct.

20 MS. KARA MOORE: Okay. And again, MPI
21 is showing the new money yield as 4.61 percent. So,
22 just to confirm, MPI's new money yield calculation
23 is .52 percent lower than the OSFI investment yield
24 formula?

25

1 (BRIEF PAUSE)

2

3 MR. GLENN BUNSTON: Could you repeat
4 the question, please.

5 MS. KARA MOORE: Sure. So, I was just
6 confirming, based on the calculation that we went
7 through and subject to check, that MPI's new money
8 yield calculation is .52 percent lower than the OSFI
9 investment yield formula.

10 MR. GLENN BUNSTON: Yes, that's
11 correct.

12 MS. KARA MOORE: Thank you. I'd like
13 to pull up a portion of the transcript from last
14 year's GRA. It's page 1,684, starting at line 23.

15 This panel was asked if it has any
16 insight into why the investment yield calculated using
17 the OSFI formula appears to be increasing over time
18 given the naive assumption on interest rates and why
19 the OSFI calculated yields are higher than the new
20 money yields.

21 And if we scroll down, Mr. Bunston, you
22 basically responded that there was some real estate
23 investments included. Is that correct?

24 MR. GLENN BUNSTON: That's what --
25 that's what the response says, yes.

1 MS. KARA MOORE: Okay. Thank you.

2 Does MPI use the yields -- the yield that we
3 discussed, the 4.61 percent, when projecting
4 investment income in the financial forecasting model?

5 MR. GLENN BUNSTON: No, the new money
6 yield is not used in the -- to project investment
7 income.

8 MS. KARA MOORE: Okay. In that case,
9 has MPI provided the yield that has -- that is used
10 when projecting investment income in the financial
11 forecasting model?

12 MR. GLENN BUNSTON: Well, we go into
13 some detail in the investment chapter of the
14 Application that talks about each asset class and how
15 the -- the yields are projected for those asset
16 classes. And there -- there is a summary, I think
17 it's figure INV-4 or -5, that shows each asset class
18 and what the yield of those are in the model.

19 MS. KARA MOORE: Okay. Perhaps if I
20 can get an undertaking for MPI to provide the yields
21 used when projecting investment income in the
22 financial forecasting model. And if it is already
23 provided in the Application, you can simply indicate
24 that.

25 MR. STEVE SCARFONE: Just one moment,

1 Counsel.

2

3

(BRIEF PAUSE)

4

5

MR. GLENN BUNSTON: Yeah, so figure

6

INV-5 contains a table that sets out the -- the yields

7

for each asset class that are used in the financial

8

model to forecast investment income.

9

MS. KARA MOORE: Okay. Thank you.

10

Would it be possible for the Corporation to update the

11

calculation of the OSFI investment yield based on the

12

October update?

13

MR. GLENN BUNSTON: Just to clarify,

14

you're asking if we can calculate the -- the yield of

15

the investment portfolio based on the October update?

16

MS. KARA MOORE: Based on the OSFI

17

formula that we just went through.

18

19

(BRIEF PAUSE)

20

21

MR. GLENN BUNSTON: So, could you just

22

repeat exactly what you're looking for.

23

MS. KARA MOORE: Sure. So, my

24

question was whether it would be possible for the

25

Corporation to update the calculation of the OSFI

1 investment yield based on the October update.

2 MR. GLENN BUNSTON: And could you just
3 clarify or restate the OSFI formula --

4 MS. KARA MOORE: Yes.

5 MR. GLENN BUNSTON: -- so we're clear
6 on that.

7 MS. KARA MOORE: So, the OSFI formula
8 is two (2) times investment income divided by opening
9 assets, plus closing assets, minus investment income.

10 MR. STEVE SCARFONE: Yes, we can take
11 that away as an undertaking.

12

13 --- UNDERTAKING NO. 4: MPI to provide whether it
14 would be possible for the
15 Corporation to update the
16 calculation of the OSFI investment
17 yield based on the October update

18

19 MS. KARA MOORE: Thank you. And I
20 would also ask for an undertaking to estimate the rate
21 indication based on the average of the OSFI calculated
22 investment yield for 2025/'26 and 2026/'27 based on
23 October update values.

24

25

(BRIEF PAUSE)

1

2 MS. CARA LOW: Doing the calculations
3 you're requesting is something that would be fairly
4 easy for us to do. The investment income from the
5 income statement, or the statement of operations,
6 includes investment income from the RSR and the EFB
7 that does not go into the new money yield.

8 The new money yield is based on the
9 Basic claims portfolio only. And we do have higher
10 return seeking investments in the RSR and the EFB.

11 MS. KARA MOORE: Okay.

12 MR. STEVE SCARFONE: And so, the rate
13 indication that would flow from that might not be a
14 good comparator to what is before the Board right now.

15

16 CONTINUED BY MS. KARA MOORE:

17 MS. KARA MOORE: Okay. But INV-44 and
18 45 that we looked at in MPI Exhibit 33, those are also
19 only for Basic claims?

20 MS. CARA LOW: This figure here is for
21 Basic claims only.

22 MS. KARA MOORE: Okay. But I'd still
23 request the undertaking.

24 MS. CARA LOW: But when we look at the
25 statement of operations here, that includes all three

1 (3) investment portfolios.

2 MS. KARA MOORE: Okay.

3 MR. STEVE SCARFONE: Okay. We can
4 make that an undertaking and we'll just provide it
5 with that -- that proviso that Ms. Low just explained.

6 MS. KARA MOORE: Sure.

7

8 --- UNDERTAKING NO. 5: MPI to estimate the rate
9 indication based on the average of
10 the OSFI calculated investment yield
11 for 2025/'26 and 2026/'27 based on
12 October update values with Ms. Low's
13 proviso.

14

15 CONTINUED BY MS. KARA MOORE:

16 MS. KARA MOORE: And if we could go
17 back to INV-5. So, the INV-5 does not indicate the
18 overall average yields.

19 Would the Corporation be able to
20 provide this for both the General Rate Application and
21 the October update?

22

23 (BRIEF PAUSE)

24

25 MR. GLENN BUNSTON: Would you -- would

1 you repeat the question?

2 MS. KARA MOORE: So, I -- I was just
3 saying that the figure INV-5 that's on the screen
4 right now, does not indicate the overall average yield
5 and so we're requesting an undertaking that the
6 overall average yield of INV-5 is provided for both
7 the General Rate Application and the October update.

8 MR. GLENN BUNSTON: So, I -- I think
9 we can -- we can do that. I think though that it's
10 not necessarily comparable, because within the
11 financial model, there's -- there are other variables
12 that -- to take into account. Like turnover, realized
13 and unrealized gains and -- and things like that.

14 So, it's not necessarily going to be
15 directly comparable, but, yes, we can calculate the
16 weighted average yields based on these yields used in
17 the financial model.

18 MS. KARA MOORE: So just to confirm,
19 this is a calculation for only the Basic claims
20 portfolio.

21 MR. GLENN BUNSTON: Yes. Well, we
22 could -- so this here shows the all asset classes, but
23 not all of these are included in the Basic claims
24 portfolios, like equities for example. But we can --
25 we can calculate the weighted average yield for the

1 asset classes included in the -- in the Basic claims
2 portfolio.

3 MS. KARA MOORE: Thank you.

4 MR. STEVE SCARFONE: And that would be
5 for both the --

6 MS. KARA MOORE: For the --

7 MR. STEVE SCARFONE: -- initial filing
8 and the update?

9 MS. KARA MOORE: -- and the October
10 update, yes.

11 MR. STEVE SCARFONE: Thank you.

12

13 --- UNDERTAKING NO. 6: MPI to provide the overall
14 average yield of INV-5 as provided
15 for both the General Rate
16 Application and the October update.

17

18 CONTINUED BY MS. KARA MOORE:

19 MS. KARA MOORE: You'll be happy to
20 know we're going to move on from this.

21 So, I'll now ask you some questions
22 about Asset Liability Management. Just generally, is
23 it fair to say that a significant risk for MPI related
24 to its claims liabilities, is -- is interest rate
25 changes?

1 MR. GLENN BUNSTON: Yes, that's fair.

2 MS. KARA MOORE: And do you agree that
3 a change in interest rates would impact both the
4 evaluation of the claims liability and investment
5 portfolio?

6 MR. GLENN BUNSTON: Yes, that's the --
7 the core of our Asset Liability Management Strategy is
8 based on that fact.

9 MS. KARA MOORE: Thank you. And in
10 turn, the change in valuation of claims liability and
11 investment portfolio value flows through to net
12 income?

13 MR. GLENN BUNSTON: Yes.

14 MS. KARA MOORE: Thank you. I'd now
15 like to pull up SFR Appendix 1, page 82. So, if you
16 could scroll down, please, this is page 81, yeah, so
17 this page. Give me a moment.

18

19 (BRIEF PAUSE)

20

21 MS. KARA MOORE: This is the page I
22 want. Sorry, it's page 81. So, if -- if you could
23 just look at the last four (4) paragraphs of this page
24 and, again, I'm not going to read this into the
25 record. I'll just have you read and you can let me

1 know and I'll have a follow-up question.

2

3 (BRIEF PAUSE)

4

5 MS. KARA MOORE: So, when comparing a
6 100 hundred (100) basis point increase versus a one
7 hundred (100) basis point decline, it appears that
8 increases in interest rates have a more material
9 impact on the finances of MPI. Is that fair?

10 MR. GLENN BUNSTON: Yes. Yes, that's
11 correct.

12 MS. KARA MOORE: Why is that?

13 MR. GLENN BUNSTON: Well, I think part
14 of it is due to what's called convexity, which means
15 that impacts of changes in interest rates on fixed
16 income assets are not necessarily -- it's not a direct
17 relationship.

18 So, convexity measures curvature in
19 terms of the -- the relationship between changes and
20 interest rates and bond prices. And so, it's -- it's
21 not a straight-line relationship due to convexity.

22 MS. KARA MOORE: Thank you. That's a
23 good segway, 'cause we're going to talk about
24 convexity in just a moment.

25 So, I understand that MPI manages the

1 interest rate risk through its Asset Liability
2 Management policy and process which is managed by
3 Addenda Capital.

4 MR. GLENN BUNSTON: Yes, that's right.

5 MS. KARA MOORE: I'd now like to bring
6 up INV Appendix 2, which is the Operational Asset
7 Liability Management Policy.

8 Is it accurate to say that the asset
9 liability management strategy focuses on managing the
10 exposure of interest rate changes to Basic claims
11 liabilities?

12 MR. GLENN BUNSTON: Yes, that's right.

13 MS. KARA MOORE: And to accomplish
14 this risk mitigation, the ALM Policy prescribes moment
15 matching?

16 MR. GLENN BUNSTON: Correct.

17 MS. KARA MOORE: If you'll just scroll
18 down a bit to the second paragraph under the heading
19 Background. It starts with the first moment. There's
20 an explanation in this paragraph of -- of the moment
21 matching strategy. And starting at the third
22 sentence, I'll just read a portion into the record:

23 "The second moment is similar to the
24 concept of convexity which is always
25 positive and measures the curvature

1 in the relationship between bond
2 prices and interest rates.
3 Convexity is the second derivative
4 of the bond price with respect to
5 interest rates."

6 Can you explain what MPI's attempting
7 to manage with respect to convexity?

8 MR. GLENN BUNSTON: Well, we're trying
9 to be more thoughtful about the strategy. Previous to
10 this we only matched duration and we didn't consider
11 the convexity of the assets or liabilities.

12 And so, under the -- the new moment
13 matching strategy of -- we're matching the first two
14 (2) moments and so that would be equivalent to
15 duration and convexity. So, it's a refinement of the
16 strategy to try to ensure that we're better protected
17 from non-parallel changes in interest rates.

18 MS. KARA MOORE: Thank you. And if we
19 could scroll down to page 2 of this document under the
20 heading 'Basic Claims Duration and Moment', the last
21 sentence of the first paragraph says:

22 "The first moment of the bond
23 portfolio shall be maintained with
24 plus or minus -- within plus or
25 minus point two five (.25) of the

1 first moment of the Basic claims
2 liabilities."

3 So MPI has criteria with respect to the
4 first moment. Are there any measurement criteria with
5 respect to the second moment to deal with convexity?

6 MR. GLENN BUNSTON: No. We don't have
7 an explicit target for the second moment. The second
8 moment is monitored and reported in the monthly
9 reports that we get from Addenda, so it is tracked,
10 but there is not a specific target.

11 MS. KARA MOORE: Thank you.

12

13 (BRIEF PAUSE)

14

15 MS. KARA MOORE: Okay. If we could
16 turn now to Information Request PUB/MPI-2-21, Appendix
17 1. Thank you.

18 On the first page, under the heading
19 'Asset Liability Management Objective', again, if you
20 could just read this section to yourself and then I'll
21 have a follow-up question.

22

23 (BRIEF PAUSE)

24

25 MS. KARA MOORE: So, I'll specifically

1 reference, for the sake of the record, the last line
2 at item 2. It says:

3 "Thus, the strategy is no longer
4 managed against the deviation in
5 moments, and the ALM goal is now on
6 a hedge ratio basis rather than a
7 duration basis."

8 Can you explain this change in policy?

9 MR. GLENN BUNSTON: Sure. So, I
10 addressed this during my opening presentation. This
11 change was made due to the fact that real estate was
12 introduced to the Basic claims portfolio.

13 Real estate is a growth asset that is
14 not interest rate sensitive, and so because of that,
15 the fixed income -- the dollar value of the fixed
16 income assets no longer match the present value of the
17 liabilities.

18 And as a result, we needed to adjust
19 the duration of the fixed income assets to ensure that
20 the interest rate sensitivity of the remaining fixed
21 income assets matched the interest rate sensitivity of
22 the liabilities.

23 And so, we measure that now on what we
24 call the hedge ratio basis. We calculate the dollar
25 duration of assets and liabilities and compare the two

1 (2), and the goal is to match the two (2) to each
2 other.

3 MS. KARA MOORE: Thank you. And is
4 that change in policy reflected in the current asset
5 liability management policy?

6 MR. GLENN BUNSTON: We're actually
7 bringing forward a revised policy to our investment
8 committee at their November that reflects this -- this
9 change.

10

11 (BRIEF PAUSE)

12

13 MS. KARA MOORE: Can you clarify what
14 is meant by "deviation in moments"?

15 MR. GLENN BUNSTON: Sorry. Can you
16 give me like more context for your question?

17 MS. KARA MOORE: We'll circle back.
18 So just jumping back, so you've changed from moment
19 matching to the hedge ratio basis.

20 Does this mean that MPI is no longer
21 attempting to manage the convexity?

22

23 (BRIEF PAUSE)

24

25 MR. GLENN BUNSTON: So, the

1 calculation of the hedge ratio is based on duration
2 only, but Addenda still does monitor the convexity of
3 the assets and liabilities and it's still included in
4 our monthly reports that they send to us. So, it's --
5 it's not an explicit part of the calculation, but it
6 still is monitored.

7 MS. KARA MOORE: Thank you.

8

9 (BRIEF PAUSE)

10

11 MS. KARA MOORE: And just jumping back
12 to my last question, if we look at the page that's on
13 the screen here, the last sentence that I previously
14 read into the record refers to the deviation in
15 moments.

16 So, I'm asking for a clarification of
17 what that means in -- in the context of this sentence.

18 MR. GLENN BUNSTON: Right. So, the --
19 the -- previously, the strategy considered the
20 difference between the first and second moments of the
21 assets and liabilities.

22 And we're now still considering both of
23 those, but what we're considering now is dollar
24 duration, which is the product of duration and value
25 of the assets and duration of the liabilities and the

1 value of the liabilities.

2 So, it's -- it's still considering the
3 interest rate sensitivity of the assets and
4 liabilities. It's -- but because the dollar values
5 are no longer matched, the durations can't be matched,
6 and we've had to adjust the duration of the asset
7 portfolio to ensure that the interest rate sensitivity
8 of the assets continues to match the interest rate
9 sensitivity of the liabilities.

10 MS. KARA MOORE: Thank you. I'd now
11 like to bring you to INV Attachment A. This is the
12 ALM Program Assessment prepared by Addenda.

13 I understand the information in this
14 report is provided quarterly?

15 MR. GLENN BUNSTON: No. This was a --
16 a one (1) off report from Addenda.

17 MS. KARA MOORE: Understood. If we
18 could go to page 4 of this report, please -- or,
19 sorry, page 3 rather. At the top of the page, there's
20 a table. Thank you.

21 This is referred to as a gain/loss
22 analysis. Are you able to explain what the surplus is
23 that's being referred to in this table?

24 MR. GLENN BUNSTON: Yes. The surplus
25 here, it's just the difference in the dollar value of

1 the assets and the dollar value of the liabilities.

2 MS. KARA MOORE: So just confirming,
3 the first four (4) rows on this table represent items
4 that can be hedged and are an investment risk,
5 correct?

6 MR. GLENN BUNSTON: Yes, that's right.

7 MS. KARA MOORE: And the last rows
8 cannot be managed?

9 MR. GLENN BUNSTON: Correct. Sorry.
10 The last four (4) rows --

11 MS. KARA MOORE: (INDISCERNIBLE.

12 MR. GLENN BUNSTON: -- cannot be
13 hedged through an investment strategy, yeah.

14 MS. KARA MOORE: Okay. Can you
15 explain the tracking error in rows 1 and 4 and the
16 difference between the two (2)?

17 MR. GLENN BUNSTON: So, the tracking
18 error excluding surplus in row 1 is -- it measures the
19 -- the difference between the expected return on the
20 assets and the actual return on the assets.

21 With the expected return, it's based on
22 the assumption that the assets will have the same
23 return as the liabilities. And so, calculate the
24 return on liabilities, apply that to the opening
25 balance of the assets, and figure out what that --

1 what the dollar value of the assets will be, and
2 compare that to the actual dollar value of the assets.

3 And so that's -- that's the tracking
4 error, excluding surplus. And then line item 4,
5 tracking error on surplus, relates to the same
6 calculation but for the portion of the assets that --
7 that exceed the liabilities.

8

9 (BRIEF PAUSE)

10

11 MS. KARA MOORE: If we could go to
12 slide 5 of the presentation that was made earlier by
13 this committee.

14 Can you explain how the tracking error
15 on this slide was calculated, or if it's different
16 than what you previously explained?

17 MR. GLENN BUNSTON: So, this slide is
18 for a prior fiscal year. And this was prior to the
19 change to the hedge ratio strategy. And so, the --
20 the relevant number here is the tracking error
21 excluding surplus, which is the same calculation that
22 I just explained.

23 So, the \$11.7 million is -- is the --
24 represents the net impact of interest rates on both
25 assets and -- and liabilities. And -- and you'll see

1 that in the report, that Addenda provided to us. They
2 mention this number specifically in the report as
3 being the number that measures the effectiveness of
4 the strategy.

5 MS. KARA MOORE: Thank you. If we
6 could go back to that table from the Addenda report
7 that we just had open.

8 Has Addenda provided MPI with a more
9 recent version of this table?

10 MR. GLENN BUNSTON: Yes. They
11 provided this -- a report to us every month, and it
12 includes a table like this in their report.

13 MS. KARA MOORE: Would MPI be willing
14 to undertake to produce the most recent version of
15 this table provided by Addenda?

16

17 (BRIEF PAUSE)

18

19 MR. STEVE SCARFONE: Yes, that's fine.
20 Counsel will provide you with the September report.

21

22 --- UNDERTAKING NO. 7: MPI to produce the September
23 version of this table provided by
24 Addenda

25

1 MS. KARA MOORE: Thank you. And I'd
2 also ask, and this I assume will be provided by way of
3 undertaking, for an illustrative calculation of how
4 the 11.7 tracking error is determined.

5

6 (BRIEF PAUSE)

7

8 MR. STEVE SCARFONE: We can make that
9 request of Addenda. We can't undertake to provide it
10 at this point.

11 MS. KARA MOORE: Thank you. Madam
12 Chair, I still probably have thirty (30) minutes of
13 questions left. I'm not sure if you'd like to break
14 for the day and resume tomorrow or if you'd like me to
15 continue.

16 PANEL CHAIRPERSON: Given the fact
17 that it's almost four o'clock, I guess what we'll do
18 is we'll break for the day, recommence tomorrow
19 morning again with this panel -- thank you -- and
20 conclude cross, and then move on to the financial
21 forecasting -- Financial Condition Test panel,
22 recognizing that we still have the issue of the motion
23 to deal with at the end of the day tomorrow, so we'd
24 like to hit that deadline.

25 MR. STEVE SCARFONE: Or perhaps given

1 that agenda, Madam Chair, we should get a sense from
2 the CAC on how long they might cross this Panel
3 because I'm concerned that if we adjourn now, we're
4 not going to finish with this Panel, Financial
5 Forecasting, and the motion tomorrow.

6 PANEL CHAIRPERSON: Thank you. Ms.
7 Dilay...? Mr. Klassen...?

8 MR. CHRIS KLASSEN: This Panel will be
9 me, Madam Chair. And my -- my best estimate today is
10 between fifty (50) and sixty (60) minutes, although
11 that has been cut down some already thanks to the work
12 of Ms. Moore.

13 PANEL CHAIRPERSON: Well, given that
14 then, I think that, Ms. Moore, you should continue
15 until you conclude. Would you proceed. And we'll --
16 we'll adjourn for the day after you've concluded.

17 MS. KARA MOORE: Sure.

18

19 (BRIEF PAUSE)

20

21 CONTINUED BY MS. KARA MOORE:

22 MS. KARA MOORE: Okay. So, in last
23 year's General Rate Application hearing this committee
24 made a presentation -- or this Panel, rather, made a
25 presentation regarding a bond overlay strategy that it

1 intended to implement at that time?

2 MS. CARA LOW: That is correct.

3 MS. KARA MOORE: And we now know that
4 that implementation did not occur?

5 MS. CARA LOW: It did not.

6 MS. KARA MOORE: Thank you. And the
7 bond overlay strategy was the result of
8 recommendations made by Mercer in their 2022 Asset
9 Liability Management Study?

10 MS. CARA LOW: Mercer recommended the
11 purchase of real return bonds.

12 MS. KARA MOORE: Yeah. And would you
13 agree with me that Mercer recommended that MPI invest
14 34 percent of the Basic portfolio in real return
15 bonds?

16 MS. CARA LOW: That was their
17 recommendation.

18 MS. KARA MOORE: Thank you. And so,
19 as a result of that recommendation, as you just
20 answered, MPI engaged Addenda to assist in developing
21 a bond overlay strategy?

22

23 (BRIEF PAUSE)

24

25 MR. GLENN BUNSTON: Would you repeat

1 the question.

2 MS. KARA MOORE: So, it was just that,
3 based on Mercer's recommendation that MPI invest 34
4 percent of the Basic portfolio and real return bonds;
5 MPI engaged Addenda to develop the bond overlay
6 strategy?

7 MR. GLENN BUNSTON: Yes, I'd say that
8 we -- we worked with Addenda. They helped us to
9 understand some of the risks and -- and limitations
10 that introducing a significant allocation to real
11 return bonds would mean for the portfolio. And they
12 proposed a bond overlay strategy to address those --
13 those issues.

14 MS. KARA MOORE: Thank you. If we
15 could pull up MPI Exhibit 93 from the 2024 GRA.
16 That's slide 2, please.

17 So, in this slide, it says that Mercer
18 conducted its ALM study which recommended implementing
19 a strategy to mitigate inflation risk.

20 And this was a proposed 600 million
21 real return bond strategy within the Basic claims
22 portfolio, correct?

23 MR. GLENN BUNSTON: Yes. That was
24 based on the 34 percent allocation that Mercer
25 recommended.

1 MS. KARA MOORE: Thank you. And in
2 last year's General Rate Application, again, this
3 Panel indicated that it was in the process of
4 developing an inflation hedging policy, correct?

5 MR. GLENN BUNSTON: Yes, that's what
6 we had indicated last year.

7 MS. KARA MOORE: Okay. And this
8 policy would determine the level of inflation
9 protection required and set the hedge ratio
10 accordingly?

11 MR. GLENN BUNSTON: Correct.

12 MS. KARA MOORE: And you indicated
13 during your presentation earlier that the hedge ratio
14 was not determined?

15 MR. GLENN BUNSTON: We had started
16 those discussions with our Investment Committee, but
17 no decision was ever made.

18 MS. KARA MOORE: Why not?

19 MS. CARA LOW: The Investment
20 Committee decided they weren't interested in the bond
21 overlay strategy.

22 MS. KARA MOORE: Okay.

23

24 (BRIEF PAUSE)

25

1 MS. KARA MOORE: How did the
2 Investment Committee come to the conclusion that they
3 were not interested in the bond overlay strategy?

4 MR. STEVE SCARFONE: Sorry, Counsel,
5 that information isn't available to this Panel, but
6 even if it were, we would have concerns about
7 releasing the contents of deliberations for the Board.

8

9 CONTINUED MS. KARA MOORE:

10 MS. KARA MOORE: If we could pull up
11 Information Request PUB/MPI 1-31. So just for
12 background purposes throughout the Information Request
13 process, MPI has advised that the decision to not
14 proceed with the inflation protection as contemplated,
15 was not supported by any documentation.

16 And I can show you references, but do
17 you agree with that generally?

18 MS. CARA LOW: Agreed.

19 MS. KARA MOORE: What exactly was
20 presented to the Investment Committee, with respect to
21 the Bond Overlay Strategy to cause it to change
22 direction?

23

24 (BRIEF PAUSE)

25

1 MS. CARA LOW: Management had gone to
2 the Investment Committee to talk about the hedge
3 ratio; that the understanding that the last investment
4 committee had approved the Bond Overlay Strategy. We
5 did follow up with some general background information
6 because then it became apparent that the Investment
7 Committee needed more -- additional information.

8 In the end they made the decision based
9 on the size of the strategy, the cost and the fact
10 that -- and the complexity and also that the -- fact
11 that there was declining inflation rate, so
12 disinflation.

13 MS. KARA MOORE: Thank you. I'll now
14 direct you to Information Request PUB/MPI 1-74.
15 Please scroll down to (a).

16 MPI was asked what percentage of the
17 Corporation's exposure to inflation in the Basic
18 claims portfolio, is currently hedged. And if we can
19 go to the response.

20 Looking at the last sentence of this
21 response, MPI stated that:

22 "As of March 31, 2024, real return
23 bonds represented 9.5 percent of the
24 inflation sensitive assets."

25 Correct?

1 MS. CARA LOW: Correct.

2 MS. KARA MOORE: If the Corporation
3 had implemented the Bond Overlay Strategy, which was
4 six hundred (600) million investment in real return
5 bonds, would you agree that this would make up
6 70 percent of the inflation sensitive assets? That's
7 600 million of the 841 million.

8

9 (BRIEF PAUSE)

10

11 MS. CARA LOW: That sounds about
12 right.

13 MS. KARA MOORE: Thank you. If we
14 could now go to Information Request PUB/MPI 1-74(d),
15 so it's the same Information Request, just (d).

16 MPI was asked where its current
17 investment strategy fell relative to the efficient
18 frontiers from the last asset liability management
19 study.

20 Scrolling down to the response. MPI
21 answered that its current investment strategy does not
22 fall on any efficient frontiers that were developed in
23 the 2022 ALM study, correct?

24 MS. CARA LOW: Correct. But like I
25 mentioned before, we have just signed a contract with

1 Mercer to do that work.

2 MS. KARA MOORE: Thank you. I'll now
3 bring you to Information Request CAC/MPI 1-36(e). In
4 this Information Request MPI was asked to rank how
5 inflation sensitive each asset class is over different
6 time horizons using the provided table.

7 And if we scroll down to MPI's
8 response. And we'll go to item III. Okay.

9 Is it accurate to say that MPI has not
10 quantify the level of inflation protection provided by
11 its real estate investments or infrastructure but
12 relies on a literature review?

13 MR. GLENN BUNSTON: Yes, that's
14 accurate.

15 MS. KARA MOORE: Thank you. And still
16 on this Information Request, if we could go back up to
17 the question, 1-36(d), the second point. Sorry, up to
18 -- up to the question, sorry. There we are.

19 So, the -- the second part of this
20 question, MPI was asked whether management's briefing
21 to the Board or Investment Committee included a
22 description of the beneficial impact that adding real
23 return bonds would have on the efficient frontier as
24 demonstrated in Mercer's ALM study.

25 And if we go to the response. MPI

1 indicated that at the June 26 meeting the Investment
2 Committee was provided with a description of the
3 beneficial impact that adding real return bonds would
4 have on the efficient frontier as demonstrated in
5 Mercer's 2022 study.

6 What information was presented at that
7 meeting?

8

9

(BRIEF PAUSE)

10

11

 MR. GLENN BUNSTON: So, what we gave
12 to the Investment Committee at that meeting was copies
13 of the final reports for each phase of the ALM study.
14 So, there were -- there were three (3) phases.

15

 We also gave them reports that showed
16 the efficient frontiers for each of the different
17 portfolios. And -- and then I spent some time
18 explaining each of the reports to the committee head.

19

 MS. KARA MOORE: Would MPI be able to
20 produce copies of the -- those reports by way of
21 undertaking?

22

 MR. STEVE SCARFONE: Yeah, we can. I
23 believe each of those documents that Mr. Bunston
24 referred to have been filed in previous GRAs.

25

 MS. KARA MOORE: Okay. So, just maybe

1 to the extent that they haven't been filed, if they
2 could be produced and, otherwise, just an indication
3 of where they can be found would be fine.

4 MR. STEVE SCARFONE: Yes. Thank you.

5

6 --- UNDERTAKING NO. 8: MPI to provide final reports
7 for each phase of the ALM study

8

9 CONTINUED BY MS. KARA MOORE:

10 MS. KARA MOORE: Thank you. If we
11 could go to Information Request PUB/MPI 2-32(c).

12 So, MPI was asked to provide an update
13 to an Information Request from last year's GRA. And
14 if we scroll down to the response, MPI provides a
15 table at figure 1. Thank you.

16 So, this table compares the current
17 asset allocations with the approved asset allocations
18 in dollar and percentage as at June 30th, 2024, and
19 with the forecast for 2024/'25 and 2025/'26 years.

20 Looking at line item 12 for the year
21 2024/'25, it appears that the allocation to real
22 return bonds is 80.8 million, or under 4 percent of
23 the Basic portfolio?

24 MR. GLENN BUNSTON: In 2024, yes,
25 that's correct.

1 MS. KARA MOORE: And again, Mercer
2 recommended a 34 percent allocation of the Basic
3 claims portfolios to real return bonds?

4 MR. GLENN BUNSTON: Yes, that's
5 correct.

6 MS. KARA MOORE: Thank you. So, I
7 just have a few more questions about the October rate
8 update. If we could go to MPI Exhibit 33.

9 There was an update to an Information
10 Request, PUB/MPI 2-21, in which an updated asset
11 liability management report was filed at appendix 2.
12 And that's what's on the screen there.

13 If we could go to figure 1 at the top
14 of the 2nd page of this report.

15 So, the top line is called 'Asset Value
16 Minus Liability Value'. And this reflects that, based
17 on changes in interest rates, there is a difference of
18 78.5 million between the assets and liabilities to the
19 benefit of the portfolio.

20 Is that accurate?

21 MR. GLENN BUNSTON: It's -- it's not
22 just due to changes in interest rates. It's due to
23 many other factors, as well.

24 It's just measuring the dollar
25 different between assets and liabilities. And it's a

1 measure that we try to keep under a hundred million
2 dollars to ensure that the assets and -- the dollar of
3 all the assets and liabilities are matched.

4 MS. KARA MOORE: Okay. And the bottom
5 two (2) lines again refer to tracking error, the same
6 tracking error, I would assume, that we've discussed
7 already?

8 MR. GLENN BUNSTON: Yes.

9

10 (BRIEF PAUSE)

11

12 MS. KARA MOORE: Madam Chair, those
13 are my questions for today, although I do not want to
14 close my cross because I understand the advisors may
15 have another question or two (2) for tomorrow morning.

16 PANEL CHAIRPERSON: Okay. Thank you,
17 Ms. Moore. So, we'll adjourn for the afternoon
18 subject to any other procedural matters that need to
19 be raised at this point.

20 MR. STEVE SCARFONE: None, Madam
21 Chair, from MPI, at least.

22 PANEL CHAIRPERSON: Thank you. We
23 will reconvene tomorrow at nine o'clock with this
24 panel. Thank you.

25

1 (PANEL RETIRES)

2

3 --- Upon adjourning at 4:13 p.m.

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7 Certificate of Transcript

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12 Wendy Woodworth, Ms.

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