



“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 (by TEAMS)- Board Member
- George Bass, KC - Board Member
- Patrick Ireland - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Ave.
Winnipeg Manitoba
October 24, 2024
Pages 827 to 1053
Day 4

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1		List of Undertakings	
2	No.	Description	Page No.
3	21	MPI to provide claims forecast for	
4		2024/'25 and thereafter for weekly	
5		indemnity and accident benefits	
6		other indexed, using the lower	
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1 --- Upon commencing at 8:59 a.m.

2

3 PANEL CHAIRPERSON: Good morning,
4 everyone. Before we get started, I would just like to
5 remind everyone that we have to be out of this room by
6 four o'clock today because the Centra Gas panel is
7 going to be here tonight. And I guess this is more of
8 a reminder for the Board, but for everyone. So,
9 please, if you have any documents, please take them
10 with you because we'll have to clean the room
11 completely.

12 In addition to that, because there's
13 another panel this after -- or this evening, the
14 transcript for today won't be available until Monday
15 because our reporter is recording both of those
16 sessions.

17 So, with that, I'd like to ask Mr.
18 Guerra to introduce the MPI Claims Forecasting Panel.

19 MR. ANTHONY GUERRA: Thank you, Madam
20 Chair. Just a couple of exhibits to read into the
21 record before I do that.

22 MPI Exhibit Number 46 is the repose to
23 CAC Pre-Ask Number 2, and MPI Exhibit Number 47 is the
24 Claims Forecasting presentation.

25

1 --- EXHIBIT NO. MPI-46: Response to CAC Pre-Ask
2 Number 2

3

4 --- EXHIBIT NO. MPI-47: Claims Forecasting
5 Presentation

6

7 MR. ANTHONY GUERRA: With that, I now
8 introduce the Claims Forecasting Panel, which is
9 comprised in the first row -- or front row rather --
10 of our vice-president and chief actuary, Cara Low; our
11 vice-president and chief claims officer, John
12 Bowering; and Alina Rogozhnikova, who is our actuarial
13 insights and forecast lead.

14 In the back row, we have Tyler
15 Clearwater, our actuarial insights and forecast
16 specialist; Christie Way, our director of injury
17 claims management; Waldemar Koos, who is our director
18 of fiscal damage management; Richard Gagnon, our
19 manager of operations, compliance, and analytics; and
20 Allison Rogers, our director of operations, policy,
21 process, and analytics.

22 PANEL CHAIRPERSON: Thank you.

23 MR. ANTHONY GUERRA: Thank you. And
24 I'll pose this question to Ms. Low for the panel.
25 Before you, you have the claims forecasting

1 presentation. Do you see that?
2 PANEL CHAIRPERSON: Mr. Guerra --
3 MR. ANTHONY GUERRA: Oh, I'm sorry.
4 PANEL CHAIRPERSON: -- I think --
5 MR. ANTHONY GUERRA: We -- we --
6 there's still --
7 PANEL CHAIRPERSON: -- there are
8 probably a couple of witnesses to be sworn.
9 MR. ANTHONY GUERRA: My apologies.
10
11 CLAIMS FORECASTING PANEL
12 CARA LOW, previously Sworn
13 JOHN BOWERING, Sworn
14 ALINA ROGOZHNIKOVA, Affirmed
15
16 EXAMINATION-IN-CHIEF BY MR. ANTHONY GUERRA:
17 MR. ANTHONY GUERRA: Anthony Guerra,
18 for the record again.
19 So, Ms. Low, before you, you have the
20 claims forecasting presentation. Is that correct?
21 MS. CARA LOW: Correct.
22 MR. ANTHONY GUERRA: And this is a
23 presentation that was prepared by yourself and your
24 team?
25 MS. CARA LOW: Correct.

1 MR. ANTHONY GUERRA: And this will
2 form the basis of your direct examination or direct
3 evidence this morning?

4 MS. CARA LOW: Correct.

5 MR. ANTHONY GUERRA: Okay. With that,
6 I'll ask you to present your presentation, please.

7 MS. CARA LOW: Good morning. It's
8 nice to be back on the front row this morning with the
9 topic being the claim forecasting.

10 If you look at the agenda, there are
11 three (3) of us on the front row. We're each going to
12 take a few minutes to speak to the Panel.

13 As I have the privilege of overseeing
14 the actuarial insights and forecasting team, whose
15 core responsibility is claims forecasting, I'm going
16 to start off with a few key messages. Then I will
17 pass it on to the MPI's chief claims officer to speak
18 about operational claims trends, and then we will hear
19 from our forecasting lead on the 2025 GRA claims
20 forecast.

21 So, if we go to slide 4. So why is
22 claims forecasting so important that it needs its own
23 panel? This is a slide very similar to a slide that
24 you saw last year where we have a pie chart which
25 illustrates how the '25/'26 premium dollars that are

1 expect -- how they're expected to be spent.

2 It shows that, for every dollar
3 received for private passenger vehicles only, MPI
4 expects to pay out seventy-one (71) cents in claim
5 dollars. So that's the figure on the left-hand side
6 that looks like Pacman.

7 In addition, there are twelve (12)
8 cents which would be used for claims expenses. So,
9 this is the cost of running the claims division, so
10 mainly the salaries of the claims team.

11 So, overall, eighty-three (83) cents on
12 every premium dollar is related to claims and claims
13 handling.

14 Then if look at the smaller slice of
15 the pie, you'll see the other 17 percent is for
16 expenses such as broker commissions, premium taxes,
17 fleet rebates, and operating expenses.

18 So why is claims forecasting important?
19 It's ultimately what's going to drive the AAP rate
20 indication that we'll be speaking about in tomorrow's
21 panel.

22 So, slide 5. How do actuaries derive
23 their claims forecast? Actuaries are trained
24 professionals in quantifying risk. However, claim
25 forecasting is not a simple statistical exercise where

1 we put in the data, churn the model, and out comes a
2 forecast.

3 There are many considerations when
4 reviewing the analysis. First of all, we look at the
5 historical claims data to make sure that it's relevant
6 without adjustments. These adjustments could be
7 adjusting the historical data for things like a change
8 in deductible or work from home where crash frequency
9 is declined.

10 We also need to look at the number of
11 years of data used. The longer averages will give
12 more rate stability but isn't necessarily responsive
13 for emerging trends. So, if you use a shorter set of
14 data, you're going to be more responsive and less
15 stable.

16 There may -- also, there may be new
17 data that's not yet in the data; information we've
18 gathered from external sources or internal sources.
19 As we run our statistical modelling, we look at
20 goodness of fits to make sure the -- the model is
21 appropriate and fitting the data as expected.

22 We also always look at the average cost
23 of a claim and the likelihood of having a claim. So,
24 those are the two (2) components of a loss cause, and
25 they could have two (2) different stories.

1 Severity could be rising, as we're
2 seeing right now, but yet the crash frequency is
3 declining, and if you combine the two (2) you don't
4 get the full story.

5 Actuaries are always looking for
6 unbiased estimate of claims, so we're not trying to
7 build in conservatism, nor are we trying to build in
8 optimism. It's always going to be our best estimate.

9 As internal actuaries, we spent a lot
10 of time in collaboration with our claims team. We
11 have many of them here today in our backrow because we
12 want to understand what's happening in the MPI
13 environment, as well as the external environment.
14 Next slide, please.

15 The one thing I can say about claim
16 forecasting, it's extremely unlikely that any actuary
17 will have it a hundred percent accurate. None of us
18 know what will happen in the future.

19 Last year during the Claims Forecasting
20 Panel I spoke about the rising physical damage
21 severity that MPI was starting to see last fall. This
22 led to MPI underestimating the claims cost per vehicle
23 for the '23/'24 accident year, which was the first
24 year of our claims forecast.

25 MPI had estimated the cost per vehicle

1 to be nine hundred and nineteen dollars (\$919). At
2 the end of the '23/'24 year when we closed off their
3 financial year, the cost per vehicle was nine hundred
4 and forty-six dollars (\$946), or 2.9 percent higher
5 than we had forecasted.

6 One good example to the reason that we
7 under forecasted is as we were preparing the 2024 GRA,
8 there was strong evidence that the value of new and
9 used cars were -- was stabilizing in the North
10 American market.

11 As a result, MPI forecasted future
12 total loss severity to return to the pre-2020 long-
13 term trend rate of 3 percent. Total loss severity
14 increased another 15 percent in 2023 with record high
15 values being reached in the fall of 2023.

16 So, this restated '23/'24 claim number
17 is a base for this year's GRA forecast. Go to slide
18 7.

19 The actuarial team usually starts the
20 claim forecasting process in January based on October
21 31st data. Due to the strike, the team didn't start
22 the process until late February using December 31st
23 data, so close to two (2) months later than usual.

24 The team had less time to prepare the
25 claims forecast but more uncertainty than ever before.

1 The team believes that we have put forward the best
2 estimate with the knowledge that we had at that point
3 in time.

4 Some of the areas of uncertainty that
5 the actuaries were facing in the spring are listed on
6 the slide. The strike, combined with the large
7 hailstorm in August 2023, created a backlog in
8 reporting and estimating of claims.

9 So, not only did we not know how many
10 claims we had, quite often when they were reported,
11 they were sitting with a financial reserve of zero.
12 And so, we didn't even see the severity as quickly as
13 we wanted to see the severity because we didn't even
14 have the estimate on each of the claim files.

15 The strike also distorted the severity
16 of claims due to the priority of non-drivable vehicles
17 so Manitobans could get back on the road. So, non-
18 drivable vehicles usually have a higher cost to -- for
19 the claim compared to a repairable vehicle.

20 So, I'm not saying that we paid out
21 more, I'm saying it distorted it because there was a
22 timing issue where the more expensive claims were
23 handled before the smaller claims.

24 Claim severity is commonly leg --
25 legged inflation, that's not unique, but with a high

1 inflation in 2022 and 2023 this took a while to show
2 up in claim severity.

3 And like I just spoke to; the last few
4 years has been a cost of new -- the cost of new and
5 used car prices has increased and what we've seen in
6 the last few months is a correction.

7 How long and deep will that correction
8 be is a question we pondered over the summer. And
9 then we're also seeing a rise in glass claims that are
10 now exceeding the Basic deductible of seven fifteen
11 (715).

12 That actuarial team continues to
13 monitor our claims forecast on a regular basis. This
14 is not an annual exercise, but a regular occurrence at
15 MPI.

16 So similar to how last year, this panel
17 was able to speak to the rising severity that was
18 starting to happen, the team has been monitoring the
19 claims forecast over this past summer, focusing on the
20 uncertainty that you see on this slide.

21 As Ms. Jatana mentioned earlier this
22 week, we have more knowledge now than when our
23 forecast was completed as we now have the benefit of
24 time and additional information.

25 MR. JOHN BOWERING: I want to bring

1 just a bit of an operational perspective and provide
2 some background on what we saw as we were going over
3 the past year.

4 So, there were two (2) major events
5 that really defined 2023 and '24. The first one,
6 obviously as you've heard, is -- was the August 24th
7 hailstorm. Nearly seventeen thousand (17,000) hail
8 claims have been reported so far, with over a hundred
9 million dollars in claims costs. So, this was the
10 largest hailstorm in MPI's history and it had a real
11 impact on our operations.

12 We saw a huge surge in demand to report
13 the claims, to get the vehicles estimated and then to
14 move them through the repair or total loss pipeline.

15 And unfortunately, all of this occurred
16 days before a major labour interruption. The
17 lifecycle of a hail claim is a bit different than most
18 other claims. Customers aren't often as urgent about
19 these claims because the damage is typically cosmetic
20 and so they have a much longer tail than you would see
21 in a collision claim or -- or a theft claim or another
22 claim where the vehicle could be in -- inoperable.

23 So, when you combine this massive size
24 of the claim, plus the type of -- or sorry, massive
25 size of the hailstorm, plus the type of loss that we

1 had and the labour interruption, it really dragged
2 things out and that distorted some of our data and
3 some of our processes.

4 And we've only recently wrapped up our
5 dedicated hail center that was set up to deal with
6 these, almost a year after the fact and because that's
7 how long it took to process these.

8 If you go to the next slide, the other
9 major event that really impacted us, obviously was the
10 labour interruption. So, this ten (10) week strike
11 impacted our ability to serve our customers as we
12 normally do. The Corporation took steps to try to
13 mitigate some of these impacts by introducing things
14 like online claims reporting. We worked with our
15 shops to increase some of their autonomy over a short
16 period of time in -- in writing their estimates and we
17 brought in things like automated hail scanning to try
18 address some of these challenges.

19 This impact -- it impacted the -- the -
20 - what types of vehicles were being repaired and total
21 loss. Both MPI and repair shops were looking to
22 support our customers by prioritizing the larger more
23 severe claims that were most impacted and so that
24 impacted sort of the normal flow of our data over the
25 past year.

1 But again, as of this summer, we've
2 addressed the backlogs from both the labour
3 interruption and the August 24th hailstorm.

4 One other thing I wanted to just shed
5 some light on is sort of the changes that we've been
6 seeing over -- over the larger term. So, this chart -
7 - sorry, chart, we've taken a Honda Accord bumper that
8 had a small scratch on it, so this is one (1) hour of
9 actual repair work to fix that scratch. And we put in
10 a vehicle from two (2) -- a Honda Accord from 2010, a
11 Honda Accord from 2016 and one from 2024. And these
12 are all using the same Mitchell (phonetic) rules, the
13 (INDISCERNIBLE) repair software.

14 And you can see the difference over
15 time. There were only twelve (12) parts that made up
16 a bumper for a Honda Accord back in 2010 and as you
17 can see, we have twenty-six (26) parts by 2024. And
18 then the amount of labour to disassemble that bumper
19 to access the single part that has a small scratch,
20 one (1) hour of repair on it, has increased from 3.4
21 hours of labour to 5.8 hours of labour, plus paint and
22 then even some mechanical work.

23 And then you can see the -- the -- this
24 isn't the cost of the parts; this is the total cost of
25 that repair time for a scratch in the bumper has gone

1 up from a \$1,000 to \$1,600.

2 In the last row you'll note that over
3 time vehicle complexity has increased and we start to
4 see ADAS which stands for Advanced Driver Assistance
5 Systems, these are the automatic braking and the
6 different technology that's now in vehicles. They
7 require more scanning, more calibration and that
8 increased costs.

9 So, I just wanted to bring to light
10 that this is the change in the industry and the
11 complexity that we've been seeing over time.
12 Ultimately, our focus is to repair vehicles correctly
13 and safely, and we work with the industry to do so,
14 but that's another pressure that we've been seeing in
15 operations and it continues to grow.

16 For my final slide, just want to talk
17 about sort of overall supporting staff as they
18 returned from a ten (10) week strike was a big
19 challenge, addressing the backlog of work that
20 accumulated due to the reduced or paused services
21 during the strike.

22 Addressing customers' hail claims and
23 the impact the store -- storm had on the
24 (INDISCERNIBLE) life cycle was a major challenge, and
25 then exploring new ways to meet customers' needs in

1 spite of the above limitations without increasing
2 severity was our ultimate focus.

3 So ultimately, it was a very different
4 year and a challenging year for operational staff.

5 MR. ANTHONY GUERRA: Can I actually
6 just interject there?

7 MR. JOHN BOWERING: Yeah.

8 MR. ANTHONY GUERRA: So, John, the
9 Panel may not know you very well, and certainly
10 wouldn't know you in your capacity as an executive.

11 MR. JOHN BOWERING: Sure.

12 MR. ANTHONY GUERRA: And since you're
13 one of our newest executives, perhaps you want to take
14 this opportunity just to introduce yourself --

15 MR. JOHN BOWERING: Sure.

16 MR. ANTHONY GUERRA: -- give a little
17 bit more of your background so that the Panel has an
18 introduction to your -- to your approach. Thanks.

19 MR. JOHN BOWERING: Excellent. Yeah.

20 I've been with MPI for coming up twenty-two (22)
21 years. I started as a clerk in one of the service
22 centres and I worked my way up through claims, through
23 adjusting.

24 I've been all over the Corporation in
25 driver testing, in analytics. I was on Project NOVA

1 and product management and then was director of
2 product management before joining this position as the
3 chief claims officer.

4 Thank you. I pass it over to Alina.

5 MS. ALINA ROGOZHNIKOVA: In -- yes.

6 Can you go to the next slide, please.

7 In this GRA, MPI continues to improve
8 technical rigor of claims forecasting. We continue to
9 adopt practices and procedures with improved accuracy
10 of our claim forecast.

11 Our key changes from last year include
12 adoption of some of the forecasting decisions in PUB
13 Order 145/'23, namely, we now include 2020 accident
14 year in our forecasting models and use (INDISCERNIBLE)
15 model to capture pre- and post-COVID severity
16 experience for collision and third-party loss-of-use
17 coverages.

18 Our technical improvements also include
19 setting up statistical aggression models using loss
20 cost data. This allows MPI to consider a wider range
21 of models in selecting the most appropriate trends.

22 As stated in our chapter, we have used
23 loss-cost chain models for four (4) of our coverages
24 in this GRA. Also, we now include (INDISCERNIBLE) CPI
25 in modelling future severity for two (2) of our peak

1 coverages.

2 By leveraging the forecasted inflation,
3 MPI can now incorporate future changes in severity
4 that are driven by macroeconomic factors, making our
5 future trends more responsive. If we go to the next
6 slide, please.

7 2025/'26 rating year claim forecast is
8 based on the weighted average of two (2) accident
9 years; 2025 accident year and 2026 accident year,
10 highlighted in bold in the graph in front of you.

11 If you look at the column 'Percentage
12 Change from 2024 GRA', you can see the increase of 8.4
13 percent for 2025 accident year and 10.5 percent for
14 2026 accident year. That's 2025 GRA versus 2024 GRA
15 forecast.

16 First, I would like to highlight that
17 about 2.3 percent of this change is due to increase in
18 exposure. This includes difference in current
19 exposure versus forecasted and change in the volume
20 gross of exposure forecast between two (2) GRAs.

21 As we expect to see more vehicles on
22 the roads, we're expecting to see the increase in
23 total claim dollars. There are many increases are due
24 to unfavourable movements in collision comprehensive
25 coverages. Higher than expected increases in labour

1 hours, parts and material costs, as well as used
2 vehicle values changed our view on some of the future
3 trend assumptions.

4 Gross and comprehensive claims was
5 driven by both a rise in frequency and severity.
6 Increase in ADAS calibration costs pushed more glass
7 only claims -- glass-only claims above seven hundred
8 and fifty dollar (\$750) deductible, increasing
9 frequency.

10 Our impact of this change on severity
11 remains uncertain. This caused the revision of our
12 view of future trend assumptions.

13 We already saw in one of the earlier
14 slides presented by Cara, our experience with 2023
15 accident year was worse than expected. This also
16 contributes to increase in our claim forecast to last
17 year.

18 And this brings us to the end of the
19 number slides and the presentation. Thank you.

20 MR. ANTHONY GUERRA: Thank you very
21 much. I have no further questions.

22 PANEL CHAIRPERSON: Thank you. Ms.
23 Moore...?

24 MS. KARA MOORE: Thank you, Madam
25 Chair.

1

2 CROSS-EXAMINATION BY MS. KARA MOORE:

3 MS. KARA MOORE: Good morning to the
4 panel. Ms. Low I think already knows who I am, but
5 for the rest of you, my name's Kara Moore. I'm one of
6 the counsels for the Public Utilities Board, and I'll
7 be asking you some questions this morning. And I'll
8 just ask my questions generally, and whoever feels
9 best suited to answer can -- can speak up and do so.

10 So, I'll start with just a few
11 background questions. Oh, and a reminder to please
12 introduce yourself before you answer for the purposes
13 of the transcript. Thank you.

14 For background purposes, can you please
15 confirm that the purpose of the -- of claims
16 forecasting in the 2025 General Rate Application is
17 primarily to estimate the 2025 and 2026 accident years
18 claim costs that are included in the calculation of
19 the premium for the 2025 rating year?

20 MS. CARA LOW: That would be correct.

21 MS. KARA MOORE: Thank you. In this
22 year's General Rate Application, MPI explains that it
23 has enhanced claims forecasting by setting up
24 statistical regression models using loss-cost data,
25 correct?

1 MS. CARA LOW: Correct.

2 MS. KARA MOORE: And this modelling
3 enables MPI to assess trends directly derived from
4 loss costs alongside those combined from frequency and
5 severity regression models?

6 MS. CARA LOW: Correct.

7 MS. KARA MOORE: This has allowed MPI
8 to consider a wider range of loss -- of loss trend
9 models in selecting the most appropriate loss-trend
10 rates, correct?

11 MS. CARA LOW: Correct.

12 MS. KARA MOORE: Thank you. In
13 addition, MPI now models future severity for weekly
14 indemnity and accident benefits, other indexed using
15 Manitoba Consumer Price Index to lag by one (1) year?

16 MS. CARA LOW: Correct.

17 MS. KARA MOORE: This model showed a
18 significant relationship between historical severity
19 and Manitoba Consumer Price Index, yes?

20 MS. CARA LOW: Correct, yes.

21 MS. KARA MOORE: Thank you. And by
22 leveraging the forecasted inflation, as discussed in
23 the net incurred claims chapter of the General Rate
24 Application, MPI can now incorporate future changes in
25 severity that are driven by macroeconomic factors,

1 correct?

2 MS. CARA LOW: Sorry. Could you
3 repeat that?

4 MS. KARA MOORE: Sure. This is --
5 this is just from the General Rate Application, so
6 it's not meant to be a trick question --

7 MS. CARA LOW: Okay.

8 MS. KARA MOORE: -- to be clear, but I
9 will repeat it. Leveraging the forecasted inflation,
10 as you've discussed in the Net Incurred Claims chapter
11 of the General Rate Application, MPI can now
12 incorporate future changes in severity that are driven
13 by macroeconomic factors, yes?

14 MS. CARA LOW: Confirmed.

15 MS. KARA MOORE: Thank you. Okay.
16 So, I'd now like to bring up Figure CF-3, please.

17

18 (BRIEF PAUSE)

19

20 MS. KARA MOORE: So, this graph shows
21 a comparison of the 2025/'26 year with last year's
22 General Rate Application forecast with respect to
23 projected ultimate total losses by coverage.

24 Is that correct?

25 MS. CARA LOW: Correct.

1 MS. KARA MOORE: And if we look at
2 line 5 of this graph, there's an increase in the
3 2025/'26 rating year projected ultimate losses for
4 collision of about 44 million?

5 MS. CARA LOW: I see that.

6 MS. KARA MOORE: Thank you. And
7 looking down to line 6, there is an increase for the
8 ultimate losses for comprehensive coverage of 39
9 million from the 2024 GRA forecast, yes?

10 MS. CARA LOW: Correct.

11 MS. KARA MOORE: If we could scroll
12 down to Figure CF-4, this graph shows a similar
13 comparison, but with respect to projected ultimate
14 loss costs by coverage, yes?

15 MS. CARA LOW: Yes.

16 MS. KARA MOORE: And if we look at
17 line 5 again, there's a change of thirty-two dollars
18 and sixty-two cents (\$32.62) for collision?

19 MS. CARA LOW: Correct.

20 MS. KARA MOORE: And looking to line
21 6, there's a change of thirty-seven dollars and seven
22 cents (\$37.07) for Comprehensive?

23 MS. CARA LOW: Correct.

24 MS. KARA MOORE: And this is a total
25 of sixty-nine dollars sixty-nine cents (\$69.69), which

1 explains basically all of the change shown in line 11.

2 Is that right?

3 MS. CARA LOW: That would be correct.

4 MS. KARA MOORE: Thank you. If we
5 could now turn to Figure CF-8. This table shows the
6 change in actual and forecast earned vehicle units per
7 year under the Highway Traffic Act from the 2024 GRA
8 to the 2025 GRA. Is that correct?

9 MS. CARA LOW: That would be correct.

10 MS. KARA MOORE: And the increase in
11 earned vehicle units as shown for 2023 and thereafter
12 would increase the projected ultimate losses for all
13 coverages by about the percentages shown here?

14 MS. CARA LOW: Correct.

15 MS. KARA MOORE: Thank you. And loss
16 costs adjust for the number of vehicles, so it's not
17 affected by the change in the forecast number of
18 earned vehicle units, correct?

19 MS. CARA LOW: Loss cost is an
20 expected cost per vehicle, so it's not impacted by the
21 number of vehicles.

22 MS. KARA MOORE: Understood. Thank
23 you. Okay. So, shifting gears a bit and this is,
24 again, just sort of background.

25 In the General Rate Application MPI has

1 identified a number of key considerations. I'll list
2 them, and then you can confirm if that's accurate.

3 So those would be inflation, working
4 from home, compulsory, and Extension Revision Project,
5 also known as CERP, labour costs and wage growth,
6 weather events, and labour interruption.

7 Does that sound accurate?

8 MS. CARA LOW: That would be accurate.

9 MS. KARA MOORE: Thank you. So, we're
10 now going to go through the trends for each coverage
11 to highlight where they are similar to prior year
12 selections and where they differ significantly.

13 For each of the graphs that we're about
14 to go through -- this is more for my benefit than for
15 yours because certainly you already know this -- the
16 green represents the 2024 GRA values and the red
17 represents the 2025 GRA values.

18 So, if we could start with figure CF-
19 16, please. Thank you.

20 So, this figure relates to accident
21 benefits weekly indemnity. And the selected
22 historical severity has decreased from 3.96 percent to
23 2.65 percent, correct?

24 MS. CARA LOW: For the past trend?

25 Yes.

1 MS. KARA MOORE: Yes, for the past
2 trend. And the future severity now incorporates
3 assumptions about Manitoba CPI?

4 MS. CARA LOW: Correct.

5 MS. KARA MOORE: If we could turn now
6 to figure CF-19.

7 So, again, not for your benefit but for
8 mine, green represents 2024 GRA, red represents 2025
9 GRA.

10 And we can see that the estimated loss
11 cost for the more recent years being the solid lines
12 on this graph from 2019 to 2022 are all lower now than
13 they were in the last GRA; yes?

14 MS. CARA LOW: I do see that.

15 MS. KARA MOORE: And this contributes
16 to lower future -- lower future loss cost estimates
17 being the dotted line?

18 MS. CARA LOW: Sorry, could you repeat
19 that.

20 MS. KARA MOORE: Sure. This
21 contributes to lower future loss cost estimates, the
22 dotted lines?

23 MS. CARA LOW: Correct.

24 MS. KARA MOORE: If we could turn now
25 to figure CF-30, please.

1 This figure relates to accident
2 benefits other indexed. The past trends for both
3 frequency and severity have decreased which causes a
4 larger decrease in the last cost trends?

5 MS. CARA LOW: Correct.

6 MS. KARA MOORE: The future severity
7 also incorporates assumptions about Manitoba CPI?

8 MS. CARA LOW: Correct.

9 MS. KARA MOORE: And we'll come back
10 to these-inflation linked coverages shortly. For now,
11 if we could turn to figure CF-43, please.

12 Looking at this graph, the future loss
13 cost estimates are virtually unchanged from the 2024
14 GRA as we can see the dotted lines are on top of each
15 other?

16 MS. CARA LOW: Agreed.

17 MS. KARA MOORE: If we could go to
18 figure CF-44, please.

19 This figure relates to accident
20 benefits other nonindexed. To confirm, last year this
21 coverage was modelled using frequency and severity?

22 MS. CARA LOW: Confirmed.

23 MS. KARA MOORE: And this year is
24 modelled using loss cost?

25 MS. CARA LOW: Correct. Yes.

1 MS. KARA MOORE: The loss cost trend
2 has changed from negative 1.81 percent to positive
3 5.74 percent?

4 MS. CARA LOW: That is true.

5 MS. KARA MOORE: This year MPI used a
6 starting point of 2019 and an ending period of 2023,
7 correct?

8 MS. CARA LOW: Correct.

9 MS. KARA MOORE: Thank you. If we
10 could turn now to CF-54. Looking at this graph, the
11 historical loss costs have decreased and yet the
12 future loss costs are projected to be higher.

13 Is that right?

14 MS. CARA LOW: Correct.

15 MS. KARA MOORE: Thank you. If we
16 could now go to Information Request PUB/MPI 1-60,
17 please, Ms. Schubert. If we could just scroll down to
18 the question.

19 So, reviewing the question, just the
20 start of it, if MPI alternatively had selected the
21 loss cost trend based on the starting point of 2010
22 and the ending point of 2023, it would have resulted
23 in a loss trend of negative 1.8 percent, correct?

24 MS. CARA LOW: I do see that.

25 MS. KARA MOORE: Thank you. And if we

1 could go to the response, figure 6.

2 The use of the negative 1.8 percent
3 would have resulted in the future loss costs shown in
4 this figure which were substantially lower than the
5 2024 GRA, correct?

6 MS. CARA LOW: Correct.

7 MS. KARA MOORE: Thank you. If we
8 could now turn to Information Request PUB/MPI 2-43.

9 So, I'll just read the first part of
10 this question for the record. MPI was asked:

11 "If MPI -- if MPI alternatively uses
12 the 2024 selected historical loss
13 cost trend of negative 1.81 percent
14 for years prior to 2023 and the
15 trend of 7 percent in 2023, 5.05
16 percent in 2024, 3.35 percent in
17 2025, 3.1 percent in 2026, and 3
18 percent in 2027 and thereafter, what
19 would the projected ultimate loss
20 costs -- what would be the projected
21 ultimate loss costs."

22 So, just confirming, you see that
23 that's the -- the question?

24 MS. CARA LOW: I -- I do see that.

25 MS. KARA MOORE: Thank you.

1 MS. CARA LOW: Yeah.

2 MS. KARA MOORE: And if we look to
3 MPI's response at figure 4, the projected future loss
4 cost shown in this figure is basically unchanged from
5 the 2024 GRA, correct?

6 MS. CARA LOW: Correct.

7 MS. KARA MOORE: Thank you. And if we
8 could scroll up to figure 1.

9 Towards the bottom of the table the
10 projected -- I'll just wait until we get there -- the
11 projected loss costs for 2025/'26 would be thirty-four
12 dollars and thirty-one (\$34.31) cents?

13 MS. CARA LOW: I see that.

14 MS. KARA MOORE: And the projected
15 future loss costs for 2026/'27 would be thirty-five
16 dollars thirty-seven (\$35.37) cents?

17 MS. CARA LOW: Correct.

18 MS. KARA MOORE: And this would be an
19 average of thirty-four dollars eighty-four (\$34.84)
20 cents?

21 MS. CARA LOW: Subject to check, yes.

22 MS. KARA MOORE: Sure. Yeah. Thank
23 you. And if we could pull up figure CF-51.

24

25 (BRIEF PAUSE)

1

2 MS. KARA MOORE: Thank you. In this
3 table at line 17 -- if we could just scroll down a bit
4 more maybe -- the projected loss cost for 2025/'26 is
5 shown as thirty-eight dollars and sixteen (\$38.16)
6 cents?

7 MS. CARA LOW: Yes.

8 MS. KARA MOORE: And at line 18 the
9 projected loss cost for 2026/'27 is shown as forty
10 dollars thirty-five (\$45.35) cents?

11 MS. CARA LOW: Correct.

12 MS. KARA MOORE: For an average
13 between the two (2), again, subject to check, of
14 thirty-nine dollars twenty-five (\$39.25) cents?

15 MS. CARA LOW: Subject to check, yes.

16 MS. KARA MOORE: Thank you. In the
17 Information Request response that we just looked at,
18 there was no figure RI-12 provided. So, I believe we
19 can estimate the impact of this change on the overall
20 rate indication starting with figure RI-12 in the
21 October rate -- or RI-2 rather in the October rate
22 update.

23 So, that would be, Ms. Schubert,
24 Exhibit 33, at page 52 of the PDF.

25 So, if we're looking at this figure RI-

1 2, line item 8, accident benefits other nonindexed
2 have discounted claims costs of 34.8 million, correct?

3 MS. CARA LOW: I see that.

4 MS. KARA MOORE: And 11.2 percent of
5 this would be about 3.9 million?

6 MS. CARA LOW: That sounds reasonable,
7 yes.

8 MS. KARA MOORE: Just one moment.

9

10 (BRIEF PAUSE)

11

12 MS. KARA MOORE: So, just so you know
13 where I'm getting the 11.2 percent from, we talked
14 about the two (2) averages that you agreed subject to
15 check.

16 So, those averages were thirty-nine
17 point two five (39.25) -- or thirty-nine dollars
18 twenty-five (\$39.25) cents and thirty-four dollars
19 eighty-four (\$34.84) cents. And the difference
20 between those two (2) is 11.2 percent, so that's where
21 I'm getting that number from just for the record.

22 MS. CARA LOW: Yes, we were following
23 the logic.

24 MS. KARA MOORE: Thank you. Okay.
25 So, we were looking at this -- just to provide the

1 context again, we were looking at line 8. We've
2 confirmed discounted claim costs at line 8 are 34.8
3 million. 11.2 percent of this would be about 3.9
4 million.

5 That would also be about .4 percent of
6 the total shown in line 11. Is that correct? Sorry,
7 line 14.

8 MS. CARA LOW: Subject to check, that
9 seems reasonable.

10 MS. KARA MOORE: Thank you. If we
11 could now go to figure RI-7 of the same exhibit.
12 Thank you.

13 At line 1 we can see the claims cost
14 per unit of seven hundred and forty-nine dollars and
15 forty (\$749.40) cents, correct?

16 MS. CARA LOW: I see that, yes.

17 MS. KARA MOORE: Thank you. And .4
18 percent of this would be about three dollars (\$3)?

19 MS. CARA LOW: That seems reasonable.

20 MS. KARA MOORE: And this would be
21 about 3 percent of the total before variable expenses
22 of nine hundred and eighty-two dollars and sixty-six
23 (\$882.66) cents at line 6?

24 MS. CARA LOW: Yes.

25 MS. KARA MOORE: We can, therefore,

1 conclude that using last year's trend assumptions for
2 accident benefits other nonindexed would translate to
3 a rate indication that is about .3 percent lower?

4 MS. CARA LOW: I would agree with that
5 statement.

6 MS. KARA MOORE: Thank you. If we
7 could turn now to figure CF-55.

8 This figure compares the 2025 GRA and
9 2024 GRA loss trend selections with respect to bodily
10 injury coverage. Correct?

11 MS. CARA LOW: Correct.

12 MS. KARA MOORE: And the trend model
13 again switched from frequency severity approach to a
14 loss-cost approach?

15 MS. CARA LOW: Correct.

16 MS. KARA MOORE: The loss cost
17 increased from 3.06 percent to 5.73 percent?

18 MS. CARA LOW: Correct.

19 MS. KARA MOORE: MPI selected a loss
20 cost trend based on thirteen (13) years of data
21 sharing starting -- or data starting 2011. Correct?

22 MS. CARA LOW: Correct.

23 MS. KARA MOORE: Thank you. If we
24 could turn now to figure CF-66.

25 We can see from this graph that there

1 is substantial volatility to the accident year loss
2 costs. Correct?

3 MS. CARA LOW: Correct.

4 MS. KARA MOORE: The 2025 GRA is
5 projecting a higher loss cost, but it's under a \$1
6 difference from the 2024 GRA?

7 MS. CARA LOW: Correct.

8 MS. KARA MOORE: If we could now look
9 to figure C F67. Thank you.

10 This figure compares 2024 GRA and 2025
11 GRA loss trend selections with respect to collision
12 coverage. Yes?

13 MS. CARA LOW: Yes.

14 MS. KARA MOORE: The historical trends
15 are fairly consistent. Future severity is estimated
16 by reviewing individual cost components of repairs in
17 total loss claims. Correct?

18 MS. CARA LOW: That is correct.

19 MS. KARA MOORE: And if we could look
20 now to figure CF-82, the future loss cost is higher
21 here.

22 MS. CARA LOW: Yes, it is.

23 MS. KARA MOORE: Thank you. Just give
24 me one moment.

25

1 (BRIEF PAUSE)

2

3 MS. KARA MOORE: Okay. And again, I'm
4 just going to be kind of summarizing what you've
5 included in your Application, so just for your
6 benefit. Ms. Schubert, if you could pull up CF-10.4
7 of the General Rate Application. Thank you.

8 If you could scroll down to the next
9 page, please, Ms. Schubert. Thank you.

10 So, for the collision coverage, MPI
11 excluded the 2023 accident year from its loss cost
12 projection. Correct?

13 MS. CARA LOW: I just wanted to
14 confirm. It was excluded from the regression analysis
15 when we're selecting our trend rate, but when we
16 applied it and using a five (5) year loss cost it was
17 included.

18 MS. KARA MOORE: Thank you. And in
19 the 2025 GRA, MPI quantified the effect of removing
20 2023 in trend models and the associate impact on loss
21 cost forecast?

22 MS. CARA LOW: Sorry, could you repeat
23 that?

24 MS. KARA MOORE: In the 2025 GRA, MPI
25 quantified the effect of removing 2023, the 2023

1 accident year in trend models and the associated
2 impact on the loss cost forecast, for collision
3 coverage that is?

4 MS. CARA LOW: Yes, that is correct.

5 MS. KARA MOORE: Thank you. Including
6 the 2023 accident year and frequency and severity
7 trend analysis would have resulted in an average
8 increase of sixty dollars and forty-eight cents
9 (\$60.48) and the ultimate loss cost for 2025 and '26
10 accident years as compared to the 2024 GRA.

11 MS. CARA LOW: I do see that, yes.

12 MS. KARA MOORE: Thank you. In
13 comparison, excluding 2023 accident year and frequency
14 and severity trend analysis results in an average
15 increase of thirty-two dollars and sixty-two cents
16 (\$32.62) in ultimate loss cost for 2025 and 2026
17 accident years as disclosed in figure CF-4.

18 MS. CARA LOW: I see that.

19 MS. KARA MOORE: Thank you. And so,
20 this means that if the labour interruption impact is
21 accurately quantified by MPI, collision forecast is
22 expected to be higher from the inclusion of the 2023
23 accident year experience in future GRA trending
24 selections. Correct?

25 MS. CARA LOW: Based on that point in

1 time, yes.

2 MS. KARA MOORE: Thank you. And this
3 would be an increase of about twenty-nine dollars and
4 eighty-six cents (\$29.86) from the loss cost -- sorry,
5 this would be an increase of twenty-seven dollars and
6 eighty-six cents (\$27.86) from the loss cost as filed,
7 and I'm taking the sixty dollars forty-eight (\$60.48)
8 ---

9 MS. CARA LOW: Yes.

10 MS. KARA MOORE: --- subtracting
11 thirty-two sixty-two (32.62).

12 MS. CARA LOW: That appears to be
13 correct.

14 MS. KARA MOORE: Thank you. If we
15 could now go to Information Request CAC/MPI-1-60.

16 I'll just -- if we could just scroll
17 down to the question, probably the preamble in
18 question 'A'. I'll just kind of have you review that
19 for yourself.

20

21 (BRIEF PAUSE)

22

23 MS. KARA MOORE: And you can let me
24 know once you're ready for my question.

25 If we could now scroll down to the next

1 page -- it's the last paragraph on the page that I'd
2 like you to look at.

3 So MPI adjusted the weights for the
4 accident year 2025/'26 and 2026/'27 for this estimate
5 to reflect the weights used in the filing, in response
6 to this Information Request that is?

7 MS. CARA LOW: Sorry, if -- where are
8 we looking?

9 MS. KARA MOORE: The last paragraph of
10 this page. I'm just confirming that in response to
11 this Information Request, MPI adjusted the weights for
12 the accident years 2025/'26, 2026/'27.

13 MS. CARA LOW: I do see that.

14 MS. KARA MOORE: Thank you. And the
15 increase in the loss cost from the 2024 GRA changed to
16 fifty-eight dollars ninety-eight cents (\$58.98).

17 MS. CARA LOW: I see that.

18 MS. KARA MOORE: Thank you. And
19 again, this is an increase of twenty-six dollars
20 thirty-six cents (\$26.36) from the loss cost as filed.

21 MS. CARA LOW: Correct.

22 MS. KARA MOORE: Thank you. If we
23 could now go to Information Request CAC/MPI-1-75. So,
24 I'll just have you read the question, right, it's
25 rather short. I'll read it.

1 "How does MPI consider the labour
2 interruption and its effect on the
3 predictive value of the 2023
4 accident year ultimate claims?'

5 And if we could scroll down to page 2,
6 I'm going to read into the record a portion of your
7 response. You responded:

8 "MPI refreshed trend regression
9 models with the June 2024 valuation
10 estimates. MPI presents the
11 comparison of the ultimate estimates
12 and the selected trend rates in
13 figures 1 through 3 below. Accident
14 year 2023 is included in the June
15 2024 regression models. Figures 4
16 through 7 provides the updated
17 collision forecasts using updated
18 trend rates and updated ultimate
19 loss costs, in loss cost projection.
20 The impact of including accident
21 year 2023 in trend models and
22 updated loss experience as of June
23 2024 to loss cost projection is
24 estimated to be a \$2.3 million
25 increase to 2025 accident year and a

1 \$1.8 million increase to 2026
2 accident year as compared to the
3 original filing for collision."

4 Do you see that?

5 MS. CARA LOW: I do see that.

6 MS. KARA MOORE: So, just confirming,
7 that's about a \$2 million increase for the 2025/'26
8 rating year if I average the two (2) accident years.
9 Correct?

10 MS. CARA LOW: That would be correct.

11 MS. KARA MOORE: And this is
12 substantially less of an impact than the original GRA
13 estimate for including the 2023 accident year.

14 MS. CARA LOW: Yes.

15 MS. KARA MOORE: Thank you. If we
16 could now go to figure CF-1. Looking at line 11 for
17 the 2025/'26 accident year.

18 Two (2) million is about .2 percent of
19 the -- rating year -- sorry, 2 million is about .2
20 percent of the total claims cost of \$1.032 billion.

21 Correct?

22 MS. CARA LOW: Point two. Yes.

23 MS. KARA MOORE: Thank you. If we
24 could now go to figure NI-7. The rate indication
25 would -- oh, sorry, I don't think this is the correct

1 -- sorry, it should be RA-7, sorry, Ms. Schubert.

2

3 (BRIEF PAUSE)

4

5 MS. KARA MOORE: Looking at this table
6 and the numbers we just discussed, the rate indication
7 would change by about three-quarters if we look at
8 line 1 versus line 6?

9 MS. CARA LOW: Sorry. Could you
10 clarify?

11

12 (BRIEF PAUSE)

13

14 MS. KARA MOORE: Sorry. So claims
15 costs per unit is about three-quarters of the total
16 before variable expenses, correct?

17 MS. CARA LOW: The claims cost --

18 MS. KARA MOORE: Per unit.

19 MS. CARA LOW: -- per unit, so row 1,
20 is about 75 percent of row 6.

21 MS. KARA MOORE: Yes.

22 MS. CARA LOW: Is that what we're
23 looking at?

24 MS. KARA MOORE: Yes.

25 MS. CARA LOW: Yes.

1 ,MS. KARA MOORE: Thank you.

2 MS. CARA LOW: That I would agree
3 with.

4 MS. KARA MOORE: Thank you. So,
5 including the 2024 valuation estimates for collision,
6 and including the 2023 accident year, using the
7 analysis provided in Information Request that we
8 looked at, CAC/MPI-1-75 would increase the overall
9 rate indication by about .51 --

10 MS. CARA LOW: That is --

11 MS. KARA MOORE: -- .15 percent,
12 correct?

13 MS. CARA LOW: That is correct.

14 MS. KARA MOORE: Thank you.

15 MS. CARA LOW: When we did the Q1
16 valuation, the ultimates went down slightly, but they
17 may include in the regression, and overall, the
18 selected loss costs would go up.

19 MS. KARA MOORE: Thank you. If we
20 could turn now to Figure CF-12, and this figure shows
21 the CERP maximum insured value adjustment, correct?

22 MS. CARA LOW: Correct.

23 MS. KARA MOORE: Thank you. And
24 collision uses weights of 20 percent for the accident
25 years 2017, 2018, 2019, 2021, and 2022, but zero

1 percent weight for the accident year 2020?

2 Yeah, sorry. So just to correct,
3 collision uses weights for about 20 percent -- I'll
4 just say 20 percent of the accident years listed here,
5 with the exception of 2020 which uses a zero percent
6 weight.

7 MS. CARA LOW: Correct.

8 MS. KARA MOORE: And if we could now
9 turn to Information Request PUB/MPI-1-57, if we could
10 just go to Figure 1.

11 So, in this Information Request, MPI
12 provided a corrected version of the Figure CF-12 that
13 we just looked at from what was originally produced in
14 the Application?

15 MS. CARA LOW: I see that, yes.

16 MS. KARA MOORE: And if we scroll down
17 to Figure 2, if MPI had given 20 percent weight to the
18 2020 year instead of 2017 -- or 2018 it may have been
19 -- then it would have reduced the CERP maximum insured
20 value loss costs by about thirty-seven (37) cents?

21 MS. CARA LOW: I see that.

22 MS. KARA MOORE: And by about .4
23 percent of the total .04 percent of the total Basic
24 loss cost for the accident years 2025/2026?

25 MS. CARA LOW: Correct.

1 MS. KARA MOORE: Would this have
2 reduced the rate indication by approximately .03
3 percent, being three-quarters of the .04 percent?
4

5 (BRIEF PAUSE)
6

7 MS. CARA LOW: Subject to check, but I
8 think that seems reasonable, yes.

9 MS. KARA MOORE: Thank you. If we
10 could now turn to Figure CF-83 -- thank you, Ms.
11 Schubert -- this figure compares the 2024 and 2025 GRA
12 loss trend selections with respect to comprehensive
13 coverage.

14 In the 2024 GRA, MPI had selected 7.9
15 percent past loss costs for trend for comprehensive
16 and four point five five (4.55) future trend, correct?

17 MS. CARA LOW: Yes.

18 MS. KARA MOORE: And in the 2025 GRA,
19 MPI has selected 10.19 percent for both past and
20 future trend, correct?

21 MS. CARA LOW: Correct.

22 MS. KARA MOORE: And the increase in
23 daily rental rate increased the loss cost trend for
24 2024/'25 up to plus 10.32 percent, correct?

25 MS. CARA LOW: That was one of the

1 factors, yes.

2 MS. KARA MOORE: And this was based on
3 a starting period of 2017 and an ending period of
4 2023?

5 MS. CARA LOW: Yes.

6 MS. KARA MOORE: Thank you. If we
7 could now look to Figure CF-93. This figure presents
8 a summary of indicated loss cost trends starting in
9 the 2010 accident year?

10 MS. CARA LOW: Correct.

11 MS. KARA MOORE: Any selection
12 starting from 2017 and thereafter has a loss trend of
13 10 percent or higher, correct?

14 MS. CARA LOW: Correct.

15 MS. KARA MOORE: And any selection
16 starting at 20 -- from 2020 -- or 2015 and prior would
17 have a loss trend of about 6 percent?

18 MS. CARA LOW: Yes.

19 MS. KARA MOORE: If we could now look
20 at Figure CF-92. Looking at this graph, we can see a
21 big drop in 2017 which explains why the trend is
22 substantially less if we include the earlier years,
23 correct?

24 MS. CARA LOW: That would be correct.

25 MS. KARA MOORE: And I -- I don't

1 intend to bring you to a reference, but in the General
2 Rate Application, the explanation provided for this
3 drop in 2017.

4 Is that a coin -- oh, well, if you'd
5 like a reference, it's right below the table -- is
6 that it coincided with the implementation of paintless
7 dent repair, correct?

8 MS. CARA LOW: I see that, yes.

9 MS. KARA MOORE: Thank you. If we
10 could turn now to Figure CF-99. We can see from this
11 graph that the new selected trend is substantially
12 higher than the 2024 GRA trend, correct?

13 MS. CARA LOW: Yes.

14 MS. KARA MOORE: If I could bring up
15 Information Request PUB/MPI-1-59, if we could scroll
16 down.

17 MPI was asked some questions regarding
18 this substantially higher trend. And in order to
19 respond to this question, MPI was asked to use a
20 longer-term trend starting in 2010 and ending in 2023,
21 resulting in a loss trend of 5.63 percent? Part of
22 the question.

23 MS. CARA LOW: Yes.

24 MS. KARA MOORE: And if we go to
25 Figure 9 of this response at line 2022, this resulted

1 in an indicated rate change of plus 3.39 percent
2 versus the 2025 GRA indicated rate change of plus 6.15
3 percent, correct?

4 MS. CARA LOW: That is correct.

5 MS. KARA MOORE: And MPI provided a
6 couple of reasons why the Corporation does not believe
7 that this would be an appropriate past trend, so we'll
8 just go through those. So first, if we go to the page
9 -- the top of page 2 of this Information Request.

10 MPI indicates that the loss cost trend
11 using 2010 as a starting point has worse-fit
12 statistics than MPI's selected model with a 2017
13 starting period, correct?

14 MS. CARA LOW: Correct.

15 MS. KARA MOORE: And the second reason
16 provided by MPI there at that top bullet on the page
17 is that in the 2024 GRA, frequency and severity trends
18 were analyzed separately. MPI selected a best-fit
19 model with a starting period of 2017 for both
20 frequency and severity.

21 MPI further stated that it believes
22 that switching to a long-term trend is arbitrary,
23 especially when the underlying trending data used in
24 the two (2) GRAs exhibit no material change in the
25 historical trend patterns.

1 You see that?

2 MS. CARA LOW: I do see that.

3 MS. KARA MOORE: And in the next
4 bullet, the third reason provided by MPI is that, due
5 to increases in claims costs as a result of higher
6 inflation, increased used vehicle values, repair
7 costs, and the costs of calibrations on glass claims,
8 recent trend is how well above long-term trends,
9 correct?

10 MS. CARA LOW: Correct.

11 MS. KARA MOORE: Thank you. If we
12 could now go to Information Request CAC/MPI-1-62.

13

14 (BRIEF PAUSE)

15

16 MS. KARA MOORE: In question 'A', MPI
17 was asked to provide a cost summary and explanation of
18 the dollar increases year over year by peril with
19 respect to Comprehensive coverage. You see that?

20 MS. CARA LOW: I do see that.

21 MS. KARA MOORE: Thank you. And in
22 part of MPI's response at Figure 2, MPI provided a
23 comprehensive loss-cost bridging analysis to move from
24 the loss cost of a hundred and thirty dollars and
25 twenty -- twenty-eight cents (\$130.28) for the 2025

1 rating year forecast in the 2024 GRA to that forecast
2 in this year's GRA of a hundred and sixty-seven
3 dollars thirty-six cents (\$167.36) per vehicle?

4 MS. CARA LOW: I see that, yes.

5 MS. KARA MOORE: And MPI also provided
6 an estimate that the impact of prior year development
7 increased their estimate of loss costs by six dollars
8 and forty-nine cents (\$6.49)?

9 MS. CARA LOW: That is correct. We
10 came in higher with our '23/'24 actuals compared to
11 our estimate.

12 MS. KARA MOORE: You've also provided
13 an estimate of an increase in five dollars and thirty
14 (\$5.30) cents for current accident year being included
15 in the weighting of the accident years?

16 MS. CARA LOW: Correct.

17 MS. KARA MOORE: Four dollars (\$4) --
18 an increase of four dollars and seventy-four (\$.74)
19 cents for hail loading?

20 MS. CARA LOW: That would be correct.

21 MS. KARA MOORE: A decrease of twenty-
22 four (24) cents for accident year weights?

23 MS. CARA LOW: Correct.

24 MS. KARA MOORE: And finally, an
25 increase of twenty dollars and seventy-nine (\$20.79)

1 cents for future trend?

2 MS. CARA LOW: Correct.

3 MS. KARA MOORE: Thank you. And we
4 don't need to scroll up to the question. You can take
5 my word for it.

6 That question B of this Information
7 Request asked MPI to elaborate on the possible
8 management mitigation initiatives that could be
9 undertaken to avoid or reduce these increases.

10 And if we scroll down to MPI's
11 response, MPI indicated -- and, again, I'll read in
12 that.

13 "As part of MPI's recent
14 restructuring, the former
15 operational division was separated
16 into two (2) divisions, one (1) to
17 focus on frontline service delivery
18 and one (1) to focus on claims.
19 The new claims division is focused
20 on managing and evaluating claims
21 policies, procedures, and standards
22 for both bodily injury and physical
23 damage claims. These changes should
24 enhance MPI's ability to explore
25 opportunity to better manage claim

1 costs."

2 Do you see that answer?

3 MS. CARA LOW: I do see that.

4 MS. KARA MOORE: So, just to follow up
5 on this, are there any specific initiatives that are
6 expected to reduce claims costs?

7 MS. CARA LOW: One minute, please.

8 MS. KARA MOORE: Thank you.

9

10 (BRIEF PAUSE)

11

12 MR. JOHN BOWERING: There's still --
13 there -- there is no specific -- we're working on
14 different initiatives to try and control this. I
15 don't have any to bring forward right now, but, yes,
16 we're exploring all opportunities new to this role,
17 exploring those.

18 MS. KARA MOORE: Thank you. If I
19 could now bring you to Information Request CAC/MPI 1-
20 76. Just scrolling down to the question.

21 So, in this Information Request MPI was
22 asked to fit a model to comprehensive loss costs,
23 including all parameters in the selected model and a
24 scaler level change parameter at 2022.

25 You see that?

1 MS. CARA LOW: I do see that.

2 MS. KARA MOORE: And in response, if
3 we could just scroll down slightly. You can actually
4 -- sorry, Ms. Schubert, just stay on that response.

5 MPI states that it fit an alternative
6 loss trend model to comprehensive loss cost
7 considering a level change parameter set at 1 for 2022
8 and '23 accident years. The loss cost trend decreases
9 from plus 10.19 percent in the 2023 GRA submission --
10 oh, 2025, sorry -- 2025 GRA submission rather to plus
11 5.77 percent.

12 The suggested alternative loss cost
13 trend model both fitted from 2017 accident year?

14 MS. CARA LOW: That is correct.

15 MS. KARA MOORE: Thank you. And if we
16 scroll down to figure 1. And looking at that as well
17 as the text underneath figure 1, MPI indicates that
18 the level change parameter accounts for an additional
19 27.2 percent increase between 2021 accident year and
20 2022 accident under the alternative loss cost model,
21 correct?

22 MS. CARA LOW: Sorry, could you repeat
23 that.

24 MS. KARA MOORE: Sure. So, I'm just
25 confirming that MPI indicates that the level change

1 parameter accounts for an additional 27.2 percent
2 increase between 2021 accident year and 2022 accident
3 year under the alternative loss cost model. It's just
4 at the bottom of the page.

5 MS. CARA LOW: Confirmed, yes.

6 MS. KARA MOORE: Thank you. If we
7 could now go to CAC Exhibit 8. This is the actuarial
8 evidence of Oliver Wyman, figure 16 of this report on
9 page 25 of the PDF.

10 So, is this approach -- oh, sorry.
11 Could we scroll down on this a bit. Is this approach
12 suggested by Oliver Wyman the same as the approach
13 that we just reviewed?

14 MS. ALINA ROGOZHNIKOVA: Yes, it is.

15 MS. KARA MOORE: Thank you. And what
16 is MPI's view on this alternative trend model?

17 MS. ALINA ROGOZHNIKOVA: So, we have
18 some concerns about introducing this scaler into the
19 model unless -- if we don't have a good reason to
20 introduce the scaler.

21 So, we don't -- as MPI, we don't really
22 don't know why there was a step change in 2022 and
23 2023 accident year or the big jump from 2021 to 2022.

24 There's some early indication that it
25 might be due to flood claims that we have experienced

1 in 2022 accident year, and if it is, it -- potentially
2 we might experience recurring losses like that in the
3 future.

4 What the scaler does, it assumes that
5 the change that we see from '21 to 2022 is a once-off,
6 so it's not going to repeat. And unless we have a
7 good business reason to support this, it -- it's very
8 difficult for us to support the scaler.

9 Moreover, going to the next GRA, we're
10 going to have to review if the scaler is still
11 appropriate, which complicates our methods slightly
12 because then we need to look for the business reason,
13 is there still a need to use the scaler and, if not,
14 how should we revise that trend so it will create some
15 inconsistencies in year on year.

16 MS. KARA MOORE: Thank you. And could
17 the scaler be used to reflect the short-term higher
18 rate of inflation for the Comprehensive claims?

19 MS. ALINA ROGOZHNIKOVA: Sorry, can
20 you repeat.

21 MS. KARA MOORE: From 2021 to 2022?
22 Sure. So, the question is: Could the scaler be used
23 to reflect the short-term higher rate of inflation for
24 the Comprehensive claims from 2021 to 2022?

25 MS. ALINA ROGOZHNIKOVA: Is the

1 inflation change a once-off change because my
2 understanding is it's a -- inflation is a
3 microeconomic factor, so it's expected to change every
4 year. It's not going to be a once-off change.

5 MS. KARA MOORE: Thank you. So, if we
6 can scroll down to the next page of this exhibit, at
7 figure 17. Just a moment. It's not figure 17. I'll
8 find the correct reference for you.

9

10 (BRIEF PAUSE)

11

12 MS. KARA MOORE: Sorry, it's table 17.
13 And that's on page 37 of the PDF, Ms. Schubert, just
14 towards the bottom. Thank you.

15 So, Oliver Wyman estimates that this
16 alternative trend model that we've been discussing
17 would reduce the rate indication by about .7 percent.

18 Does MPI agree with this estimate?

19 MS. ALINA ROGOZHNIKOVA: Yes, subject
20 to check.

21 MS. KARA MOORE: Thank you. If we
22 could now ring up figure CF-102 from the Application,
23 that is. Thank you.

24 This figure compares 2025 GRA and 2024
25 GRA loss trend selections with respect to property

1 damage, third-party loss of use coverage.

2 For this coverage, the selected
3 severity trend for 2010 to 2020 has reduced from
4 negative .72 percent to negative 4.28 percent,
5 correct?

6 MS. ALINA ROGOZHNIKOVA: Correct.

7 MS. KARA MOORE: And there is now a
8 jump of 19.05 percent in severity in 2024?

9 MS. ALINA ROGOZHNIKOVA: Correct.

10 MS. KARA MOORE: And then a zero trend
11 thereafter?

12 MS. ALINA ROGOZHNIKOVA: Correct.

13 MS. KARA MOORE: If we could now go to
14 figure CF-112.

15 If we look at this loss cost graph, we
16 can see the jump in actual costs to 2023, and then the
17 continued jump to 2024, correct?

18 MS. ALINA ROGOZHNIKOVA: Correct.

19 MS. KARA MOORE: And the lower
20 severity trend of zero percent when combined with the
21 negative frequency trend causes the red dotted line to
22 move downward over time?

23 MS. ALINA ROGOZHNIKOVA: Correct.

24 MS. KARA MOORE: If we could just
25 scroll down to the next figure, CF-113.

1 So, this figure compares 2025 GRA and
2 2024 loss trend selections with respect to property
3 damage, third-party deductible transfer coverage, and
4 the frequency and severity trends are almost
5 identical. Correct?

6 MS. ALINA ROGOZHNIKOVA: Correct.

7 MS. KARA MOORE: If we could now go to
8 figure CF-124.

9 The lower value for accident year 2023
10 than what was forecast last year, causes the future --
11 the forecast future loss cost to be lower. Correct?

12 MS. ALINA ROGOZHNIKOVA: Contributes.

13 MS. KARA MOORE: Sorry, can you --
14 what -- what was your response? It -- it contributes?

15 MS. ALINA ROGOZHNIKOVA: Yes.

16 MS. KARA MOORE: Okay. Yes, thank
17 you. And if we could go to figure CF-125. Thank you.

18 So, again, just for background, this
19 figure compares the 2025 GRA and 2024 GRA loss trend
20 selections with respect to property damage other.

21 The trend selected is now based on a
22 loss-cost approach and is slightly higher than last
23 year's selection. Correct?

24 MS. ALINA ROGOZHNIKOVA: Correct.

25 MS. KARA MOORE: If we could go to

1 figure CF-135. The forecast loss cost values are very
2 similar to last year, yes?

3 MS. ALINA ROGOZHNIKOVA: Correct.

4 MS. KARA MOORE: If we could go to
5 figure CF-139. This graph shows that the projected
6 loss cost for the PIPP enhancements has only slightly
7 changed from 2024 GRA. Correct?

8 MS. ALINA ROGOZHNIKOVA: Correct.

9 MS. KARA MOORE: If I could now bring
10 you to figure CF-141.

11 This table shows the changes in the
12 forecast loss costs by accident year from the 2024
13 GRA. Correct?

14 MS. ALINA ROGOZHNIKOVA: Correct.

15 MS. KARA MOORE: And if we look at the
16 bullet points underneath this figure, if we just
17 scroll down, these summarize some of the larger
18 changes in this figure.

19 And we can see that these larger
20 changes are mainly driven by increases in collision
21 and comprehensive coverages. Correct?

22 MS. ALINA ROGOZHNIKOVA: Correct.

23 MS. KARA MOORE: If we could now go to
24 figure CF-143.

25 This graph shows the change and we can

1 clearly see that the slope of the projected loss cost,
2 the red dots, is now higher. Correct?

3 MS. ALINA ROGOZHNIKOVA: Correct.

4 MS. KARA MOORE: And the main driver
5 of this would be the increased trend for
6 comprehensive?

7 MS. ALINA ROGOZHNIKOVA: Can you
8 repeat this?

9 MS. KARA MOORE: The main driver for
10 this would be the increased trend for comprehensive?

11 MS. ALINA ROGOZHNIKOVA: It will
12 contribute.

13 MS. KARA MOORE: Okay. Thank you.
14 And 2023 has a big jump, which I believe is due to
15 hail claims.

16 MS. ALINA ROGOZHNIKOVA: That is
17 correct.

18 MS. KARA MOORE: If we could now go to
19 figure CF-145. This graph excludes hail. And we can
20 that overall accident year 20 -- 2022 has slightly
21 increased.

22 MS. ALINA ROGOZHNIKOVA: Correct.

23 MS. KARA MOORE: And accident year
24 2023 is slightly higher than it was forecast last
25 year. Correct?

1 MS. ALINA ROGOZHNIKOVA: Correct.

2 MS. KARA MOORE: Okay. So, switching
3 gears again, in the October rate update, MPI adjusted
4 the IFRS-17 yield curve discount rate to be based on
5 August 31st, 2024. Correct?

6 MS. CARA LOW: That is correct.

7 MS. KARA MOORE: Okay. And MPI also
8 adjusted the new money yield to be based on August
9 31st, 2024. Correct?

10 If we are to look at MPI Exhibit 37,
11 please. MPI adjusted the inflation forecast as shown
12 in this exhibit.

13 MS. CARA LOW: Correct.

14 MS. KARA MOORE: And are we correct in
15 understanding that MPI did not adjust to the
16 undiscounted claims forecasts, but just adjusted the
17 nominal and real yields that were used to discount
18 these claims forecasts?

19 MS. CARA LOW: For the October filing,
20 we did not update the end discounted claims forecast,
21 we just updated the curves, the new money yield and
22 the inflation to be a real rate of return.

23 MS. KARA MOORE: Thank you. Okay, so
24 if we could now look at figure NIC-2.

25 The Manitoba CPI forecast for 2024/'25

1 was 2.4 percent. Yes?

2 MS. CARA LOW: Yes.

3 MS. KARA MOORE: For 2025/'26 was 2.1
4 percent.

5 MS. CARA LOW: Correct.

6 MS. KARA MOORE: And 2 percent
7 thereafter?

8 MS. CARA LOW: Correct.

9 MS. KARA MOORE: If we go back to MPI
10 Exhibit 37, that we were just on, on the right side of
11 the page, the Manitoba CPI's forecast for 2024/'25 at
12 1.2 percent.

13 MS. CARA LOW: I see that.

14 MS. KARA MOORE: And forecast
15 thereafter at 2 percent.

16 MS. CARA LOW: Correct.

17 MS. KARA MOORE: And just confirming
18 again as we discussed at the beginning of my
19 examination, MPI now models future severity for weekly
20 indemnity and accident benefits other indexed using
21 Manitoba Consumer Price Index lagged by one (1) year.
22 Correct?

23 MS. CARA LOW: That is correct.

24 MS. KARA MOORE: The changes to the
25 inflation forecast were not applied to the

1 undiscounted claims forecasts for these two (2)
2 coverages. Correct?

3 MS. CARA LOW: That is correct.

4 MS. KARA MOORE: Okay. In that case,
5 I'm going to ask for an undertaking.

6 Could MPI provide the claims forecast
7 for the years 2024/'25 and thereafter for weekly
8 indemnity and accident benefits other indexed using
9 the lower inflation rates provided in the October
10 update and the resulting change in the overall rate
11 indication. And as part of this undertaking, please
12 provide an updated figure RI-12.

13

14 --- UNDERTAKING No. 21: MPI to provide claims forecast
15 for 2024/'25 and thereafter for
16 weekly indemnity and accident
17 benefits other indexed, using the
18 lower inflation rates provided in
19 October's update and resulting
20 change in the overall rate
21 indication. As part of undertaking,
22 provide an updated figure RI12.

23

24 (BRIEF PAUSE)

25

1 MR. ANTHONY GUERRA: Yes, counsel,
2 with the Undertaking.

3

4 CONTINUED BY MS. KARA MOORE:

5 MS. KARA MOORE: Thank you. So, I'd
6 just like to recap some of the earlier, or some of the
7 frequency trends across certain coverage areas that we
8 looked at earlier and then I'm going to have some
9 follow-up questions.

10 So, if we can start by going back to
11 figure CF-67. Collision coverage shows a frequency
12 selection of negative -1.54 percent in 2010 to 2023.

13 MS. CARA LOW: Correct.

14 MS. KARA MOORE: If we could go back
15 to figure CF-16, again with a basis of 2010 to 2023,
16 accident benefits weekly indemnity shows a frequency
17 selection of negative -1.57 percent.

18 MS. CARA LOW: Correct.

19 MS. KARA MOORE: If we could go back
20 to figure CF-30. With a basis of 2010 to 2023
21 accident benefits other indexed shows a frequency
22 selection of negative -2.9 percent.

23 MS. CARA LOW: Correct.

24 MS. KARA MOORE: If we could go back
25 to figure CF-102. Property damage third-party loss of

1 use, again, with a basis of 2010 to 2023 shows a
2 frequency selection of negative -2.31 percent.

3 MS. CARA LOW: Correct.

4 MS. KARA MOORE: And finally, if we
5 could go back to figure CF-113 with a basis of 2010 to
6 2023, property damage third-party deductible transfer
7 shows a frequency selection of negative -1.89 percent.

8 MS. CARA LOW: Correct.

9 MS. KARA MOORE: So now that we've had
10 an opportunity to re -- opportunity to re-cap these
11 frequency trends, I have a few follow-up questions.

12 So first, if these coverages that we
13 just went over have reducing frequencies over time,
14 would MPI expect that the three (3) coverages for
15 which a loss-cost approach was applied would also have
16 reducing frequencies over time?

17

18 (BRIEF PAUSE)

19

20 MS. ALINA ROGOZHNIKOVA: It's Alina
21 responding. For comprehensive coverage, frequency was
22 not reducing; in fact, we see about 5 percent increase
23 in frequency. Same for accident benefits other non-
24 indexed, it wasn't there using frequency. We saw
25 increases in most recent years.

1 MS. KARA MOORE: Thank you. Has MPI
2 considered looking at frequencies relative to
3 collision performing a trend exercise on the relative
4 frequency and then applying the resulting trend on top
5 of the collision trend?

6 MS. ALINA ROGOZHNIKOVA: We have not
7 considered it. And the reason for it is because the
8 relationship between collision coverage and the
9 coverage -- other coverages is not a stable ratio. So
10 not every collision claim would result in -- in claims
11 for other coverages.

12 And then it's going to be very
13 difficult to determine what the trend would be since
14 we have to make some sort of a judgment call about how
15 the relationship between collision and other coverage
16 is going to change.

17 Given our volume of data for other
18 coverages, it's -- it's much simpler for us to fit the
19 trends directly to the frequency for those coverages.

20 MS. KARA MOORE: Thank you. So, if we
21 could now go to Information Request PUB/CAC-1-4,
22 looking to question 'C'. Well, I guess you need the
23 context, so maybe just scroll up and you could just
24 review the question, please, just to yourself.

25

1 (BRIEF PAUSE)

2

3 MS. KARA MOORE: And this, of course,
4 was an Information Request directed at CAC, just to be
5 clear.

6

7 (BRIEF PAUSE)

8

9 MS. KARA MOORE: And if -- Ms.
10 Schubert, if you could scroll down to the response to
11 question 'C'. If you could just again read that to
12 yourself, and I'll have one (1) follow-up question.

13

14 (BRIEF PAUSE)

15

16 MS. KARA MOORE: And, Ms. Schubert, if
17 you could just scroll to the next page. Thanks.

18

19 (BRIEF PAUSE)

20

21 MS. KARA MOORE: I believe you may be
22 predicting my question, but having read Oliver Wyman's
23 response, does MPI have any additional views on the
24 use of this alternative approach to share?

25

MS. ALINA ROGOZHNIKOVA: We don't have

1 any additional to this response.

2 MS. KARA MOORE: Those are all my
3 questions. Thank you.

4 PANEL CHAIRPERSON: Thank you, Ms.
5 Moore. We'll take the morning break right now. I
6 wonder if Mr. Klassen, if Ms. Dilay could give us an
7 estimate of how long your questions might take.

8 MS. KATRINE DILAY: My best estimate
9 currently is around an hour and a half, maybe a bit
10 more.

11 PANEL CHAIRPERSON: Okay. Thank you
12 very much. Can we come back, please, at 10:35.

13

14 --- Upon recessing at 10:17 a.m.

15 --- Upon resuming at 10:37 a.m.

16

17 PANEL CHAIRPERSON: Okay. Thank you
18 very much. Sorry. As we just noticed, the system is
19 beeping once again. But we will go and if it starts
20 to beep, we'll just have to stop until it's concluded.

21 So, Ms. Dilay...?

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

24

25 CROSS-EXAMINATION BY MS. KATRINE DILAY:

1 MS. KATRINE DILAY: Good morning once
2 again, Ms. Low, and welcome to the other members. My
3 name is Katrine Dilay. I'm one of the lawyers for the
4 Manitoba branch of the Consumers' Association of
5 Canada, an Intervener in this proceeding.

6 I do have a number of questions for you
7 this morning. You'll agree MPI has sought a 3 percent
8 rate increase in this GRA?

9 MS. CARA LOW: Agreed.

10 MS. KATRINE DILAY: And this is
11 different than the indicated rate that was an increase
12 of 6.15 percent in the July 5th, 2024, filing,
13 correct?

14 MS. CARA LOW: That would be correct.

15 MS. KATRINE DILAY: And that was
16 updated to an increase of 6.77 percent in the October
17 15th rate update?

18 MS. CARA LOW: Correct.

19 MS. KATRINE DILAY: And at a high
20 level, you'll agree that MPI has provided a desire to
21 keep rates affordable as the justification for seeking
22 3 percent as opposed to the higher rate indication?

23 MS. CARA LOW: Agreed.

24 MS. KATRINE DILAY: And are you able
25 to indicate -- this might be a question for tomorrow's

1 panel and, if so, you can let me know. But was this
2 decision informed by the multiyear Strategic Plan that
3 was just filed earlier this week?

4 MS. CARA LOW: The five (5) year
5 strategy was finalized after the decision was made.

6 MS. KATRINE DILAY: Thank you. At a
7 high level, once again, you'll agree that in order to
8 -- to lower a rate indication, MPI can look to
9 increasing revenues other than premiums?

10 MS. CARA LOW: That would be something
11 we could consider, yes.

12 MS. KATRINE DILAY: And those other
13 revenues could include investment income, driver
14 premiums, and various fees?

15 MS. CARA LOW: They could be, yes.

16 MS. KATRINE DILAY: And again, at a
17 high level, in order to lower the rate indication, MPI
18 can also look to reduce or mitigate costs such as
19 operating costs and claims incurred?

20 MS. CARA LOW: Lower expenses and
21 lower claims would reduce the AAP, yes.

22 MS. KATRINE DILAY: And again, at a
23 high level, you'll agree that if changes are made to
24 economic and claims development assumptions based on
25 new or changing information that MPI obtains, this

1 could lead to changes in the rate indication?

2 MS. CARA LOW: There's always new
3 information being gathered.

4 MS. KATRINE DILAY: And that new
5 information could lead to --

6 MS. CARA LOW: It could.

7 MS. KATRINE DILAY: -- a different
8 rate --

9 MS. CARA LOW: It may or may not
10 depending on the information.

11 MS. KATRINE DILAY: And you'll agree
12 that MPI has not filed in this proceeding a revised
13 claims forecast which lowered the rate indication to
14 the requested rate of 3 percent?

15 MS. CARA LOW: We did not revise the
16 claims forecast in the October update.

17 MS. KATRINE DILAY: And MPI has not
18 provided any...

19

20 (AUDIO CUTS OUT)

21

22 PANEL CHAIRPERSON: Sorry. Please
23 continue.

24 MS. KATRINE DILAY: Thank you.

25

1 CONTINUED BY MS. KATRINE DILAY:

2 MS. KATRINE DILAY: I have a few
3 questions that are meant to confirm MPI's procedure
4 for developing the future accident year claim
5 projections just to sort of set the stage for some of
6 my next more detailed questions.

7 So, at a high level, you'll agree that
8 MPI estimates average claim costs for the 2025/'26
9 rating year based on its projections for accident
10 years between April 1, 2025, and April 1, 2026?

11 MS. CARA LOW: Correct.

12 MS. KATRINE DILAY: And at a high
13 level, you'll agree that for each coverage MPI
14 develops trends based on the results of a regression
15 analysis of adjusted historical loss costs?

16 MS. CARA LOW: Correct.

17 MS. KATRINE DILAY: And just to define
18 some of those terms that I've used given that we're
19 not all actuaries, including myself, you'll agree that
20 a regression analysis is a statistical method that
21 attempts to determine the strength and character of
22 the relationship between one (1) dependent variable
23 and one (1) or more independent variable?

24 MS. CARA LOW: Correct.

25 MS. KATRINE DILAY: And one (1)

1 example of a dependent variable would be frequency?

2 MS. CARA LOW: Yes.

3 MS. KATRINE DILAY: And another

4 example would be severity?

5 MS. CARA LOW: Correct.

6 MS. KATRINE DILAY: And an example of

7 an independent variable could be time?

8 MS. CARA LOW: Correct.

9 MS. KATRINE DILAY: And a regression

10 model is able to show whether changes we see in a

11 dependent variable are associated with changes in one

12 (1) or more of the independent variables?

13 MS. CARA LOW: Correct.

14 MS. KATRINE DILAY: And the regression

15 model does this by essentially fitting a best fit line

16 and seeing how the data is disbursed around this line?

17 MS. CARA LOW: Correct.

18 MS. KATRINE DILAY: In order for

19 regression results to be properly interpreted, you'll

20 agree that there are several assumptions about the

21 data and the model itself that have to be made?

22 MS. CARA LOW: Yes.

23 MS. KATRINE DILAY: And I believe we

24 already confirmed that from MPI's regression analysis

25 trend factors are developed, correct?

1 MS. CARA LOW: Trend rates, yes.

2 MS. KATRINE DILAY: And the trend
3 rates that MPI develops from the results of the
4 regression analysis provides a measure of change over
5 time?

6 MS. CARA LOW: Agreed.

7 MS. KATRINE DILAY: And so, the trend
8 factor is, essentially, telling the general direction
9 and magnitude that the data is taking during a
10 specified period of time?

11 MS. CARA LOW: Correct.

12 MS. KATRINE DILAY: And MPI developed
13 a past trend as well as a future trend, correct?

14 MS. CARA LOW: That is correct.

15 MS. KATRINE DILAY: And for the past
16 trend, the data and the experience period under
17 consideration reflects observed changes and cost
18 conditions that have taken place?

19 MS. CARA LOW: Correct.

20 MS. KATRINE DILAY: And the future
21 trend reflects changes in cost conditions that are
22 expected to occur between the end of the experience
23 period and the period the new premiums will be in
24 effect?

25 MS. CARA LOW: Correct.

1 MS. KATRINE DILAY: MPI relies on
2 regression analysis to determine past trend rates
3 applicable to the cost level changes occurring during
4 the experience period?

5 MS. CARA LOW: Correct.

6 MS. KATRINE DILAY: And past trends
7 are required to trend the -- the relevant experience
8 period to the common accident year's cost level?

9 MS. CARA LOW: Correct. Yes.

10 MS. KATRINE DILAY: And in this
11 General Rate Application, that would be accident year
12 2023?

13 MS. CARA LOW: Yes.

14 MS. KATRINE DILAY: And selected
15 accident year weights are then applied to derive a
16 weighted average loss cost, correct?

17 MS. CARA LOW: True.

18 MS. KATRINE DILAY: Then MPI must
19 select the future trend, correct?

20 MS. CARA LOW: Correct.

21 MS. KATRINE DILAY: And the first step
22 of how MPI selects the future trend is the selected
23 past trend based on the regression analysis?

24 MS. CARA LOW: Past trend brings it up
25 to current level, and then we apply future trends.

1 MS. KATRINE DILAY: And in order to
2 apply -- or to -- to determine that future trend, MPI
3 assesses additional information that would be
4 available and which provides guidance on future cost
5 levels?

6 MS. CARA LOW: Correct. We look at
7 the historical trend. But we also look at other
8 internal and external information.

9 MS. KATRINE DILAY: And in some cases,
10 actuarial judgment is applied to select a more
11 appropriate future trend rate for the forecast period,
12 correct?

13 MS. CARA LOW: Trend selection is an
14 art and science.

15 MS. KATRINE DILAY: Including
16 actuarial judgment?

17 MS. CARA LOW: Including judgment,
18 yes.

19 MS. KATRINE DILAY: And in this year's
20 GRA MPI applies a plus 0.74 percent future work-from-
21 home adjustment, correct?

22 MS. CARA LOW: Correct.

23 MS. KATRINE DILAY: And MPI developed
24 the work-from-home adjustment based on survey data
25 related to changing commuting patterns relative to

1 2023?

2 MS. CARA LOW: Yes.

3 MS. KATRINE DILAY: And so, just to
4 break down what that 0.74 percent means, essentially,
5 the 0.74 percent future work-from-home adjustment
6 tells us that Manitobans are driving slightly more
7 compared to 2023, correct?

8 MS. CARA LOW: One minute, please.
9 Confirmed. Yes.

10 MS. KATRINE DILAY: And you'll confirm
11 that MPI estimates no change in work from home between
12 2024 and 2025 and subsequent years, correct?

13 MS. CARA LOW: It's consistent into
14 the future periods.

15 MS. KATRINE DILAY: And for
16 Comprehensive coverage MPI applies a hail load to its
17 loss costs which exclude hail claims?

18 MS. CARA LOW: Yes, that is correct.

19 MS. KATRINE DILAY: Then MPI applies
20 future trend factors to its final projected accident
21 year 2023 loss costs to project loss costs for
22 accident years 2025 -- sorry, 2024/'25 through
23 2028/'29?

24 MS. CARA LOW: Yes.

25 MS. KATRINE DILAY: And we can go to a

1 reference if -- if you need. But you'll agree that
2 MPI stated in its Application that strike action from
3 August 28 to November 3rd, 2023, resulted in
4 significant labour interruptions to MPI's day-to-day
5 operational processes? Would you like to see the --

6 MS. CARA LOW: Subject to check, but I
7 believe that would be valid.

8 MS. KATRINE DILAY: And so, you'll
9 agree that in consideration of that labour
10 interruption, MPI did not consider 2023 in the
11 collision and property damage deductible transfer loss
12 trend models, correct?

13 MS. CARA LOW: Correct.

14 MS. KATRINE DILAY: So, now I'll have
15 a few relatively detailed questions on a few different
16 areas of coverage. I have some questions first
17 regarding MPI's claims forecasting for accident
18 benefits weekly indemnity claim.

19 So, if we could turn to the GRA claims
20 forecasting appendix 3(a), which was one of the
21 electronic attachments to the GRA. Thank you. And
22 specifically, tab 3(a)(1), table 1. Thank you, Ms.
23 Schubert.

24 And so, you'll agree that the
25 information in this document provides the underlying

1 data for MPI's development of the trend for accident
2 benefits weekly indemnity frequency? That's what we
3 see at the top, was the frequency data?

4 MS. CARA LOW: Right.

5 MS. KATRINE DILAY: And going down to
6 line 47 of this Excel document, MPI indicates there
7 that the current method which -- and current method
8 refers to this GRA, correct?

9 MS. CARA LOW: Yes.

10 MS. KATRINE DILAY: MPI indicates
11 there that the current method is the trend is based on
12 fourteen (14) years of data starting 2010 and ending
13 in 2023, correct?

14 MS. CARA LOW: Correct.

15 MS. KATRINE DILAY: And if we go a bit
16 lower on this document to line 75, this is where we
17 find the underlying data for MPI's development of the
18 trend for weekly indemnity severity?

19 MS. CARA LOW: Correct.

20 MS. KATRINE DILAY: And if we look to
21 line 113, MPI indicates there that the current method
22 is that the trend is based on eleven (11) years of
23 data starting in 2013 and ending in 2023, correct?

24 MS. ALINA ROGOZHNIKOVA: It's twelve
25 (12) years of data starting 2012 and ending 2023.

1 MS. KATRINE DILAY: Thank you. Twelve
2 (12) years of data starting in 2012, ending in 2023,
3 correct?

4 MS. ALINA ROGOZHNIKOVA: Correct.

5 MS. KATRINE DILAY: And so, to
6 confirm, the time period selected for severity and
7 frequency for accident benefits weekly indemnity are
8 different, one being 2010 to 2023 and the other one
9 being 2012 to 2023, correct?

10 MS. ALINA ROGOZHNIKOVA: Correct.

11 MS. KATRINE DILAY: And at a high
12 level, you'll agree that if MPI had chosen to use the
13 2010 to 2023 time period for severity rather than
14 starting in 2013 -- pardon me, rather than starting in
15 2012, the fit or regression coefficient would be
16 different, correct?

17 MS. ALINA ROGOZHNIKOVA: Correct.

18 MS. KATRINE DILAY: You'll agree, at a
19 high level, that frequency and severity are not
20 entirely independent variables?

21 MS. ALINA ROGOZHNIKOVA: At the high
22 level, yes.

23 MS. KATRINE DILAY: And given this,
24 you will also agree that if you use different time
25 periods, you may capture some effects in one model,

1 whether it be severity or frequency, but not the
2 dependent effect in the other model.

3 MS. ALINA ROGOZHNIKOVA: There is a
4 possibility.

5 MS. KATRINE DILAY: There is what,
6 sorry?

7 MS. ALINA ROGOZHNIKOVA: There is a
8 possibility, yes.

9 MS. KATRINE DILAY: Thank you.

10

11 (BRIEF PAUSE)

12

13 MS. KATRINE DILAY: Thank you. My
14 apologies, Ms. Schubert, I think I had the wrong
15 reference for this in my notes, but if we could turn
16 to tab 3B-1 in this same document. Thank you.

17 And so, you'll agree that, at the top
18 of the page here, the information provides the
19 underlying data for MPI's development of the trend for
20 Accident Benefits Other?

21 MS. ALINA ROGOZHNIKOVA: For the
22 indexed, yes.

23 MS. KATRINE DILAY: Thank you. And at
24 the top there, we have the frequency information,
25 correct?

1 MS. ALINA ROGOZHNIKOVA: Correct.

2 MS. KATRINE DILAY: And if we look at
3 line 47 of this document, MPI indicates there that the
4 current method is that the trend is based on fourteen
5 (14) years of data starting in 2010 and ending in
6 2023, correct?

7 MS. ALINA ROGOZHNIKOVA: Correct.

8 MS. KATRINE DILAY: And a bit lower on
9 this document, starting at line 75, this is where we
10 find the underlying data for MPI's development of the
11 trend for weekly indemnity severity?

12 MS. ALINA ROGOZHNIKOVA: Accident
13 benefits are the indexed severity.

14 MS. KATRINE DILAY: Thanks very much
15 for correcting me. This is -- so this is where we
16 find the underlying data for MPI's development of the
17 trend for Accident Benefits Other severity?

18 MS. ALINA ROGOZHNIKOVA: Yes.

19 MS. KATRINE DILAY: And if we look at
20 line 113, MPI indicates here that the current method
21 is that the trend is based on eleven (11) years of
22 data starting in 2012 and ending in 2023, excluding
23 2020, correct?

24 MS. ALINA ROGOZHNIKOVA: This is
25 correct.

1 MS. KATRINE DILAY: And so, to
2 confirm, similar to the previous document we saw for
3 accident benefits, weekly indemnity, MPI here is using
4 different time periods for severity and frequency, one
5 being 2010 to 2023 and the other being 2013 (sic) to
6 2023, correct?

7 MS. ALINA ROGOZHNIKOVA: 2012 to 2023,
8 yes, but it's correct, just different time periods.

9 MS. KATRINE DILAY: And at a high
10 level, you'll agree that, if the same time period was
11 considered for frequency like it was for -- sorry, for
12 frequency and severity, the fit or regression
13 coefficient would be different?

14 MS. ALINA ROGOZHNIKOVA: Correct.

15 MS. CARA LOW: Could I just add that
16 the MPI actuarial team does believe that we could use
17 different periods for severity and frequency because
18 there are different stories to be told, and it doesn't
19 have to be the same trend period.

20

21 (BRIEF PAUSE)

22

23 MS. KATRINE DILAY: Thank you, Ms.
24 Low. Could we turn to again the same document, but
25 looking to tab 3C. And again, this document is the

1 Claims Forecasting, Appendix 3A.

2 And so here we see the underlying data
3 for MPI's development of the trend for Accident
4 Benefits, Other, non-indexed, correct?

5 MS. ALINA ROGOZHNIKOVA: Correct.

6 MS. KATRINE DILAY: And if we go down
7 to line 51 -- thank you. And I'd like to focus at the
8 -- on the graph that starts at line 51.

9 Do you see that graph before you?

10 MS. ALINA ROGOZHNIKOVA: Yes.

11 MS. KATRINE DILAY: And if we look to
12 -- between the years 2014 and 2016, you'll agree that
13 the data there is increasing, correct?

14 MS. ALINA ROGOZHNIKOVA: Yes.

15 MS. KATRINE DILAY: And if we look to
16 the years 2016 to 2020, the data is decreasing,
17 correct?

18 MS. ALINA ROGOZHNIKOVA: Correct.

19 MS. KATRINE DILAY: And from 2020 to
20 2023, the data is increasing once again, correct?

21 MS. ALINA ROGOZHNIKOVA: Correct.

22 MS. KATRINE DILAY: Would you agree
23 that the term 'cyclicality' refers to cycles where the
24 data exhibits rises and falls?

25 MS. ALINA ROGOZHNIKOVA: Yes. The

1 term is referring to that, but I don't believe I see a
2 cyclical in this graph.

3 MS. KATRINE DILAY: But you do agree
4 that, in the graph before us, the data rose then fell
5 then rose again, correct?

6 MS. ALINA ROGOZHNIKOVA: Correct.

7 MS. KATRINE DILAY: And it is possible
8 that the data will soon fall again, given -- given the
9 -- the rises and falls that we see since 2014,
10 correct?

11 MS. ALINA ROGOZHNIKOVA: It is a
12 possibility.

13 MS. KATRINE DILAY: And you'll agree
14 that, in this case, MPI's model fit to loss-cost data
15 -- fit to loss-cost data for 2019 to 2023, and so
16 extrapolates the frequency increases, correct?

17 MS. ALINA ROGOZHNIKOVA: That is
18 correct if we fit the data. We do not fit -- we do
19 not fit the model to the frequency data for Accident
20 Benefits, Non-other (phonetic). We use a loss-cost
21 data for the trending selection.

22

23 (BRIEF PAUSE)

24

25 MS. KATRINE DILAY: Thank you. We'll

1 go -- we'll stay on the same document and move to tab
2 3F.

3

4 (BRIEF PAUSE)

5

6 MS. KATRINE DILAY: And this is where
7 we see the underlying data for MPI's development of
8 the trend for Comprehensive claims, correct?

9 MS. ALINA ROGOZHNIKOVA: Correct.

10 MS. KATRINE DILAY: And if we go down
11 to line 138, this is where we see the information
12 relating to the loss cost, correct?

13 MS. ALINA ROGOZHNIKOVA: Correct.

14 MS. KATRINE DILAY: And if we go down
15 to line 180, this is where we see the loss cost and
16 the trend, correct?

17 MS. ALINA ROGOZHNIKOVA: Correct.

18 MS. KATRINE DILAY: And so, the black
19 line is the adjusted loss cost?

20 MS. ALINA ROGOZHNIKOVA: Correct.

21 MS. KATRINE DILAY: And it's adjusted
22 to take into account the one-time changes to the CERP,
23 correct?

24 MS. ALINA ROGOZHNIKOVA: Correct.

25 MS. KATRINE DILAY: And if we look at

1 the black line specifically between the years 2021 and
2 2022, you'll confirm that there's a sharp increase,
3 correct?

4 MS. ALINA ROGOZHNIKOVA: Correct.

5 MS. KATRINE DILAY: And then you'll
6 agree that the increase between 2022 and 2023 is not
7 as sharp, correct?

8 MS. ALINA ROGOZHNIKOVA: Correct.

9 MS. KATRINE DILAY: And if we look at
10 the yellow line, you'll agree that's the loss trend?

11 MS. ALINA ROGOZHNIKOVA: Yes. It is
12 the view of the fitted values using the loss trend.

13 MS. KATRINE DILAY: And that yellow
14 line is continuous from 2017 to 2023, correct?

15 MS. ALINA ROGOZHNIKOVA: Yes.

16 MS. KATRINE DILAY: You'll agree that
17 the highest inflation rates were around 2021 and 2022?

18

19 (BRIEF PAUSE)

20

21 MS. ALINA ROGOZHNIKOVA: Yeah.

22 Inflation peaked in 2022.

23 MS. KATRINE DILAY: Thank you.

24 MS. ALINA ROGOZHNIKOVA: Yeah.

25 MS. KATRINE DILAY: And you'll agree

1 that there is a correlation between inflation and
2 claims costs?

3 MS. ALINA ROGOZHNIKOVA: There would
4 be some level of correlation. However, for -- for
5 something like a Comprehensive coverage, it comprised
6 a number of perils. So, some -- for -- for some
7 perils, repair claims are more dominant, while for
8 others a total loss is more dominant.

9 So, inflation is going to impact
10 different components differently and -- and mix of
11 perils in a particular year would determine how much
12 the cost will increase by.

13 MS. KATRINE DILAY: Thank you. That's
14 very helpful and so I -- and I think you said this at
15 the beginning of your response, but there's some level
16 of correlation between the two (2)?

17 MS. ALINA ROGOZHNIKOVA: Yes, there
18 would be some level.

19 MS. KATRINE DILAY: And what that
20 means would be that when inflation increases, claim
21 cost -- claims costs would also increase subject to
22 the comments that you mentioned relating to the
23 different perils and the impacts.

24 MS. ALINA ROGOZHNIKOVA: Yes.

25 MS. KATRINE DILAY: And so, you'll

1 agree that the high inflation levels that were
2 temporary, peaking around 2022?

3 MS. ALINA ROGOZHNIKOVA: Yes.

4 MS. KATRINE DILAY: And that peak
5 inflation has now receded and is almost back to target
6 level. Correct?

7 MS. ALINA ROGOZHNIKOVA: Correct.

8

9 (BRIEF PAUSE)

10

11 MS. KATRINE DILAY: Thank you for
12 that. Some of my questions were already addressed by
13 My Friend Ms. Moore this morning, so I'll move on to a
14 different tab in this document and we're almost done
15 in this particular document.

16 If we could go to tab 3G. So, you'll
17 agree the information in this document provides the
18 underlying data for MPI's development of the trend for
19 property damage third-party loss of use?

20 MS. ALINA ROGOZHNIKOVA: Correct.

21 MS. KATRINE DILAY: And if we look at
22 line 46 of this document, MPI indicates there that the
23 current method is that the trend is based on eleven
24 (11) years of data starting in 2012 and ending in
25 2022. Correct?

1 MS. ALINA ROGOZHNIKOVA: Correct.

2 MS. KATRINE DILAY: And if we go a bit
3 lower to line 75, this is where we find the underlying
4 data for the development of the trend for weekly
5 indemnity severity?

6 MS. ALINA ROGOZHNIKOVA: For property
7 damage --

8 MS. KATRINE DILAY: My apologies, for
9 property damage severity. Correct?

10 And if we look at line 113, MPI
11 indicates there that the current method is, that the
12 trend is based on ten (10) years of data starting in
13 2013 and ending in 2022. Correct?

14 MS. ALINA ROGOZHNIKOVA: Correct.

15 MS. KATRINE DILAY: And so, to
16 confirm, MPI is using different time periods for
17 severity and frequency for property damage third-party
18 loss of use?

19 MS. ALINA ROGOZHNIKOVA: Yes.

20 MS. KATRINE DILAY: And again, at a
21 high level, you'll agree that if the 2013 to 2022 time
22 period was considered for frequency, like it was for
23 severity, the fit or regression coefficient would be
24 different. Correct?

25 MS. ALINA ROGOZHNIKOVA: Correct.

1 MS. KATRINE DILAY: If we move to tab
2 3H. So, you'll agree here the information provides
3 the underlying data for MPI's development of the trend
4 for property damage third-party deductible transfer?

5 MS. ALINA ROGOZHNIKOVA: Yes.

6 MS. KATRINE DILAY: And starting at
7 line 9, that's where we see the data for the frequency
8 trend.

9 MS. ALINA ROGOZHNIKOVA: Correct.

10 MS. KATRINE DILAY: And if we go down
11 to around line 49 that's where the frequency data and
12 loss trend are represented in a graph. Correct?

13 MS. ALINA ROGOZHNIKOVA: Correct.

14 MS. KATRINE DILAY: And if we look at
15 the black dotted line, that would be the adjusted
16 frequency. Correct?

17 MS. ALINA ROGOZHNIKOVA: Black line,
18 yes.

19 MS. KATRINE DILAY: And so, looking at
20 that black line, you'll agree that visually there is
21 if -- if we look between 2014 until about 2019, there
22 is a flatter trend appearing as compared to the data
23 before and after this period. Correct?

24 MS. ALINA ROGOZHNIKOVA: Yes, visually
25 it looks flatter.

1 MS. KATRINE DILAY: Then going down to
2 line approximately -- approximately line 75, that's
3 where we see the data for the severity trend.

4 Correct?

5 MS. ALINA ROGOZHNIKOVA: Correct.

6 MS. KATRINE DILAY: Then around line
7 116 we see the data -- severity data represented in a
8 graph. Correct?

9 MS. ALINA ROGOZHNIKOVA: Correct.

10 MS. KATRINE DILAY: And similarly,
11 here if we look between 2014 and 2020 for the black
12 line, you'll see that the line is almost flat with the
13 exception of a bump in 2018. Correct?

14 MS. ALINA ROGOZHNIKOVA: Correct.

15 MS. KATRINE DILAY: And looking at,
16 again, the black line on this graph, the highest year
17 on the graph is 2023. Correct?

18 MS. ALINA ROGOZHNIKOVA: Correct.

19 MS. KATRINE DILAY: And 2023 would
20 appear to be an outlier when compared to the three (3)
21 most recent years being 2020, 2021 and 2022.

22 MS. ALINA ROGOZHNIKOVA: It appears,
23 yes.

24 MS. KATRINE DILAY: And, in fact, MPI
25 removed 2023 from its regression trend model.

1 Correct?

2 MS. ALINA ROGOZHNIKOVA: Yes. I
3 believe there is some impact of labour interaction in
4 this year.

5 MS. KATRINE DILAY: And you'll agree
6 that MPI's approach to its selected regression model,
7 time periods for both severity and frequency, start in
8 2010. Correct?

9

10 (BRIEF PAUSE)

11

12 MS. ALINA ROGOZHNIKOVA: Sorry, can
13 you please scroll up.

14 MR. ANTHONY GUERRA: Keep -- keep
15 scrolling up please. Thank you.

16 MS. ALINA ROGOZHNIKOVA: Yes, they
17 both start in 2010.

18

19 CONTINUED BY MS. KATRINE DILAY:

20 MS. KATRINE DILAY: Thank you. And I
21 should have confirmed those with you, so my apologies.

22 And so given that MPI's model selects
23 the time periods starting in 2010, MPI's model does
24 not fully recognize the flatter trend between 2014 and
25 approximately 2019/2020.

1 Would you agree with that?

2 MS. ALINA ROGOZHNIKOVA: Yes, but
3 looking at the long-term trend for this coverage.

4 MS. KATRINE DILAY: And you'll agree
5 that one way of recognizing the flatter trend, between
6 2014 and 2019 would be to exclude the 2010 through
7 2013 accident years for both severity and frequency.

8 That would be one way of doing it?

9 MS. ALINA ROGOZHNIKOVA: Excluding the
10 years both 2010 to 2013 would give a -- flatter trend
11 yes.

12 MS. KATRINE DILAY: And the last tab
13 in this document that we'll look at is tab 3I.

14 So, you'll agree the information in
15 this document provides the underlying data for MPI's
16 development of the trend for property damage other?

17 MS. ALINA ROGOZHNIKOVA: Yes.

18 MS. KATRINE DILAY: And if we look,
19 starting at line 9, that's the underlying data for the
20 frequency trend. Correct?

21 MS. ALINA ROGOZHNIKOVA: Correct.

22 MS. KATRINE DILAY: And looking at the
23 graph that is just under this information and focusing
24 on the black line, that's the adjusted ultimate
25 frequency?

1 MS. ALINA ROGOZHNIKOVA: Correct.

2 MS. KATRINE DILAY: And you'll agree
3 that from 2017 to 2023, visually we can observe a
4 negative trend. Correct?

5 MS. ALINA ROGOZHNIKOVA: Correct.

6 MS. KATRINE DILAY: With the exception
7 of 2018 where there's a spike. And sorry, that --
8 that should be 2021 where there's a spike.

9 MS. ALINA ROGOZHNIKOVA: Yes.

10 MS. KATRINE DILAY: Thank you. And
11 looking at the loss cost trend graph which starts at
12 line 180, you'll agree that MPI's approach to its
13 selected time periods is from 2010 to 2023?

14 MS. ALINA ROGOZHNIKOVA: That is
15 correct.

16 MS. KATRINE DILAY: And so MPI's
17 approach does not recognize the change in trend
18 beginning in 2017. Correct?

19 MS. ALINA ROGOZHNIKOVA: We -- we
20 (INDISCERNIBLE) to the loss cost model, so we -- we do
21 not see a -- a -- necessarily change in trend from
22 2017, well, actually we do. Sorry, yes.

23 MS. KATRINE DILAY: Sorry, maybe we'll
24 just clarify. So, do you agree that MPI's approach
25 does not recognize the change in trend beginning in

1 2017?

2

3

(BRIEF PAUSE)

4

5 MS. ALINA ROGOZHNIKOVA: Sorry, yes.

6 So, if we fit the trend on the loss-cost basis from

7 2017, we will see a more negative trend, yes.

8

9 MS. KATRINE DILAY: Thank you. So,
10 we're done in this document for this morning. I'd
11 like to take you to a few findings within the Ernst &
12 Young report. And that was an electronic attachment
13 to the GRA final -- financial forecasting, attachment
14 A.

15 Do you see that on the screen before
16 you?

17 MS. CARA LOW: I do.

18 MS. KATRINE DILAY: And if we could
19 please -- please turn -- turn to page 28. And if we
20 look to the third bullet on the left-hand side of the
21 page, you see there that Ernst & Young found that
22 inputs and assumptions used for the forecast are not
23 centralized in one's software tool.

24 MPI uses a forecasting model built in a
25 spreadsheet that centralizes the inputs like claims
forecast, investment income and premiums; however --

1 however, none of the underlying assumptions which
2 drive the numbers are stored within that finding.

3 You see that finding?

4 MS. CARA LOW: I do see that.

5 MS. KATRINE DILAY: And so, would it
6 be your understanding here that Ernst & Young is
7 identifying possible improvements for MPI's
8 forecasting processes specifically in the form of a
9 more sophisticated approach to centralizing
10 forecasting inputs as well as the underlying
11 assumptions?

12 MS. CARA LOW: My understanding here
13 is they're talking about the financial forecasting
14 model which was yesterday's panel which takes inputs
15 from the actuaries from the investment team, and they
16 put it together to come up with the proformas. It's
17 not talking specifically about the claim forecasting.

18 MS. KATRINE DILAY: And I'm not sure
19 if you can speak to this, but at a high level, is --
20 is this specific finding by Ernst & Young something
21 that MPI is looking to improve upon?

22

23 (BRIEF PAUSE)

24

25 MS. CARA LOW: A -- sorry -- a review

1 of the financial forecasting model is currently on the
2 internal audit plan.

3 MS. KATRINE DILAY: Thank you. And
4 are you aware that some of the improvements that MPI
5 may be considering as it relates to -- to this finding
6 may not be possible until NOVA is operational?

7 MS. CARA LOW: That is my
8 understanding.

9 MS. KATRINE DILAY: And it would be
10 fair to -- to expect MPI to report back on potential
11 improvements and timelines in the next GRA?

12

13 (BRIEF PAUSE)

14

15 MS. CARA LOW: Not in time for the
16 next GRA.

17 MS. KATRINE DILAY: Thank you. If we
18 could go to page 64 of the same report. And looking
19 to -- under 'Observations', and specifically the
20 middle row. Could I ask you to review that paragraph
21 that starts with, "There are blurred lines," as well
22 as review the paragraph just to the right of it
23 starting with, "Codeveloping?" And I'll give you a
24 minute to review.

25

1 (BRIEF PAUSE)

2

3 MS. KATRINE DILAY: And so, is it your
4 understanding here that Ernst & Young is identifying
5 an improvement opportunity in collaboration between
6 the financial and actuarial investment and risk
7 divisions?

8 MS. CARA LOW: Yes, that is my
9 understanding.

10 MS. KATRINE DILAY: And this is
11 something that MPI is looking to improve upon?

12 MS. CARA LOW: Yes.

13 MS. KATRINE DILAY: And could we
14 expect MPI to report back on potential improvements as
15 it relates to these observations and insights in the
16 next GRA?

17 MS. CARA LOW: One moment.

18

19 (BRIEF PAUSE)

20

21 MS. CARA LOW: There is a new director
22 of P&A that will be starting later this month, so
23 there will be some progress made. And we also have
24 made some strides in signoffs between the two (2)
25 teams to ensure that actuarial and investment inputs

1 are being consumed by the financial forecasting team.

2 But we can continue to improve and
3 bring updates to this forum.

4 MS. KATRINE DILAY: Thank you. And I
5 -- I believe you referred to FP&A?

6 MS. CARA LOW: Yeah, financial
7 planning and analysis.

8 MS. KATRINE DILAY: Thank you. If we
9 could turn to Information Request CAC/MPI 2017. I
10 just have a few clarifying questions here. And if we
11 go to the response to part E, which is at the bottom
12 of page 4.

13 So, at a high level, you'll confirm
14 your understanding that this IR response refers to
15 MPI's suggestion to produce rolling forecasts?

16 MS. CARA LOW: That is my
17 understanding.

18 MS. KATRINE DILAY: And again, at a
19 high level, those would -- those rolling forecasts are
20 essentially updated forecasts each month by
21 department?

22 MS. CARA LOW: That is what I see on
23 the screen.

24 MS. KATRINE DILAY: And if we look
25 specifically to the end of this response at the bottom

1 of the page, MPI put in parentheses there:

2 "MPI would like to do this with an
3 updated quarterly claims forecast,
4 as well."

5 You see that?

6 MS. CARA LOW: I do see that.

7 MS. KATRINE DILAY: Is it your
8 understanding that in the past, MPI used to update the
9 claims forecast quarterly?

10 MS. CARA LOW: Not in my time at MPI.
11 But we are currently looking at updating it three (3)
12 times a year, so on a quarterly basis excluding Q1;
13 that is our plan.

14 MS. KATRINE DILAY: And so, you're not
15 aware whether MPI used to do that before your tenure?

16 MS. CARA LOW: I'm not aware. Okay.
17 Back row says, yes, we used to do that.

18 MS. KATRINE DILAY: Thank you. And
19 so, just to walk through the steps for my benefit, of
20 the "I used to do it," could we take from this
21 Information Response to mean that MPI no longer does
22 it currently?

23 MS. CARA LOW: We're doing it twice a
24 year right now.

25 MS. KATRINE DILAY: And do you know

1 why the practice changed?

2 MS. CARA LOW: I cannot say.

3 MS. KATRINE DILAY: Do you agree that
4 there are advantages to having more regularly updated
5 claims forecasts?

6 MS. CARA LOW: Yes.

7 MS. KATRINE DILAY: And could one (1)
8 advantage be that the forecasts are up-to-date as
9 possible when setting rates?

10 MS. CARA LOW: That would be one
11 advantage, and also just understanding our financial
12 situation.

13 MS. KATRINE DILAY: And -- and another
14 example could be being made aware of unexpected
15 changes in claims costs earlier and better being able
16 to control or mitigate increasing claims costs?

17 MS. CARA LOW: Agreed.

18 MS. KATRINE DILAY: It could help the
19 claims operational team see whether assumptions are
20 accurate or if changes are needed or action needs to
21 be taken to stay within the assumptions?

22

23 (BRIEF PAUSE)

24

25 MR. JOHN BOWERING: John Bowering

1 here. I think it's a collaborative effort of
2 gathering the numbers first, then working with
3 operations to interpret those numbers and then
4 updating the forecast based on those numbers.

5 MS. KATRINE DILAY: Thank you. And
6 I'll just go back to the question just to -- 'cause
7 I'm not --

8 MR. JOHN BOWERING: Sorry.

9 MS. KATRINE DILAY: -- quite --

10 MR. JOHN BOWERING: Sorry.

11 MS. KATRINE DILAY: -- sure if we
12 received an answer. But could an example of an
13 advantage of those more regularly updated claims
14 forecast -- could one advantage be being made aware of
15 unexpected changes and better being able to control or
16 mitigate increase in claims costs?

17 MR. JOHN BOWERING: Yeah. Again, it
18 could even before that as operations is monitoring the
19 numbers, and then the formal forecast gets put
20 together. But, yes, it wouldn't hurt.

21 MS. KATRINE DILAY: Could it help the
22 claims -- sorry. And it could help the operational
23 team see whether action needs to be taken to stay
24 within assumptions?

25 MR. JOHN BOWERING: Yeah. Again,

1 there's that cause-and-effect piece there, but yes.

2 MS. KATRINE DILAY: And that could
3 help to control claims costs?

4 MR. JOHN BOWERING: Yeah.

5 MS. KATRINE DILAY: And updating the
6 claims forecast on a more regular basis would allow
7 MPI to see the variance between budget and actual and
8 explore the drivers of the variants?

9 MS. CARA LOW: Yes.

10 MS. KATRINE DILAY: Thank you. We'll
11 switch gears a little bit here. At a high level,
12 you'll agree that one of MPI's objectives is to keep
13 rates affordable for Manitobans?

14 MS. CARA LOW: Agreed.

15 MS. KATRINE DILAY: You'll agree that
16 one way for MPI to keep rates affordable for
17 Manitobans is to make efforts to mitigate increases in
18 claims costs?

19 MS. CARA LOW: Agreed.

20 MS. KATRINE DILAY: And at a high
21 level, you'll agree there are multiple tools that can
22 be used by MPI to contain or mitigate increases in
23 claims costs?

24 MR. JOHN BOWERING: John here.

25 Agreed.

1 MS. KATRINE DILAY: You'll agree that,
2 in order for these tools to be effective, it's
3 important for MPI to understand the drivers of
4 increases in claims costs?

5 MR. JOHN BOWERING: Absolutely.

6 MS. KATRINE DILAY: And you'll agree
7 that a strategic approach to containing claims costs
8 is desirable?

9 MR. JOHN BOWERING: Agreed.

10 MS. KATRINE DILAY: And you'll agree
11 that containing claims costs should not just fall to
12 the actuarial division, but should be integrated to
13 other divisions within the Corporation?

14 MR. JOHN BOWERING: Absolutely.

15 MS. KATRINE DILAY: You'll agree that
16 increases in the forecast for claims costs are the
17 primary driver of MPI's rate indication this year?

18 MR. JOHN BOWERING: Sorry. Could you
19 say that one more time?

20 MS. KATRINE DILAY: You'll agree that
21 increases in the forecast for claims costs is the
22 primary driver of MPI's rate indication this year?

23 MS. CARA LOW: Agreed.

24 MS. KATRINE DILAY: And at a high
25 level, you'll agree that this year MPI has identified

1 recent inflation as a key driver of increases in
2 claims costs?

3

4 (BRIEF PAUSE)

5

6 MS. CARA LOW: Among other factors.

7 MS. KATRINE DILAY: And in particular,
8 Manitoba experienced a rapid increase in auto parts
9 prices and other vehicle repair costs since June 2021,
10 correct?

11 MR. JOHN BOWERING: There have been
12 increases, yes.

13 MS. KATRINE DILAY: Which has put cost
14 pressure on vehicle repair severity, correct?

15 MR. JOHN BOWERING: It's amongst other
16 things, but yes.

17

18 (BRIEF PAUSE)

19

20 MS. KATRINE DILAY: And just to dig a
21 little bit in terms of the tools that can be used by
22 MPI to contain claims costs, at a high level, you'll
23 agree that spending on road safety initiatives is one
24 tool that MPI uses to reduce claims costs?

25 MR. JOHN BOWERING: Yes.

1 MS. KATRINE DILAY: And that's because
2 road safety initiatives can reduce the number of
3 collisions and subsequent claims?

4 MR. JOHN BOWERING: Correct.

5 MS. KATRINE DILAY: You'll agree that
6 the Driver Safety Rating Scale is another tool that is
7 used by MPI to reduce claims costs by incentivizing
8 safe driving?

9 MR. JOHN BOWERING: Yes.

10 MS. KATRINE DILAY: And at a high
11 level, safer driver can assist in reducing collisions
12 and claims costs as a result?

13 MR. JOHN BOWERING: Agreed.

14 MS. KATRINE DILAY: Another tool that
15 MPI uses to control claims costs is by offering driver
16 education, including training drivers to avoid
17 collisions?

18 MR. JOHN BOWERING: Yeah, I would
19 agree with that.

20 MS. KATRINE DILAY: And including by
21 training drivers to drive defensively and making sure
22 they are not distracted, among other things?

23 MR. JOHN BOWERING: Yeah. Better
24 drivers have lower risks.

25 MS. KATRINE DILAY: You will agree

1 that MPI has hourly labour rate agreements with
2 autobody shops?

3 MR. JOHN BOWERING: That's correct.

4 MS. KATRINE DILAY: And that would be
5 another tool that MPI uses to control claims costs,
6 correct?

7 MR. JOHN BOWERING: Correct.

8 MS. KATRINE DILAY: You'll agree that
9 another strategy to reduce claims costs could be
10 entering into agreements with autobody shops with
11 respect to repair costs for specific repairs?

12 MR. JOHN BOWERING: I don't follow
13 your question.

14 MS. KATRINE DILAY: Would another
15 strategy that MPI could entertain would be entering
16 into agreements with autobody shops with respect to
17 costs for certain specific types of repairs?

18 MR. JOHN BOWERING: I guess we -- we
19 have repair rates that are based, and then we follow
20 the industry's best practices for safe and proper
21 repairs. So, I'm not sure if I follow how we would
22 enter in for specific repairs.

23

24 (BRIEF PAUSE)

25

1 MS. KATRINE DILAY: And would you be
2 familiar with the fact that many insurers in the
3 United States negotiate rates for specific types of
4 repairs with autobody shops?

5 MR. JOHN BOWERING: I know there are
6 lots of different models that are explored across
7 Canada and the US. I'm not specifically familiar with
8 that that you're referring to.

9 MS. KATRINE DILAY: Thank you, sir.
10 That's helpful. And still on the same topic but
11 slightly switching gears, you'll confirm that MPI
12 would expect that climate change is expected to
13 increase significant weather events?

14 MR. JOHN BOWERING: I don't know if
15 I'm qualified to, but -- but it sounds reasonable.

16 MS. KATRINE DILAY: At a high level.

17 MR. JOHN BOWERING: At a high level.

18 MS. KATRINE DILAY: One example of a
19 significant weather event was the summer 2023
20 hailstorm, correct?

21 MR. JOHN BOWERING: That was our
22 biggest one, yeah.

23 MS. KATRINE DILAY: And again, at a
24 high level, you'll agree that, in response to climate
25 change, more Manitobans are expected to drive electric

1 vehicles?

2 MR. JOHN BOWERING: More Manitobans
3 are expected to drive electric vehicles. I think
4 that's where the industry is going. I don't know if
5 it's directly in response to climate change, but that
6 would be one of the benefits, yeah.

7 MS. KATRINE DILAY: And, in fact, MPI
8 is facilitating a government incentive to promote
9 electric vehicle use?

10 MR. JOHN BOWERING: We are part of
11 that, yeah.

12 MS. KATRINE DILAY: And you'll agree
13 that electric vehicles are expected to cause more
14 severe claims due to more expensive repairs?

15 MR. JOHN BOWERING: No, I don't think
16 that's the case. We've actually -- we're working with
17 the industry to sort of understand what's happening.
18 You have seen that some of the early severities seem a
19 bit higher, but I think a lot of that comes down to
20 the mix of -- of the types of vehicles that are
21 electric vehicles today. They're often much higher-
22 priced, higher-end vehicles.

23 So, no, the -- the early signs we're
24 seeing from some of our industry partners is that, as
25 the -- the mix of electric vehicles spreads across the

1 entire fleet of all types of vehicles, I don't think
2 we believe the severity is necessarily going to be
3 that higher eventually, but today, yes, because
4 they're often much higher-end vehicles.

5 MS. KATRINE DILAY: And so, from your
6 response, we can take that MPI is tracking cost data
7 relating to repair -- repair -- repairing electric
8 vehicles, pardon me?

9 MR. JOHN BOWERING: We are,
10 definitely.

11

12 (BRIEF PAUSE)

13

14 MS. KATRINE DILAY: From a claims
15 forecasting perspective, you'll agree that MPI must
16 provide a best-estimate forecast which would take into
17 account climate change implications that may increase
18 claims costs?

19 MS. CARA LOW: Agreed.

20 MS. KATRINE DILAY: At a high level,
21 you will agree that, as a response to climate change,
22 some Manitobans may be motivated to change their
23 transportation habits?

24 MS. CARA LOW: I guess that's a
25 possibility.

1 MS. KATRINE DILAY: And one example
2 could be that more Manitobans may choose active
3 transportation such as walking or cycling to get
4 around?

5 MS. CARA LOW: That's a possibility.

6 MS. KATRINE DILAY: Another example
7 would be more people choosing public transportation to
8 get around?

9 MS. CARA LOW: That could happen.

10 MS. KATRINE DILAY: And both of these
11 could result in less cars on the road?

12 MS. CARA LOW: Agreed. Yes.

13 MS. KATRINE DILAY: And another
14 example would be people choosing to work from home,
15 part-time or full-time to drive less and reduce their
16 carbon emissions?

17 MS. CARA LOW: Agreed.

18 MS. KATRINE DILAY: And so, at a high
19 level, you'll agree that efforts taken by Manitobans
20 to curb climate change could contribute to less
21 collisions as a result of less cars on the road.

22 MS. CARA LOW: We are already seeing
23 that as crash frequency is down.

24 MS. KATRINE DILAY: And you'll agree
25 that less collisions would lead to lower collision

1 claims costs.

2 MS. CARA LOW: Correct. Yes.

3 MS. KATRINE DILAY: And you'll agree
4 that as part of its efforts to contain claims costs,
5 MPI could encourage Manitobans to make transportation
6 choices that will both assist in reducing greenhouse
7 gas emissions and claims costs?

8

9 (BRIEF PAUSE)

10

11 MS. CARA LOW: Could you repeat the
12 question, please?

13 MS. KATRINE DILAY: Yes, certainly,
14 you'll agree that as part of its efforts to contain
15 claims costs, MPI could encourage Manitobans to make
16 transportation choices that will both assist in
17 reducing greenhouse gas emissions and claims costs?

18 MS. CARA LOW: MPI's mandate is to
19 encourage people to drive safely, not necessarily how
20 they'd get around. That's not within MPI's mandate.

21 MS. KATRINE DILAY: Thank you, Ms.
22 Low. I have one (1) last area of questioning. And
23 it's a few questions regarding what MPI has previously
24 referred to as complex personal injury claims. So,
25 we'll be going back in time a little bit.

1 But at a high level, you'll agree
2 personal injury claims are paid for by MPI ratepayers?

3 MS. CARA LOW: Yes.

4 MS. KATRINE DILAY: And this is
5 because the amounts that MPI forecast, it will require
6 to pay out personal injury claims in the future, is
7 included in MPI's revenue requirement.

8 MS. CARA LOW: Correct.

9 MS. KATRINE DILAY: Which then leads
10 to MPI's rate indication.

11 MS. CARA LOW: Correct. Yes.

12 MS. KATRINE DILAY: And so, I'd like
13 to take you back in time a little bit to the 2022
14 General Rate Application from three (3) years ago.

15 And specifically, Ms. Schubert, if we
16 could go to the IR CAC/MPI-1-76. Do you see that on
17 the screen before you?

18 MR. JOHN BOWERING: I do, yes.

19 MS. KATRINE DILAY: And are you
20 familiar at all with this material?

21 MR. JOHN BOWERING: I did have a look
22 at this morning.

23 MS. KATRINE DILAY: And so, if we look
24 to the preamble, we won't go through it in detail, but
25 you'll agree that in the preamble, CAC had tried to

1 provide a bit of summary of MPI's discussion of the
2 issue of complex claims? Is that your understanding?

3 MR. JOHN BOWERING: Yes.

4 MS. KATRINE DILAY: And you'll agree
5 that at a high level the complex claims was referring
6 specifically to concussion and mental health claims.

7 MR. JOHN BOWERING: Yes.

8 MS. KATRINE DILAY: We'll come back to
9 this Information Request in a moment but, Ms.
10 Schubert, if we could turn to another part of the 2022
11 GRA Part 7, Risk Management Framework, Appendix 5,
12 page 4.

13 And so, at the top of the page here you
14 see the risk identified being unanticipated sharp
15 growth and PIPP claims retention experience?

16 MR. JOHN BOWERING: Yes.

17 MS. KATRINE DILAY: And if we look to
18 the description, you see there that MPI describes this
19 risk as if PIPP claims retention increases due to
20 increasing claims complexity, a resulting increase in
21 reported injury relapses and precedent setting court
22 decisions that expand coverage causes variance of
23 actual versus budget and impact customer rates.

24 MR. JOHN BOWERING: Yes.

25 MS. KATRINE DILAY: And so, this was a

1 risk that was identified in the 2022 GRA. Correct?

2 MR. JOHN BOWERING: Correct.

3 MS. KATRINE DILAY: And if we go back
4 to the Information Request, CAC/MPI-1-76 from the 2022
5 GRA, and specifically part A on page 2, we'll go to
6 the question first. Thank you.

7 You see here that CAC asked MPI to
8 confirm that the increasing claims complexity referred
9 to in the 2022 GRA risk score card, that we just saw,
10 is the same issue identified in the 2021 GRA risk
11 score card, namely, a change in medical science that
12 increases claims complexity, such as concussion,
13 mental health claims, a resulting increase in reported
14 injury relapses and precedent setting court decisions
15 that expand coverage.

16 MR. JOHN BOWERING: Yes.

17 MS. KATRINE DILAY: So that's the
18 question and if we go to the bottom of page 3, MPI
19 here responded, confirming, that it was referencing
20 the same issue. Correct?

21 MR. JOHN BOWERING: Yeah.

22 MS. KATRINE DILAY: And you'll agree
23 that as an insurance company such complex claims are
24 characterized as a risk because of the uncertainty in
25 terms of forecasting for these types of claims?

1 MR. JOHN BOWERING: That's fair.

2 MS. KATRINE DILAY: And if we look to
3 the response to part B here, MPI has indicated there
4 that it continuously reviews trends as it relates to
5 complex claims and that duration has stabilized based
6 on controls put in place to mitigate the risk of
7 increasing claims complexity. You see that?

8 MR. JOHN BOWERING: I see that.

9 MS. KATRINE DILAY: And then MPI goes
10 on to state that the figure demonstrates that in the
11 more recent loss years, which was 2018 to 2020, less
12 claims remained ongoing beyond the two (2) year stage.
13 Correct?

14 MR. JOHN BOWERING: I see that. Yeah.

15 MS. KATRINE DILAY: So, in plain
16 language, this would mean that a larger percentage of
17 claimants are receiving income replacement benefits
18 for a shorter period of time after the twelve (12)
19 month mark. Correct?

20 MR. JOHN BOWERING: Could we just go
21 down to the chart please. Thank you.

22 So, at the twelve (12) month mark it is
23 still a little higher, but then it does go below at
24 the twenty-four (24) month mark.

25 MS. KATRINE DILAY: Thank you. You'll

1 agree that brain injuries also contribute to increase
2 in claims complexity?

3 MR. JOHN BOWERING: They are complex
4 claims, yes.

5 MS. KATRINE DILAY: And now we'll turn
6 back to this General Rate Application. If we could
7 turn to part 11 of this Application, Appendix 4, which
8 is the Top Corporate Risks.

9 And you see there, number 5 is pricing
10 risk.

11 MR. JOHN BOWERING: Correct.

12 MS. KATRINE DILAY: As part -- part of
13 this pricing risk includes uncertainty and severity,
14 frequency or even timing of claims incurring during
15 the period?

16 MS. CARA LOW: I see that.

17 MS. KATRINE DILAY: And would it be
18 fair to say that increasing claims complexity would
19 fit within this risk?

20 MS. CARA LOW: It would be there but
21 one reason we have this really high, was because of
22 labour interruption and -- and at the time when we
23 were doing these assessments, we had -- like I was
24 talking about before, we didn't know about the
25 backlogs, we didn't understand the number of claims,

1 nor did we understand the severity of the claims, so
2 this is why it was really high this year.

3 MS. KATRINE DILAY: So, if I
4 understand your response correctly, you would agree
5 that increasing claims complexity would fit within
6 this risk but not necessarily the primary component of
7 it?

8 MS. CARA LOW: Exactly.

9 MS. KATRINE DILAY: And increasing
10 claims complexity is not identified as a standalone
11 risk here?

12 MS. CARA LOW: No.

13 MS. KATRINE DILAY: You'll agree
14 generally that, as a society, our understanding of
15 brain injuries and complex claims more generally is
16 evolving constantly?

17 MR. JOHN BOWERING: I think that's
18 fair.

19 MS. KATRINE DILAY: And our societal
20 attitudes and understandings about brain injuries and
21 mental health is evolving and has changed materially
22 in the recent past?

23 MR. JOHN BOWERING: Yes. Yes.

24 MS. KATRINE DILAY: And in light of
25 our evolving understanding, you will agree that it is

1 incumbent on MPI to be aware of best practices as it
2 relates to complex claims, including brain injuries?

3 MR. JOHN BOWERING: Yes.

4 MS. KATRINE DILAY: And this would
5 include best practices as it relates to diagnosis?

6 MR. JOHN BOWERING: Yes.

7 MS. KATRINE DILAY: And it would also
8 include best practice as it relates to treatment?

9 MR. JOHN BOWERING: Yes.

10 MS. KATRINE DILAY: And you'll agree
11 that it is also incumbent on MPI to then implement
12 best practices in its own assessment of PIPP claims?

13 MR. JOHN BOWERING: Yes.

14 MS. KATRINE DILAY: And if we could
15 turn to CAC/MPI 2-35 from this GRA. And if we go to
16 the response to part C on page 2, and looking to the -
17 - the second half of the paragraph, the first
18 paragraph.

19 MPI indicated there that the healthcare
20 service team meets once a month to discuss updated
21 medical practices, including diagnosis terminology,
22 updated medical literature on elective treatment
23 strategies, proposed process improvements based on
24 feedback from peers within the community, and other
25 relevant topics to support best practices as it

1 relates to PIPP.

2 You see that?

3 MR. JOHN BOWERING: I do.

4 MS. KATRINE DILAY: And so, would it
5 be fair to say that this is MPI's description of how
6 it stays up-to-date on evolving medical science and
7 best practices?

8 MR. JOHN BOWERING: One second.

9

10 (BRIEF PAUSE)

11

12 MR. JOHN BOWERING: So, yes, it's one
13 of the ways that we -- we manage this. But there's
14 also consulting with the industry, with our peers, and
15 with various stakeholders.

16 MS. KATRINE DILAY: Thank you. And
17 because the understanding of brain injuries and
18 complex claims is rapidly evolving, you will agree
19 that for an insurance company there are uncertainties
20 in terms of how to adequately forecast for these types
21 of claims and compensation for victims?

22 MR. JOHN BOWERING: Yes.

23 MS. KATRINE DILAY: And when we talk
24 about compensation, that could relate to income
25 replacement --

1 MR. JOHN BOWERING: Yes.

2 MS. KATRINE DILAY: -- as well as
3 medical treatments for specific injuries?

4 MR. JOHN BOWERING: Yes.

5 MS. KATRINE DILAY: And you'll agree
6 that in light of our evolving understanding, there is
7 a risk that what is considered industry standard or
8 best practice today may be revealed to be inadequate
9 tomorrow?

10 MR. JOHN BOWERING: That's possible.

11 MS. KATRINE DILAY: And in fact, it
12 could be revealed to be grossly inadequate?

13 MR. JOHN BOWERING: It's possible,
14 yes.

15 MS. KATRINE DILAY: Thank you to the
16 Panel. Subject to -- or sorry, those are all our
17 questions.

18 PANEL CHAIRPERSON: Thank you, Ms.
19 Dilay. Mr. Gabor...?

20 BOARD CHAIR GABOR: Ms. Dilay just
21 finished off asking questions about brain injury. And
22 there was a comment about -- that you also consult
23 with industries and peers.

24 Can you give examples of which
25 industries and which peers you consult with?

1 MR. JOHN BOWERING: Let me just check
2 with my team.

3

4 (BRIEF PAUSE)

5

6 MR. JOHN BOWERING: So, some examples
7 are the other Crowns, service providers such as Review
8 (phonetic) Health Centre, and with the Brain Injury --
9 I'm sorry -- Brain Injury Association.

10 BOARD CHAIR GABOR: And do you know
11 how frequently you consult with them?

12 MR. JOHN BOWERING: Specifically --
13 specific ones or -- or in general?

14 BOARD CHAIR GABOR: Well, I'm -- I'm
15 more interested in the Brain Injury Association.

16 MR. JOHN BOWERING: We meet with them
17 on a semiannual basis or as needed. And we also refer
18 customers to them for support.

19 BOARD CHAIR GABOR: Okay. Thank you.
20 I sort of have a general question, and Ms. Dilay sort
21 of covered it. But the -- the issue, electric
22 vehicles, in terms of doing your projections, do you
23 project the number of people who use electric vehicles
24 in the future?

25

1 (BRIEF PAUSE)

2

3 MR. JOHN BOWERING: Right now,
4 electric vehicles are -- are far below 1 percent of
5 our fleet, so it's --

6 BOARD CHAIR GABOR: Okay.

7 MR. JOHN BOWERING: -- such a small
8 number. We do have some work on it and some
9 forecasting, but it's such a small number that it's --

10 BOARD CHAIR GABOR: Yeah, no. I was
11 just wondering in terms of there were always this view
12 of projections were going to be quite high. And we
13 seem to be a lot lower than people were estimating.

14 So, I'm trying to figure out how you
15 determine what the growth will be because there was an
16 optimistic view that --

17 MR. JOHN BOWERING: Yeah.

18 BOARD CHAIR GABOR: -- the growth
19 would -- would be considerably higher than it appears,
20 that it's not meeting expectations.

21 MR. JOHN BOWERING: We know that
22 Manitoba isn't -- isn't on the cutting edge as the
23 other provinces go, so we certainly work with our --
24 our peers in other jurisdictions, you know, BC, and
25 Saskatchewan, the Crowns. And then we also use our

1 business partner, such as Mitchell, that have their
2 products across North America.

3 And so, we can watch some of the
4 trends, and then sort of see what's coming because
5 Manitoba usually lags a little bit. So, that's a --
6 that drives some of our inputs as to what we can
7 expect and what we can see in the industry before it
8 comes here.

9 BOARD CHAIR GABOR: Okay. So, your
10 numbers may be lower than in other areas?

11 MR. JOHN BOWERING: Right. But we
12 know that it's -- it's coming. It's just we get the -
13 - the luxury of seeing what -- what's happened in
14 other jurisdictions. And then we can prepare for
15 that.

16 BOARD CHAIR GABOR: Okay. Thank you.

17 PANEL CHAIRPERSON: Ms. Nemec, do you
18 have any questions?

19 BOARD MEMBER NEMEC (by TEAMS): No
20 questions. Thank you.

21 PANEL CHAIRPERSON: Thank you. Thank
22 you very much to this Panel. We will adjourn now for
23 lunch.

24 MR. ANTHONY GUERRA: Sorry, do I get
25 my re-direct?

1 PANEL CHAIRPERSON: I'm sorry, Ms.
2 Guerra. Your re-direct, please.

3 MR. ANTHONY GUERRA: Thank you.

4

5 RE-DIRECT EXAMINATION BY MR. ANTHONY GUERRA:

6 MR. ANTHONY GUERRA: So, the -- sorry,
7 this is a question posed to you, Mr. Bowering. We
8 heard from you this morning on the issue of
9 initiatives to control cost -- the -- excuse me -- to
10 control the costs of claims.

11 And we heard from you on new
12 initiatives. But perhaps this would be a good
13 opportunity for you to identify or highlight for the -
14 - the benefit of this Panel what processes we
15 presently have in place to monitor and control claims
16 costs.

17 MR. JOHN BOWERING: Thank you for that
18 opportunity. Right now, we have lots of controls in
19 place to manage how claims severity -- you know, to
20 keep it under control.

21 Right from the very beginning, when a
22 claim is reported, we are triaging the claims to make
23 sure the highest risk claims are going for the most
24 scrutiny and the lower risk claims can be processed
25 quickly.

1 Then it moves into the adjusting phase
2 where we are scrutinizing for coverage and liability.
3 And we have various layers and controls in place in
4 that regard both within our system and within our
5 processes, with our estimating, where we estimate the
6 damage to our vehicle either at our service centres or
7 at the repair shops.

8 We have a full auditing of those
9 repairs that were done to make sure they're done
10 properly. We have four -- full score carding of all
11 of our repair shops. And we have shop relationship
12 advisors that are going there regularly to meet with
13 the shops to review their performance and to make sure
14 that we are repairing accurately and safely but also
15 cost effectively.

16 Also, with our total loss teams that
17 are doing the -- the writing off of vehicles, we have
18 full metrics and scorecards that are managing both
19 what are the settlements, but also the cycle times to
20 make sure we're responsive to our customers.

21 And then some of the initiatives that
22 didn't come to mind in the moment that I'd love to
23 highlight: We're looking at opportunities in our
24 salvage area, in our towing area. This year we're
25 going to try and make some serious improvements.

1 We're exploring our data analysis and
2 time cycle monitoring across the claims life cycle.
3 We have set up a new dedicated team under this claims
4 division to put an extra focus on claims policies and
5 procedures to make sure we're really as -- as
6 efficient as we can.

7 And so just, ultimately, this creation
8 of the new claims division has allowed me and my team
9 to really drill into our claims process and just drive
10 out as good controls as we can have. And so that's
11 going to be my focus going forward.

12 MR. ANTHONY GUERRA: Thank you for
13 that. We heard evidence about the frequency of the
14 claims forecasting process and how MPI is planning to
15 move from conducting its claims -- excuse me -- it's
16 claim forecasts review from two (2) to three (3) times
17 per year.

18 Do you recall that line of questioning,
19 Ms. Low?

20 MS. CARA LOW: Yes, I do.

21 MR. ANTHONY GUERRA: And my
22 understanding is your evidence was that MPI wouldn't
23 be engaging in that practice for the first quarter of
24 the year, but would be doing it for the second, third,
25 and fourth quarters of each year?

1 MS. CARA LOW: That is correct.

2 MR. ANTHONY GUERRA: So, in terms of
3 how that might align with the -- the GRA schedule, can
4 -- can you help us identify what that might mean in
5 terms of the availability of updated claims
6 forecasting reports from your team and how that might
7 align with the GRA schedule?

8 MS. CARA LOW: Before the claim
9 forecasting team can start their work, they rely on
10 the actuarial valuation team 'cause the actuarial
11 valuation team estimates -- estimate the cost of past
12 claims, and then they turn that over to the claim
13 forecasting team that looks at the cost of future
14 claims.

15 And so, as we move away from October
16 valuation to a September valuation, that would be
17 available in November. If it be that valuation that
18 would be used for selecting trend rates, then we would
19 use a year-end data, the March 31st data valuation,
20 for applying the trend rates to. And that would still
21 be the basis of the GRA Application.

22 MR. ANTHONY GUERRA: And -- and so
23 would it be fair to say that -- that MPI's not
24 proposing that we -- we make it a habitual practice to
25 update the claims forecast for the rate filing every

1 year? Would that be fair to say?

2 MS. CARA LOW: That would be fair to
3 say.

4 MR. ANTHONY GUERRA: And the rationale
5 for that would be...?

6 MS. CARA LOW: That we need to provide
7 time for our Interveners and the PUB to review the
8 evidence.

9 MR. ANTHONY GUERRA: And then one last
10 question in regards to the Driver Safety Rating.
11 There were questions posed to this panel by My Friends
12 at the CAC in regards to the Driver Safety Rating
13 being a tool to control claims costs by incentivizing
14 better driving.

15 Do you recall that line of questioning?

16 MS. CARA LOW: Yes, I do.

17 MR. ANTHONY GUERRA: And just a brief
18 comment, and perhaps this will be explored a little
19 bit more in the next panel, but would you agree that,
20 at some -- at some point, there is an affordability
21 factor that may be compromised when moving too quickly
22 towards actuarial -- actuarially indicated targets for
23 the Driver Safety Rating?

24 MS. CARA LOW: We do know right now
25 that good drivers are not getting as large of a

1 discount as they could be under the actuarial-
2 indicated discounts. But we do worry about
3 affordability for the base, which is the DSR Zero.

4 If someone gets larger -- if people get
5 larger discounts, someone else has to pay a higher
6 cost to pay for the larger discounts.

7 MR. ANTHONY GUERRA: Would it be fair
8 to say then that there's a balancing act between
9 affordability and incurring or incentivizing better
10 driving habits?

11 MS. CARA LOW: Agreed.

12 MR. ANTHONY GUERRA: Thank you. No
13 further questions.

14

15 (PANEL STANDS DOWN)

16

17 PANEL CHAIRPERSON: Thank you, Mr.
18 Guerra, and thank you to the panel again.

19 A question I believe has been
20 canvassed, and that is whether it's possible to start
21 the Ratemaking Panel after the lunch break.

22 MR. ANTHONY GUERRA: So, it's
23 canvassed with my team. Obviously, the preference
24 would be that we not. We just had one of our
25 individuals, Mr. Musad, fly in from out of province.

1 But if -- if it is -- if -- if all the other parties
2 are ready to go, then -- then we will not be holding
3 up the process.

4 PANEL CHAIRPERSON: Ms. Dilay, are you
5 ready to proceed?

6 MS. KATRINE DILAY: Yes, we are ready
7 to proceed.

8 PANEL CHAIRPERSON: Okay. Thank you.
9 And, Mr. Guerra, do you require a longer break at noon
10 in order to prepare, recognizing that this was not
11 scheduled until tomorrow morning?

12 MR. ANTHONY GUERRA: Yeah. Even if --
13 if we could perhaps start at -- at 2:00 p.m., that
14 would be very helpful.

15 PANEL CHAIRPERSON: Okay. Thank you.
16 We'll break until two o'clock. I appreciate that.

17

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

19 --- Upon resuming at 1:59 p.m.

20

21 PANEL CHAIRPERSON: Good afternoon,
22 everyone. We have the Ratemaking Panel this
23 afternoon. And I would like to thank you very much
24 for moving this forward to Thursday.

25 Mr. Guerra, would you please introduce

1 your panel.

2 MR. ANTHONY GUERRA: Yes. Thank you.
3 I just have one (1) exhibit to read into the record
4 before we begin, which is MPI Exhibit number 48, the
5 ratemaking presentation.

6

7 --- EXHIBIT NO. MPI 48: Ratemaking presentation

8

9 MR. ANTHONY GUERRA: And the
10 Ratemaking Panel is before you which is comprised of
11 the benchmarking Canadian vehicle insurance rates
12 comparison, GLM fleet cost -- fleet cost/causation
13 aspects, as well.

14 In the front row we have our vice-
15 president and chief actuary Ms. Low; our director of
16 pricing Khurram Masud; our management of pricing
17 operations Ngoc Ly; our manager of pricing
18 transformation Kyle Casalla; our actuarial analyst 2
19 Gasperina Trunzo; our actuarial analyst 2 Olivia Wu;
20 and our customer value proposition lead Cindy Mann
21 (phonetic), as well as -- Ms. Jatana, as well.

22 And I ask that the witnesses be sworn
23 in, please.

24 PANEL CHAIRPERSON: Thank you.

25

1 RATEMAKING PANEL

2 CARA LOW, previously Sworn

3 SALVIR JATANA, previously affirmed

4 KHURRAM MUSAD, Affirmed

5 KYLE CASALLA, Sworn

6 NGOC LY, Affirmed

7

8 EXAMINATION-IN-CHIEF BY MR. ANTHONY GUERRA:

9 MR. ANTHONY GUERRA: Anthony Guerra,
10 for the record again. And just for the Panel's
11 benefit, I'll address this question to Ms. Low.

12 Ms. Low, before you, you have the
13 ratemaking presentation. Is that correct?

14 MS. CARA LOW: Correct.

15 MR. ANTHONY GUERRA: And that is a
16 presentation that you prepared with your team?

17 MS. CARA LOW: Correct.

18 MR. ANTHONY GUERRA: And it'll form
19 the basis for your direct evidence before the Panel
20 this afternoon?

21 MS. CARA LOW: Yes, it will.

22 MR. ANTHONY GUERRA: Okay. Thank you.
23 I'll ask that you please proceed.

24 MR. KHURRAM MASUD: Good afternoon,
25 everyone. My name is Khurram Masud. I'm director of

1 pricing. And I'm glad to be back here for the GRA
2 hearings.

3 I will not go and introduce the rest of
4 my colleagues here as they've already been introduced.
5 So, I'll start with (INDISCERNIBLE) a quick overview
6 of what we'll cover today.

7 We'll start with an introduction to
8 MPI's rating framework. Then we'll dive into the
9 specifics of the rate indication and the rate that we
10 are asking for.

11 My colleague, Ngoc, will walk you
12 through the expansion of rate groups, the objects to
13 our driver safety rating proposal and the fleet cost/
14 causation.

15 Then Kyle Casalla, my other colleague,
16 will walk you through how we are applying GLM within
17 our risk classification process and conclude with a
18 few slides from Cara on premium comparison.

19 MPI's ratemaking framework is designed
20 to ensure fairness and accuracy guided by three (3)
21 core principles: our core values, accepted actuarial
22 practices, and directives from the Public Utility
23 Board.

24 By following this structured framework,
25 we aim to set rates that cover expected costs while

1 striving to keep the premiums affordable for
2 Manitobans. This ensures that we continue provide
3 value and stability to our customers through sound
4 ratemaking process. Next slide, please. Next again.
5 Yeah.

6 For the 2025 GRA, MPI is applying for
7 an overall rate change of 3 percent while the actually
8 indicated rate based on AAP is 6.77 percent. The key
9 highlights include introduction of DSR plus 19 to our
10 DSR scale with no changes to the DSR discounts.

11 A ten dollar (\$10) increase to the
12 driving licence premium across all DSR levels;
13 expansion of clear rated vehicles groups 40 to 40 when
14 currently we have zero to 40. We are recommending to
15 introduce a rate group level 41, so we'll have zero to
16 41. That's what we are proposing. Next slide,
17 please.

18 Moving on to the comparison between
19 what we originally filed in July and the current rate
20 update. Since the July filing, we've updated two (2)
21 things, the yield rate and the inflation prediction.

22 The yield rate, as you can see on the
23 slide, has been devised downward from 4.61 to now 4.25
24 in this rate update. The combined effect of this
25 yield adjustment, along with the changes in the CPI

1 prediction has resulted in an increase to the actual
2 rate indication from 6.15 originally to now 6.77 in
3 the rate update. Next slide.

4 Now, let's look at the AAP rate
5 indication. The rates, as you know, are based on a
6 breakeven basis, meaning, there is no profit provision
7 included in the rates. The rates are based on AAP and
8 are applied across MPI's Basic book of business.

9 The overall rate (INDISCERNIBLE)
10 process remains the same as before. The overall rate
11 indication is allocated across six (6) major vehicle
12 classes based on their own predicted loss costs.

13 This allocation includes adjustment for
14 factors such as PIPP cost allocation and collision
15 transfers for motorcycle as directed by PUB past
16 Orders. Next slide, please.

17 MPI is requesting a rate increase of 3
18 percent, which is consistent between both the original
19 July filing and the rate update. However, the
20 allocation of this rate change across middle classes
21 has been adjusted because the AAP itself has changed
22 now.

23 To achieve an overall 3 percent rate
24 change an off-balance factor is applied to all major
25 classes. This off-balance factor which has now

1 changed from 2.96 originally to now 3.54 percent, it
2 is larger because the gap between AAP and 3 percent
3 has grown. AAP was 6.15. Now it's 6.77 percent.

4 So, the gap between 3 percent and the
5 AAP has grown so we need a larger off balance to bring
6 the rates back to 3 percent. This slide shows you the
7 difference between July filing and the rate update
8 across all six (6) major classes.

9 With that, I will now pass it over to
10 Ngoc, who will go into more details about DSR, rate
11 group expansion, and the fleet cost/causation
12 proposal. Thank you very much for your attention.

13 MS. NGOC LY: This is Ngoc speaking.
14 For the 2025 GRA MPI is proposing to expand the clear
15 rated groups -- so those -- that's passenger vehicle
16 and light truck -- from zero to 40 to zero to 41, so
17 essentially increasing the rate group by one (1).

18 The revenue increase from this will be
19 flowed through to our premium drift, and not the --
20 not revenue neutral, so it's not going to be off
21 balanced to revenue neutral. This will lower the rate
22 indication as the average current premium will be
23 increased based on the premium drift. Next slide.

24 PANEL CHAIRPERSON: Sorry, can I
25 interrupt you for one second. Would you mind moving

1 the mic closer to you.

2 MS. NGOC LY: Yes, I can do that.

3 PANEL CHAIRPERSON: Thank you.

4 MS. NGOC LY: In addition, MPI is
5 proposing to increase the DSR scale by one (1) to plus
6 19. We are proposing to keep the discount the same
7 this year; however, keeping -- 19 equal to DSR 18, the
8 discounts for 19 equal to DSR 18.

9 We're now proposing to increase the
10 discounts to actuarially indicated discounts due to
11 the higher indicated rate. If we were to do that, the
12 off balance -- or the offset to the vehicle premium
13 will be an increase of 6 percent, so that will impact
14 those on the lower DSR scale.

15 In addition, we are proposing to
16 increase the driver premiums by ten dollars (\$10)
17 across all DSR levels. We have not increased the
18 driver premium for over twenty-five (25) years, so
19 this is another source of revenue that we think will
20 help decrease the overall rate indication.

21 So, MPI has two (2) incentive programs;
22 One is for DSR discounts and one is for the fleet --
23 fleet rebate and surcharge. These two (2) programs
24 help to ensure safer driving.

25 So, to reflect the cost/causation, MPI

1 is proposing to determine the required rate assuming
2 there are no programs in -- no programs as that's the
3 DSR program and the fleet program in place, and then
4 adjusting the -- those two (2) programs accordingly
5 based on the discounts provided and the rebates -- net
6 rebates for the fleet, so off balancing it so that
7 each program is funding their own -- their own
8 expenses, basically. Next slide, I think.

9 I will pass it over to Kyle to discuss
10 GLM.

11 MR. KYLE CASALLA: Good afternoon. My
12 name's Kyle Casalla. The next few slides outline our
13 progress to date, compared results from concurrent
14 analyses with the minimum bias procedure and details
15 our transition plan towards integrating GLS.

16 MPI's journey towards implementing GLMs
17 began with the 2023 GRA where MPI complied with the
18 PUB Order to submit an initial implementation plan.

19 In the 2024 GRA, MPI provided an update
20 on the previously submitted implementation. In the
21 current 2025 GRA, we presented a side-by-side
22 comparison of minimum bias procedure and GLM drive
23 rates for major class 1, seeking approval for
24 transitioning to GLMs.

25 Looking ahead to the 2026 GRA, pending

1 approval, we plan to implement GLM drive rates for
2 major class 1, as well as conduct the same concurrent
3 analyses for the other major classes followed by a
4 broader integration across all major classes in the
5 2027 GRA.

6 This phase adoption of GLM seems to
7 (INDISCERNIBLE) for policyholders. Next slide,
8 please.

9 The primary objective of introducing
10 GLMs is to maintain stability and minimize dislocation
11 while enhancing the accuracy and transparency of the
12 ratemaking process. The proposed transition aligns
13 GLMs with our current risk classification and
14 ratemaking methodology.

15 In the current approach, the minimum
16 bias procedure is used to determine both the rate line
17 relativity adjustments and experience adjustments.
18 With the proposed GLM approach, we use the same
19 variables for the adjustments, but in a more
20 statistically robust framework.

21 By using GLMs, MPI can enhance
22 predictive accuracy and provide clear insights into
23 the factors determining premium -- affecting premium
24 determination. Next slide, please.

25 To evaluate the impact of GLM

1 implementation, MPI conducted a concurrent analysis of
2 premiums derived using both the minimum bias procedure
3 and using GLMs specifically for major class 1 covering
4 passenger vehicles, trucks, and motorhomes. The
5 objective was to assess how GLM-based rates align with
6 the minimum bias procedure rates.

7 As seen in the key result, 94.5 percent
8 of policyholders had premiums within 5 percent of
9 their minimum bias procedure-derived premiums. This
10 result demonstrates that the proposed GLM base rates
11 maintain alignment and stability, providing assurance
12 that transitioning to GLMs will not result in major
13 dislocation for policyholders. Next slide, please.

14 To recap, in compliance with PUB Order
15 21/'22, Directive 5.2, MPI has filed the GLM
16 implementation plan for PUB approval, and we're also
17 seeking approval for three (3) key aspects of the
18 proposed transition plan.

19 The first, the use of GLMs for
20 determining the rate-line relativities and experience
21 adjustments for major class 1 consistent with the
22 current ratemaking and risk classification
23 methodology.

24 Two, the implementation of GLM-derived
25 rates for major class 1 in the 2026 GRA. This

1 involves applying the GLM base rate line relative to
2 (INDISCERNIBLE) and experience adjustments in practice
3 with the existing capping and flooring rules.

4 And three, incremental limitation for
5 the other major classes.

6 So, for the 2026 GRA, concurrent
7 analysis of other major classes with the traditional
8 minimum bias procedure and proceeding to full
9 integration of all major classes starting in the 2027
10 GRA using capping and flooring rules for a smooth
11 transition.

12

13 (BRIEF PAUSE)

14

15 MS. CARA LOW: Good afternoon. My
16 name is Cara Low, and I'm going to speak to the
17 premium comparison of Manitoba to other jurisdictions.

18 MPI continues to face challenges in
19 obtaining private market auto insurance premium.
20 There are no publicly available sources for quote
21 data, and MPI does not have access to broker-quoting
22 tools.

23 The Corporation did complete three (3)
24 different approaches, all of which have limitations,
25 so we're going to walk through each of the three (3)

1 approaches.

2 The first approach was requesting the
3 average written premium for private passenger vehicles
4 by province from the Insurance Bureau of Canada. MPI
5 then reached out to the public auto insurers in BC,
6 Saskatchewan, and Quebec to provide the average
7 written premium to include in the comparison.

8 All three (3) public auto insurers
9 declined to participate in this exercise because they
10 felt that the average premium doesn't reflect the
11 product differences between the private market and the
12 public market.

13 While the average written premium
14 really speaks to affordability 'cause it is the bottom
15 line in what the customer pays, it doesn't reflect the
16 differences between their different products.

17 Between Manitoba and the private
18 market, there are two (2) major differences. The
19 first is that auto physical damage -- so collision and
20 Comprehensive coverages -- is mandatory in Manitoba.

21 There is no private market where this
22 isn't an optional coverage. So, because the insureds
23 don't have full coverage, their average premium will
24 be lower.

25 The other major difference is that the

1 PIPP -- no-fault PIPP benefits in Manitoba far exceed
2 the injury benefits seen in the private market, and
3 that is not reflected in the average premium.

4 If you look at the chart, you can see
5 the average premiums to the private markets. The MPI
6 average is one thousand two hundred and sixty-four
7 (\$1,264). We have excluded the premium for traffic
8 safety as that's not comparable to what you would see
9 in the private market, and it also excludes the
10 average sixty-three dollars (\$63) which is collected
11 on the driver's licence.

12 To go to the next slide, this was our
13 second approach. Here we pulled data from Statistics
14 Canada for the years 2002 to 2023 to look at the
15 growth in the average premium -- so not the average
16 premium itself, but rather the average change in
17 premium.

18 As you can see by the dark blue line at
19 the bottom which is Manitoba, rate changes are lower
20 compared to other provinces and also to the national
21 average. This speaks to the rate stability for
22 Manitobans. This would include the Extension line of
23 business as well here.

24 Please note, if you look at the grey
25 line, that is BC, and they recently changed in 2019 to

1 no fault. And so, you see the drop there, there 20
2 percent drop, when they changed their product.

3 Our understanding from Stats Canada is
4 the passenger vehicle insurance premium index is
5 calculated by pricing a number of fixed profiles over
6 time.

7 Now, if we go to the next slide, we'll
8 see the third approach. The third approach was to
9 update the 2022 EY Canadian Vehicle Insurance Rate
10 Comparison that was filed here last year in the 2024
11 GRA.

12 That rate comparison had twenty-seven
13 (27) driver vehicle profiles across thirty-one (31)
14 Canadian cities for private passenger vehicles and
15 three (3) profiles for motorcycles.

16 ICBC and SGI did participate in this
17 exercise, and they updated their profiles. However,
18 MPI does not have access to private market insurance
19 rates in order to update the profiles for the other
20 provinces for the private market. So, we had to use
21 high-level assumptions to move this forward for the
22 two (2) years.

23 So, our first step was to go to each of
24 the provincial regulators' websites and figure out the
25 average rate change for competitors, and then the

1 second step was to obtain the market share for each of
2 the insurance companies -- so how large of a market do
3 they have in Alberta versus Ontario?

4 And then we determined the average
5 market-weighted approved rate change and applied it to
6 the 2022 profiles to update it to 2024. So, this
7 method assumes all insureds receive the same rate
8 change.

9 In this profile, you see that
10 Manitoba's average premium has decreased since 2022
11 and remains the lowest across all provinces for these
12 particular profiles.

13 Now, if we go to slide 5, we can talk
14 about the limitations of all three (3) approaches.

15 The first approach is, again, really
16 reflecting affordability. It's the average premium
17 from the private markets, but once again, it does not
18 reflect the product differences between the provinces.

19 And another limitation here is the --
20 the other public auto insurers do not want to
21 participate in this exercise.

22 Approach number 2, we actually feel
23 this is a very valid approach, but you do have to
24 remember that it's based on fixed profiles, and so
25 therefore, you have to assume the profiles we're

1 running are reflective of the Manitoba profiles.

2 Approach 3, again, is profile based,
3 but we don't believe that we can continue to use this
4 method because we're using very high-level
5 assumptions. And so, the analysis is becoming stale
6 dated and it's going to lack credibility over a time.

7 If you go to the next slide, if you
8 look at the minimum filing requirement in the top of
9 the slide, I'm going to read this:

10 "To the extent that the Corporation
11 asserts that Manitoba has among the
12 lowest vehicle and/or motorcycle
13 rates in Canada, please provide a
14 schedule reflecting the maximum 75th
15 percentile, median, 25 -- 25th
16 percentile, and minimum rates
17 underlying each of the rates cited
18 in the jurisdictions."

19 MPI is unable to meet this minimum
20 filing requirement for two (2) reasons. First, in
21 order to calculate statistics such as maximum,
22 minimum, median, and percentiles, we would need to
23 know the entire universe of premiums charged in
24 Canada.

25 This universe is vast and probably

1 would be easily in the hundreds of thousands due to
2 the permutations of different drivers, insurance
3 companies, vehicle profiles, jurisdictions, and other
4 rating factors.

5 And second of all, we don't have the
6 data. Even if we were to try to do that kind of
7 analysis, there is no data that we can go and get the
8 entire universe of premiums.

9 And then if we go to the very last
10 slide, this is our mission statement. Our mission
11 statement speaks to affordability for Manitobans, and
12 in the recent survey that you'll hear about on Monday,
13 73 percent of Manitobans say that MPI rates are
14 affordable.

15 However, the minimum filing
16 requirements as they are currently laid out, is not
17 something that MPI can provide now or into the future.

18 So, the Corporation took three (3)
19 approaches all of which have limitations, different
20 focuses and provide conflicting conclusions, but yet
21 not one of them speaks to the exceptional coverage
22 that MPI offers Manitobans.

23 MPI would like PUB to consider moving
24 away from the minimum filing requirements as the
25 Corporation continues to provide affordable rates for

1 the coverage provided and endeavours to provide
2 metrics and affordability that is meaningful to all
3 stakeholders.

4 And that concludes our presentation.

5 MR. ANTHONY GUERRA: Thank you, Ms.
6 Low. Just a -- a couple of quick follow-up questions.

7 While we're on the topic of
8 affordability and -- and benchmarking, other than the
9 Leger Basic Insurance Survey and actually asking
10 Manitobans whether or not they believe that their
11 rates are affordable, is there anything else that MPI
12 could present to the PUB to help measure a rate
13 affordability?

14 MS. CARA LOW: There is one metric
15 that was presented in the GRA and we are discussing
16 whether we would look at the average premium as a
17 percentage of median income, that's one of the metrics
18 we are talking about. Also relative to CPI would be
19 another metric.

20 MR. ANTHONY GUERRA: Okay. Thank you.
21 On the topic of the rate group expansion, if we can go
22 back to slide 9, please, Ms. Schubert.

23 DR. DARREN CHRISTLE: Which slide,
24 sorry.

25 MR. ANTHONY GUERRA: Yeah, yeah, we're

1 here. Thank you. Thanks.

2 Ms. Ly, we talked about -- we talked
3 about the expansion of the Clear Rating Group from
4 group 40 to 41. Do you recall that?

5 MS. NGOC LY: I do.

6 MR. ANTHONY GUERRA: And I'm -- I'm
7 interested in your second bullet point here which
8 says:

9 "Additional premium anticipated from
10 vehicles moving to rate group 41,
11 was not adjusted for revenue
12 neutrality."

13 Can you explain that a little bit
14 further please?

15 MS. NGOC LY: Well, I -- I believe
16 historically we did expand our rate group in 2018. At
17 that time, we adjusted the increase in revenue from
18 Expanded Rate Group to be revenue neutral.

19 For this year, we're not proposing to
20 do that and flow it through to the premium trend.

21 MR. ANTHONY GUERRA: So, if I
22 understand your evidence correctly, what you're saying
23 is typically what would happen is when we introduce a
24 new rate group, we would price it accordingly so that
25 there was no impact on the rate indication, but this

1 year we are not anticipating doing that and so the
2 result is a reduction in the overall rate. Correct?

3 MS. NGOC LY: Correct.

4 MR. ANTHONY GUERRA: And in terms of
5 the individual vehicles that would then be placed into
6 group 41, as opposed to perhaps being placed into
7 group 40, can you expand a little bit more as to what
8 that rate group would be comprised of -- the vehicles
9 that would make up that group -- rate group 41?

10 MR. KHURRAM MASUD: So, we
11 currently have 0 to 40 rate groups, those are based on
12 IBC's 1 to 99 rate groups. We scaled them down to 40
13 rate groups.

14 Now, after the introduction of 41,
15 we'll also have 41 rate groups. So, we
16 (INDISCERNIBLE) currently in 40 who would have
17 otherwise have qualified 41, would not fall into rate
18 group 41 and they'll be paying a higher -- slightly
19 higher premium.

20 MS. NGOC LY: I can add to that. So,
21 vehicles in rate group 41 would be the more expensive
22 vehicle to fix, the higher cost vehicles so.

23 MR. ANTHONY GUERRA: So, this is
24 really about making sure those vehicles that are more
25 expensive are -- are paying a higher premium for their

1 insurance.

2 MS. NGOC LY: That's correct, yes.

3 MR. ANTHONY GUERRA: Thank you. I
4 have no further questions.

5 PANEL CHAIRPERSON: Thank you. Mr.
6 Andres...?

7 MR. TODD ANDRES: Thank you, Madam
8 Chair. Good afternoon, I'm Todd Andres. I'm PUB
9 Counsel and I will be asking questions, of course, of
10 the whole Board and whoever is most appropriate to
11 answer those questions, please feel free to pipe in.

12

13 CROSS-EXAMINATION BY MR. ANDRES:

14 MR. TODD ANDRES: And I believe some
15 of this has been covered, but I'd just like to
16 establish it.

17 Ms. Schubert, could you pull up
18 PUB/MPI-1-1, Appendix 1, page 2 of 6. And, again, I -
19 - I think it's probably -- it's just easy enough to
20 read, but in the MPI Board Minutes of May -- yeah,
21 well, so, you can scroll down just a touch, that's
22 great.

23 So, you'll agree that in the Board
24 minutes it reflects that the overall rate indication
25 for Basic in accordance with AAP at that time was

1 actually 6.4 percent. Correct?

2 MS. CARA LOW: I do see that and
3 that's because the introduction of rate group 41 was
4 still being determined, so there was a rough estimate
5 and then we landed at the 6.15 after that analysis was
6 concluded.

7 MR. TODD ANDRES: Okay, so was there
8 a change in assumptions?

9 MS. CARA LOW: No. We were just still
10 doing the analysis and the Board meeting was looming,
11 so we had to a rough estimate in there and then we
12 finalized afterwards.

13 MR. TODD ANDRES: That was just a ball
14 park.

15 MS. CARA LOW: Yes.

16 MR. TODD ANDRES: Thank you. The
17 indication, though, included the effect of -- the
18 indication landed upon though, which was 6.14
19 indicated -- included, pardon me 6.15, included the
20 effect of removing the impact of the \$10 increase in
21 the driver premium. Correct?

22 MR. KHURRAM MASUD: Yeah, can you
23 repeat that, please?

24 MR. TODD ANDRES: Sure. The
25 indication, the AAP that was landed on so the ---

1 MR. KHURRAM MASUD: Yeah.

2 MR. TODD ANDRES: --- 6.15 --

3 MR. KHURRAM MASUD: M-hm.

4 MR. TODD ANDRES: -- included the
5 impact of the ten-dollar (\$10) increase, correct? In
6 other words, the -- the indication, the 6.15, was
7 lowered when you removed the -- or when you took into
8 account the \$10 increase.

9 MR. KHURRAM MASUD: 6.15 already
10 includes the effect of adding ten dollars (\$10) to the
11 driver premium.

12 MR. TODD ANDRES: Thank you. That's
13 what I was looking for and you said it better than I
14 did.

15 And so, rate group -- the -- the
16 addition of rate group 41, as well, also contributed
17 to a lowering of the AAP rate.

18 MR. KHURRAM MASUD: Yes, 6.15 ---

19 MR. TODD ANDRES: Thank you.

20 MR. KHURRAM MASUD: --- also includes
21 the effect of the additional revenue coming from rate
22 group 41.

23 MR. TODD ANDRES: Also stated better
24 than I did. So, thank you for that.

25 So, rate group 41 -- the addition of

1 rate group 41 was worth about \$7.5 million in
2 additional revenue. Correct? It's been established,
3 I -- I can take you there if you like.

4 MR. KHURRAM MASUD: Yeah.

5 MR. TODD ANDRES: It's PUB/MPI-1-5.

6 MR. KHURRAM MASUD: Yeah.

7 MR. TODD ANDRES: Page 4 of 5, we
8 looked at these ---

9 MR. KHURRAM MASUD: Yes, I -- I
10 remember providing some information in one of the IRs,
11 so, yeah.

12 MR. TODD ANDRES: Very good. Thank
13 you, so and we've also established a number of things
14 previously, the effect of the ten-dollar (\$10)
15 increase was worth about \$10 million in revenue and
16 that's worth about a .8 percent in terms of the impact
17 on the AAP group rate. Correct?

18 MR. KHURRAM MASUD: Yeah.

19 MR. TODD ANDRES: Thank you. So, if
20 we start with the 6.15 and we add back in the ten
21 dollar (\$10) increase of the driver premium, worth
22 about .8 percent, and the addition of rate group 41,
23 worth about .5 percent, we have an original rate
24 indication of about 7.45 percent. Correct?

25 MS. CARA LOW: Before the addition of

1 the rate group 41 and the additional ten dollar (\$10)
2 for the driver's premium, the AAP was 7.7.

3 MR. TODD ANDRES: 7.7. Thank you.

4 MS. CARA LOW: Yes.

5 MR. TODD ANDRES: And the revised
6 indication is 6.77 percent. Correct?

7 MS. CARA LOW: The October update was
8 6.77, yes.

9 MR. TODD ANDRES: Thank you for that.
10 And in the presentation, you indicated that the
11 revised indication is due to the lower new money
12 yield. Correct?

13 MR. KHURRAM MASUD: Yes, so there's
14 two (2) things we updated: the new money yield and the
15 projection of CPI.

16 MR. TODD ANDRES: And the projection
17 of CPI. Okay. Yeah.

18 And so again, doing the same type of
19 backing out of the impact of the ten-dollar (\$10)
20 increase and the addition of rate group 41, we end up
21 with an AAP rate indication of Basic that's currently,
22 I would say, we're -- we're, in our calculations,
23 about 8.07 percent. Correct?

24 And again, we arrive at that from the
25 6.77 adding the .8 from the ten-dollar (\$10) premium

1 and the .5 ---

2 MR. KHURRAM MASUD: Yeah.

3 MR. TODD ANDRES: --- and the addition
4 of rate group 41.

5 MR. KHURRAM MASUD: Yeah. Yeah. That
6 sounds about right, yeah.

7 MR. TODD ANDRES: Okay. So, if we add
8 up all the changes proposed by the Corporation,
9 including those proposed for Extension, in order to
10 provide additional capital to Basic, they include the
11 following: They have the 3 percent increase, which
12 moves the average premium from eight ninety-two (892)
13 to nine nineteen (919).

14 I -- I can -- again, I can take you to
15 the source if you'd like rather than guessing.

16 MS. CARA LOW: I think we're okay.

17 MR. TODD ANDRES: You're okay. So,
18 you'll agree that that's an -- so, again, moving from
19 eight ninety-two (892), the -- the average premium of
20 eight ninety-two (892) to nine nineteen (919); those
21 are the correct numbers?

22 MS. CARA LOW: Yes.

23 MR. TODD ANDRES: Thank you. And
24 that's an increase of twenty-seven dollars (\$27) on
25 average, correct?

1 MS. CARA LOW: Yes.

2 MR. KHURRAM MASUD: Yes.

3 MR. TODD ANDRES: Thank you. And, Ms.
4 Schubert, you know, if we can pull up Exhibit 3,
5 figure 9.

6 Line number 1 shows in terms of
7 projected units we have an overall 1.321 million
8 projected units, correct?

9 MS. CARA LOW: Yes.

10 MR. KHURRAM MASUD: Yes.

11 MR. TODD ANDRES: And --

12 MS. CARA LOW: Go ahead.

13 MR. TODD ANDRES: And the introduction
14 of rate group 41 was estimated to generate an
15 additional \$7.5 million of revenue, and that ends up
16 being about \$6 per unit on average, correct?

17 MR. KHURRAM MASUD: Yes. More or
18 less, yeah.

19 MR. TODD ANDRES: Roughly. Thank you.
20 And there are about a hundred twenty thousand seven
21 hundred and ninety-four (120,794) vehicles which would
22 move to rate group 41, correct? Again, I can -- I can
23 tell you -- I can take you there if you like, Ms.
24 Schubert.

25 MR. KHURRAM MASUD: It's in that IR,

1 yes.

2 MR. TODD ANDRES: It -- it is in the
3 IR?

4 MR. KHURRAM MASUD: In the same IR,
5 yeah.

6 MR. TODD ANDRES: You're agreeing with
7 those numbers then?

8 MR. KHURRAM MASUD: Yeah.

9 MR. TODD ANDRES: Thank you. So, if -
10 - then if you add the \$7.5 million of premium, you
11 divide that by the hundred and twenty-seven ninety-
12 four (120,794) vehicles, it's about sixty-two dollars
13 (\$62) more in premiums for each of those vehicles,
14 correct?

15 MR. KHURRAM MASUD: Right.

16 MR. TODD ANDRES: Thank you. So,
17 that's one (1) of the effects. And then we also have
18 the driver premium increasing by ten dollars (\$10) per
19 driver, correct? And sorry, nod is good. 'Yes' is
20 better. We had two (2) yeses on the last one.

21 MR. KHURRAM MASUD: Yes.

22 MR. TODD ANDRES: Thank you. For MPI
23 Exhibit 3, figure 15, and this is the EPF -- or the
24 update to EPF-1, Extension revenue is increasing by
25 \$24 million per year from 2023/'24 to 2024/'25, and

1 then to 2025/'26, followed by 15 million in '26/'27,
2 16 million in '27/'28, 17 million in '28/'29, correct?

3 MR. KHURRAM MASUD: Correct.

4 MR. TODD ANDRES: Thank you. And,
5 obviously, we know this isn't perfect because some
6 people -- a small number of people don't purchase
7 Extension products. But if we simply divide the
8 revenue increase by the 1.3 million projected units,
9 we have about a nineteen-dollar (\$19) increase per
10 unit in each of '24/'25, '25/'26, correct?

11 MR. KHURRAM MASUD: If your assumption
12 is correct, then, yes.

13 MR. TODD ANDRES: Okay. And followed
14 by about an eleven-dollar (\$11) to twelve-dollar (\$12)
15 increase per unit thereafter, correct?

16 MR. KHURRAM MASUD: Yes.

17 MR. TODD ANDRES: Thank you. And so,
18 when we take all of those together, just agreeing --

19 MS. CARA LOW: I would like to jump
20 in. The 2 percent -- the 2 percent rate increase for
21 Extension, that has not been determined yet. This was
22 a placeholder because we know that we do regular rate
23 changes for Extension, but those are not decided yet
24 by the Board of Directors.

25 MR. TODD ANDRES: Thank you for that.

1 But again, based on these assumed numbers, confirming
2 that MPI considers those totals to be affordable,
3 correct?

4

5 (BRIEF PAUSE)

6

7 MS. CARA LOW: The average Extension
8 premium is around a hundred dollars (\$100), or 2
9 percent would be two dollars (\$2), so we do feel that
10 is affordable.

11 MR. TODD ANDRES: Right. But again, I
12 think we're anticipating an increase if the numbers
13 are correct of nineteen dollars (\$19) per unit,
14 correct?

15 MR. KHURRAM MASUD: The way we are
16 calculating hundred dollars (\$100) and two dollars
17 (\$20) increase is the number of units (INDISCERNIBLE)
18 Extension. So, there is -- it is possible that a
19 particular vehicle buys two (2) Extension products, in
20 which case, there's two (2) units instead of one (1)
21 vehicle.

22 So, the same vehicle can have -- could
23 have purchased two (2) units under Extension.

24 MR. TODD ANDRES: Okay. There was
25 some discussion this morning about electric vehicles.

1 Does the Corporation currently have any
2 statistics available on the proportion of existing
3 vehicles that are electric vehicles?

4 MR. KHURRAM MASUD: Yes, we do.

5 MR. TODD ANDRES: And similarly, does
6 the Corporation have any statistics available on the
7 proportion of existing vehicles that are hybrid
8 vehicles?

9 MS. CARA LOW: Yes, we would. Yes, we
10 do.

11 MR. TODD ANDRES: You do.

12 MS. CARA LOW: We have the stats.

13 MR. TODD ANDRES: And are those
14 available currently? Are you able to provide them
15 now, or do you need to do that by way of undertaking?

16

17 (BRIEF PAUSE)

18

19 MS. CARA LOW: It's handy having the
20 CEO backrow. Electric vehicles; so, currently --
21 like, you want the current numbers or the growth over
22 time?

23 MR. TODD ANDRES: Yeah, I --

24 MS. CARA LOW: So, currently, electric
25 vehicles three thousand six hundred and thirty-four

1 (3,634), and for hybrid eighteen thousand three
2 hundred and eight (8,308).

3 MR. TODD ANDRES: And if you have the
4 growth over time, that's also useful.

5 MS. CARA LOW: We would have to do the
6 math. We have the numbers. Like, from 2022, the
7 electrics vehicles were one thousand five hundred and
8 six (1,506), so that would be doubled. And then
9 hybrid ten thousand eight hundred and fifty-three
10 (10,853), so eighteen thousand (18,000) over ten
11 thousand (10,000).

12 MR. TODD ANDRES: Very good. Thank
13 you for that. And there was some discussion of this
14 this morning again, but just curious about the
15 analysis that the Corporation may have conducted about
16 the cost of repairing hybrid vehicles.

17 MS. CARA LOW: Sorry, what was the
18 question?

19 MR. TODD ANDRES: Has the Corporation
20 performed analysis of the cost of repairing hybrid
21 vehicles?

22 MS. CARA LOW: I think that was best
23 answered by our chief claims officer.

24 MR. TODD ANDRES: Fair.

25

1 (BRIEF PAUSE)

2

3 MR. TODD ANDRES: So, now we
4 understand that MPI is proposing to expand the
5 Canadian loss experience automobile rating for CLEAR
6 vehicle types from forty-one (41) rate groups to
7 forty-two (42) rate groups, correct?

8 MR. KHURRAM MASUD: That's correct,
9 yes.

10 MR. TODD ANDRES: Thank you. And the
11 relativity for the additional rate group is determined
12 by the extended fitted line, and I can take you there.
13 That's, Ms. Schubert, RC-8.1, page 28 of 44. Right.

14 And so, again, the relativity for the
15 additional rate group is determined by extending the
16 fitted line, correct?

17 MR. KHURRAM MASUD: That's correct.

18 MR. TODD ANDRES: And we understand
19 that rate groups were last increased in the 2017 GRA,
20 correct?

21 MR. KHURRAM MASUD: I --

22 MR. TODD ANDRES: I can -- I can pull
23 it up. I can pull up a reference for you.

24 MR. KHURRAM MASUD: Yeah, yeah.

25 MR. TODD ANDRES: Ms. Schubert --

1 MR. KHURRAM MASUD: If you say so.

2 MR. TODD ANDRES: Ms. Schubert, can
3 you please pull up the 2017 GRA vehicle classification
4 system. It's a -- that's the one.

5 And might as well read this into the
6 record. So, it says there, the first paragraph under
7 the bullets:

8 "For 2017/'18, the Corporation is
9 expanding the number of rate groups
10 for passenger vehicles and light
11 trucks from thirty-six (36) rate
12 groups zero to thirty-five (35) to
13 forty-one (41) rates groups zero to
14 forty (40).

15 The number of rates groups is being
16 expanded as there are an increasing
17 number of vehicles. That based on
18 CLEAR recommended indicators exceed
19 the maximum rate group of thirty-
20 five (35).

21 As stated in the rules above, rate
22 groups can increase by a maximum of
23 one (1) rate -- rate group annually.
24 Consequently, existing vehicles can
25 only be increased to rate group 36

1 for 2017/2018."

2 And then the next paragraph, which
3 says:

4 "Of the one hundred and ten thousand
5 four hundred and fifty (110,450)
6 vehicles currently in rate group 35,
7 57.1, or sixty-three thousand forty-
8 two (63,042) vehicles, will be
9 assigned to rate group 36."

10 You see that?

11 MR. KHURRAM MASUD: Yes.

12 MR. TODD ANDRES: Thank you. And, Ms.
13 Schubert, if you can turn to again in the 27 -- 2017
14 GRA, RM-4.3. Yeah, this is the one.

15 Under 'Major Classification', right, at
16 that point there were a total of one point one six six
17 (1.166) total units, correct?

18 MR. KHURRAM MASUD: Correct.

19 MR. TODD ANDRES: Thank you. So about
20 9 percent of all vehicles were in rate group 35, yes?

21 MR. KHURRAM MASUD: Subject to check,
22 yes.

23 MR. TODD ANDRES: Thank you. So, the
24 change in the 2017 GRA meant that many vehicles moved
25 up one (1) rate group for each of 2017/'18, 2018/'19,

1 2019/'20, 2020/'21, and then again in '21/'22,
2 correct?

3 MR. KHURRAM MASUD: Not necessarily
4 everyone who moved up to 36 would have moved up to 37.
5 A subset of that would have moved up.

6 MR. TODD ANDRES: Understood. So, a
7 number of vehicles moved up in the first group, and
8 then some of those but not necessarily all would have
9 moved up in the following year, and was sort of a
10 cascading effect one year after the other, correct?

11 MR. KHURRAM MASUD: Correct.

12 MR. TODD ANDRES: Thank you for that.
13 In the 2025 GRA, due to the high number of units in
14 the current highest rate group, which is, as we know,
15 rate group 40, MPI is proposing expanding the rate
16 groups to enhance fairness and equitable rates,
17 correct?

18 MR. KHURRAM MASUD: Correct.

19 MR. TODD ANDRES: Thank you. For the
20 2025 GRA, MPI is proposing to expand the rate group by
21 one (1) due to its rate group adjustment rules,
22 correct?

23 MR. KHURRAM MASUD: Correct.

24 MR. TODD ANDRES: Thank you. And MPI
25 may consider further expansion in future GRAs,

1 correct?

2 MR. KHURRAM MASUD: That's correct.

3 MR. TODD ANDRES: Thank you. Did MPI
4 review the loss ratio of vehicles in rate group 40
5 versus the loss ratio of vehicles within rate groups
6 lower than 40 to see if there was any cross-subsidy?

7

8 (BRIEF PAUSE)

9

10 MR. KHURRAM MASUD: Can you repeat the
11 question? The confusion I'm having is: Are you
12 referring specifically to rate group 40 only and those
13 who would have qualified for 41, the loss ratio
14 comparison between those who are in 40 and those who
15 would have otherwise qualified for 41? Is that your
16 question?

17 MR. TODD ANDRES: I -- I don't think
18 we're -- I think it could be either one is what we're
19 interested in. I guess the answer (sic) is: Have you
20 done any analysis of a cross-subsidization?

21 MR. KHURRAM MASUD: Specifically, for
22 vehicles in rate group 40, you mean?

23 MR. TODD ANDRES: Correct.

24 MS. NGOC LY: We do the rate group
25 relativity analysis which looks at loss cost by rate

1 group through the minimum bias procedure.

2 MR. TODD ANDRES: Okay. So, was the
3 loss ratio higher or lower?

4 MS. NGOC LY: We don't look at the
5 loss ratio for relativity analysis. We look at loss
6 cost.

7 MR. TODD ANDRES: Okay. And was the
8 loss cost higher or lower?

9 MS. NGOC LY: Let me double-check.
10 One second.

11

12 (BRIEF PAUSE)

13

14 MS. NGOC LY: Are -- are you asking
15 for rate group 41 or for all other rate groups?

16 MR. TODD ANDRES: Just for 41.

17 MS. NGOC LY: 41. We don't have it
18 for 41.

19 MR. TODD ANDRES: Yeah. And I
20 suppose, was there analysis done for those currently
21 in rate group 40?

22 MR. KHURRAM MASUD: Specifically, a
23 separate analysis for rate group 40 only?

24 MR. TODD ANDRES: Yes. One moment.

25

1 (BRIEF PAUSE)

2

3 MR. TODD ANDRES: Moving on. Did MPI
4 consider adding more than one (1) rate group similar
5 to what was done in 2017 when five (5) were added?

6 MS. CARA LOW: Not at this time
7 because this was done fairly late in the process, so
8 we only looked at the one (1). But there's
9 discussions about what we would maybe perhaps bring
10 forward next year.

11 MR. TODD ANDRES: Thank you. And so,
12 for Extension, does MPI use the same rate groups for
13 the excess physical damage coverage?

14 MS. NGOC LY: Sorry. What was the
15 question?

16 MR. TODD ANDRES: Does -- does MPI use
17 these same rate groups for the excess physical damage
18 coverage?

19 MS. NGOC LY: Yes, we do, yeah.

20 MR. TODD ANDRES: For Extension?
21 Thank you.

22 MS. NGOC LY: For Extension, yeah.

23 MR. TODD ANDRES: Yes. And so how, at
24 the present time, does MPI recognize the difference
25 between two (2) expensive cars, one being far more

1 expensive than the other; for example, the difference
2 between a Farari and a Cadillac?

3 MR. KHURRAM MASUD: We use the IBC
4 CLEAR rate groups.

5 MR. TODD ANDRES: And so those are --
6 are you referring to the uncapped rate groups?

7 MR. KHURRAM MASUD: We look at
8 uncapped rate groups, and then we transform them into
9 MPI's zero to 40 rating groups.

10 MR. TODD ANDRES: So, the uncapped --
11 all right. So then for vehicles that are both capped,
12 how do they differentiate between those for Extension?

13 MR. KHURRAM MASUD: You mean the --
14 the difference between how we would rate a vehicle for
15 Extension compared to how we would rate them for
16 Basic?

17

18 (BRIEF PAUSE)

19

20 MR. TODD ANDRES: So, for example, if
21 you had a, you know, four hundred thousand dollar
22 (\$400,000) vehicle and an eighty thousand dollar
23 (\$80,000) vehicle, would they pay the same price for
24 coverage in Extension?

25 MR. KHURRAM MASUD: The price of the

1 vehicle is one of the rating factors that IBC uses to
2 determine the rate group. So, it depends on where
3 they are on the IBC rate group scale.

4 MR. TODD ANDRES: But if they're both
5 at 40, will they be paying the same?

6 MR. KHURRAM MASUD: If they're both at
7 rate group 40 under MPI's rating scale...

8

9 (BRIEF PAUSE)

10

11 MR. KHURRAM MASUD: Or for Basic
12 coverage?

13 MR. TODD ANDRES: We're -- we're
14 interested in Extension for this answer.

15

16 (BRIEF PAUSE)

17

18 MS. NGOC LY: Maybe I can add. So, if
19 the vehicle is worth more under Extension, the -- the
20 policyholder would most likely buy additional coverage
21 under Extension which is an additional premium.

22 MR. TODD ANDRES: And how is the price
23 determined for that?

24 MS. NGOC LY: It's per thousand.

25 MR. TODD ANDRES: Thank you.

1

2

(BRIEF PAUSE)

3

4

MR. TODD ANDRES: The proposed off
5 balances due to DSR and fleet rebates, MPI is only
6 proposing to reflect the differences in the cost of
7 the DSR discounts and the fleet rebate surcharges,
8 correct?

9

MR. KHURRAM MASUD: Correct, yeah.

10

MR. TODD ANDRES: And it was in the
11 GRA -- and I can take you there if you like -- but as
12 a general proposition, the MPI rating approach is
13 based on actuarial principles that tie rates directly
14 to expected costs, minimize cross-subsidization
15 between customers, provide rates that are responsive
16 to changes in claim patterns, ensure complete
17 enumeration of all expected costs, and achieve a
18 break-even mandate on policies issues, correct?

19

MR. KHURRAM MASUD: Correct.

20

MR. TODD ANDRES: And MPI is currently
21 unable to determine any difference in claims costs
22 between the DSR eligible and fleet categories,
23 correct?

24

MR. KHURRAM MASUD: Correct. We don't
25 have a marcation (sic) for who's fleet and who is DSR

1 currently, so we don't have that information at
2 present.

3 MR. TODD ANDRES: Has MPI considered
4 how it could appropriately allocate claims to these
5 two (2) categories?

6 MR. KHURRAM MASUD: Can you repeat
7 that?

8 MR. TODD ANDRES: Has MPI considered
9 how it could appropriately allocate claims to these
10 two (2) categories?

11

12 (BRIEF PAUSE)

13

14 MS. NGOC LY: As mentioned, we don't
15 have an indicator for the -- to determine fleet and
16 nonfleet policies. However, we are in the process of
17 putting assumptions together to see if there's a way
18 that we can determine fleet and nonfleet.

19 This will be just our best estimate
20 still.

21 MR. TODD ANDRES: Thank you. Are
22 there any vehicles within major class 1 that were not
23 included in the GLM analysis provided this year?

24 MR. KYLE CASALLA: In major class 1,
25 it was the vehicles that weren't passenger vehicles,

1 light trucks, or motorhomes, so I think there's a few
2 there classified technically as buses. Those wouldn't
3 have been captured.

4 MR. TODD ANDRES: And so, why were
5 those vehicles excluded?

6 MR. KYLE CASALLA: The analysis for
7 the rate line relativities is by vehicle type. And
8 so, for major class 1, we're able to look at all of
9 the passenger vehicles, all of the light trucks, and
10 all of the motorhomes within major class 1.

11 This analysis would have grown past
12 major class 1 if we were to look at the buses, where
13 only a small portion of them are in major class 1.
14 The rest are in different major classes. So, we
15 wanted to keep it limited to major class 1.

16 MR. TODD ANDRES: And how will MPI
17 include these vehicles in the 2026 GRA?

18 MR. KYLE CASALLA: When we do the
19 correct analysis for the remaining major classes,
20 we'll be able to do GLM -- or to develop a GLM in the
21 same approach for the bus vehicle type, for example.

22 MR. TODD ANDRES: Thank you. And are
23 there processes in place to compare the standard GLM
24 diagnostics from the model build phase to those of the
25 model run phase?

1 MR. KYLE CASALLA: The data used for
2 the two (2) is different in that we're using a full
3 new year of experience for the model run phase, which
4 was conducted this year, versus the model build phase,
5 which was conducted last year.

6 MR. TODD ANDRES: And are the
7 differences significant?

8 MR. KYLE CASALLA: No.

9 MR. TODD ANDRES: And in the
10 subsequent GLM analysis, such as those from next year,
11 would the comparison be conducted to ensure the
12 appropriateness of the chosen models?

13

14 (BRIEF PAUSE)

15

16 MR. KYLE CASALLA: We're limiting
17 ourselves to the rating variables currently used for
18 the minimum bias procedure. So, we wouldn't look too
19 closely at it in that the current rating variables are
20 already prescribed, so we would just be using that as
21 well for next year's approach.

22 MR. TODD ANDRES: All right. Ms.
23 Schubert, if you can pull up PUB/MPI 2-3.

24 And if we look at answer B, essentially
25 my understanding is the way that the GLM model and

1 procedures are set up is to ensure that the GLM
2 results can be integrated into the existing process
3 for comparability and consistency without requiring
4 significant changes to the overall methodology.

5 Is that fair?

6 MR. KYLE CASALLA: That's correct.

7 MR. TODD ANDRES: And there's no
8 singular wholistic overall GLM model due to the nature
9 of the current ratemaking and risk classification
10 methodology, correct?

11 MR. KYLE CASALLA: That's correct.

12 MR. TODD ANDRES: And in that --
13 pardon me -- in that methodology, the relativities and
14 resulting adjustments made for the rate line
15 relatively adjustments and experience adjustments are
16 determined separately, correct?

17 MR. KYLE CASALLA: Yeah, correct.

18 MR. TODD ANDRES: Thank you. Are
19 there any considerations to go further than the
20 current approach which uses the GLM in the same manner
21 as the minimum bias procedure?

22 MR. KYLE CASALLA: Sorry, could you
23 repeat that.

24 MR. TODD ANDRES: Sure. Are there any
25 considerations -- so, was there any thought given to

1 going further than the current approach which uses the
2 GLM in the same manner as the minimum bias procedure?

3 MR. KYLE CASALLA: There's no
4 consideration for that at this time.

5 MS. CARA LOW: In addition, MPI still
6 will stay with the same four (4) rating variables. We
7 are not considering in the future any additional
8 rating variables.

9

10 (BRIEF PAUSE)

11

12 MR. TODD ANDRES: MPI has proposed
13 adding DSR 19 but not changing the discounts this
14 year, yes?

15 MR. KHURRAM MASUD: Correct. Yes.

16 MR. TODD ANDRES: Thank you. And the
17 primary reason -- it's already been established, but
18 the primary reason I understand for not proposing a
19 rate change to the DSR discount for the 2025 GRA was
20 to achieve a lower rate indication and avoid an
21 increase to the DSR level zero, or the base driver
22 premium, correct?

23 MR. KHURRAM MASUD: The rate
24 indication is immune to the changes to the DSR
25 discounts; it's the offset. The DSR comes in to the

1 rates as an offset. So, the rate indication will be
2 unaffected whether the DSR discounts are increased or
3 not.

4 MR. TODD ANDRES: Okay. Thank you.
5 And if MPI were to implement the PUB -- pardon me --
6 the PUB ordered discounts and adjusted the base rate
7 to off balance the impact from these changes, the
8 total combined based rate change is an increase of
9 12.6 percent, yes?

10 MR. KHURRAM MASUD: In the vehicle
11 premiums, yes.

12 MR. TODD ANDRES: Thank you. Ms.
13 Schubert, if you can pull up RC appendix 64. So, page
14 10 of 11. Here we are.

15 This figure shows the indicated
16 proposed discounts by DSR level, yes?

17 MR. KHURRAM MASUD: Correct.

18 MR. TODD ANDRES: And the estimated
19 net premium change is based on the AAP rate indication
20 of 6.15 percent, correct? We can go up a bit just to
21 confirm, but this was from the original 2025 GRA,
22 correct?

23 MR. KHURRAM MASUD: The off balance of
24 12.6 is based on 6.15 percent, yes.

25 MR. TODD ANDRES: Thank you. And so,

1 with the proposed 3 percent, the values would all be
2 about 3 percent lower, correct?

3 MR. KHURRAM MASUD: Yes. Yeah.

4 MR. TODD ANDRES: Yes. Thank you. If
5 we bring up PUB/MPI 163. Thank you, Ms. Schubert.

6 The preamble to the Information Request
7 says:

8 "In Board Order 145/'23, Section
9 6.4.1, the Board finds that the use
10 of a single straight line to fit the
11 indicated DSR relativities
12 overpredicts the higher DSR
13 discounts, and directs MPI to
14 improve the fit of the DSR discounts
15 to the indicated relativities.
16 Consideration of the volume of
17 vehicles at each DSR level and
18 potentially the use of several
19 connected curve -- curves or
20 straight lines may improve the fit
21 without requiring the use of
22 categorical variables."

23 Do you see that?

24 MR. KHURRAM MASUD: I see it.

25 MR. TODD ANDRES: Thank you. And, Ms.

1 Schubert, if I could ask you to please bring up MPI
2 Exhibit 10. And if we scroll down to the end, yeah,
3 that's the paragraph there:

4 "MPI then fitted the curves, the DSR
5 level, relativities using regression
6 analysis to ensure a smooth
7 decreasing relativity line as the
8 DSR level increases from minus
9 twenty (20) to minus -- to -- sorry,
10 to plus twenty (20). MPI fitted
11 curves to achieve the best possible
12 goodness of fit to the observed data
13 as measured by the R-squared
14 variable, Figure RC, App 6.1 below
15 shows the fitted curves for the 2025
16 GRA."

17 And this is the important part:

18 "MPI did not change the methodology
19 of fitting a straight line through
20 all DSR levels like it did in the
21 2024 GRA."

22 Correct?

23 MR. KHURRAM MASUD: Correct.

24

25 (BRIEF PAUSE)

1

2 MR. TODD ANDRES: Ms. Schubert, could
3 you please pull up PUB/MPI-1-63, and it's response
4 'D'.

5

6 (BRIEF PAUSE)

7

8 MR. TODD ANDRES: Actually, if I can
9 get you to scroll back up to the question. So, the
10 question was to -- it was a request to confirm that
11 the fitted curve underpredicts the indicated
12 relativities for DSR 14 to 20 and overpredicts the
13 indicated relativities for most of DSR 1 to 12,
14 excluding DSR 10, correct?

15 MR. KHURRAM MASUD: Correct.

16 MR. TODD ANDRES: And then the
17 response to that, Ms. Schubert, if we go back down, is
18 an acknowledgement that that is true, that the
19 relativities were higher for lower DSR levels and
20 lower for higher -- higher DSR levels, correct?

21 MR. KHURRAM MASUD: Correct.

22 MR. TODD ANDRES: And, Ms. Schubert,
23 if you can scroll back up to question G. Thank you.

24 And there, there was a request to fit a
25 second alternative contiguous curve for DSR 0 to plus

1 20 with a slope change at DSR plus 5, minimizing the
2 weighted error with the weights of the number of
3 vehicles at each DSR level.

4 Ms. Schubert, if can scroll down again
5 to the response to 'G', and this was what was
6 produced, correct?

7 MR. KHURRAM MASUD: Sorry, again.

8 MR. TODD ANDRES: And what's showing
9 on the screen now in terms of the response to 'G' is
10 what was produced, correct?

11 MR. KHURRAM MASUD: Correct. There
12 was another curve that we provided in the second round
13 of IRs.

14 MR. TODD ANDRES: And we are getting
15 there now.

16 MR. KHURRAM MASUD: Okay.

17 MR. TODD ANDRES: So, Ms. Schubert, if
18 you can pull up PUB/MPI-2-45, please. And if we look
19 at Figure 1, I believe this is the further
20 clarification you provided --

21 MR. KHURRAM MASUD: Yes.

22 MR. TODD ANDRES: -- correct? And you
23 would agree that this curb -- curve better fits the
24 observed data, correct?

25

1 (BRIEF PAUSE)

2

3 MR. TODD ANDRES: And, sorry, when I'm
4 saying, "This curve," I'm referring to the blue line.

5 MR. KHURRAM MASUD: Yes, I understand.

6

7 (BRIEF PAUSE)

8

9 MR. KHURRAM MASUD: We need to look at
10 the R-squared for both curves to confirm that.

11 Visually, it does look as it's a closer fit, but I
12 think a better way to identify whether this is a
13 better fit or not is to look at the R-squared.

14 MR. TODD ANDRES: Do you have the R-
15 squared for both?

16 MR. KHURRAM MASUD: Not -- not readily
17 available. Can we do it in -- as an undertaking?

18 MR. TODD ANDRES: Absolutely. Okay.

19 MR. ANTHONY GUERRA: And against the
20 advice of counsel to volunteer undertakings, that is
21 fine. We will provide the R-squared values for the
22 figures at PUB Information Request 2-45, and as well
23 as Figure 3 from PUB-1-63, correct, from the original.

24 MR. TODD ANDRES: From -- yeah, from
25 the original.

1 MR. ANTHONY GUERRA: Okay. Yes.

2 We'll do that. Thank you.

3 MR. TODD ANDRES: Okay. Thank you.

4

5 --- UNDERTAKING NO. 22: MPI to provide the R-squared

6 values for the figures at PUB

7 Information Request 2-45 and Figure

8 3 from PUB-1-63 from the original

9

10 CONTINUED BY MR. TODD ANDRES:

11 MR. TODD ANDRES: Ms. Schubert, could

12 you please pull up the slide presentation from this

13 panel from earlier this afternoon. Thank you. Slide

14 19 is the one I'm interested in.

15 And if we look at the average premium

16 for Manitoba for 2022 and 2023, we can see that it has

17 increased, correct?

18 MS. CARA LOW: Correct.

19 MR. TODD ANDRES: And the average

20 premium includes Basic and Extension, correct?

21 MS. CARA LOW: This would include

22 Extension depending on the profiles.

23 MR. TODD ANDRES: And Basic rates had

24 gone down for each of the last five (5) years,

25 correct?

1 MS. CARA LOW: It has gone down, but
2 not necessarily dependent on the profiles.

3 MR. TODD ANDRES: And so, can we
4 conclude that the increase is due to the increases in
5 Extension? That's the increases we see on this chart
6 here.

7 MS. CARA LOW: Well, it would depend
8 on the profiles because not all premiums went down
9 'cause as we continue to adjust DSR levels, so it
10 depends on their driving record, depends on the type
11 of vehicle, and it also depends on their optional
12 coverage -- so their deductible, their third-party
13 liability limits that they're purchasing through the
14 optional coverage. And we don't have the profiles.

15 MR. TODD ANDRES: Ms. Schubert, could
16 you move forward to slide 22, please.

17 So, what would -- and -- and we're
18 looking at the minimum filing requirements slide.

19 What would MPI recommend as a preferred
20 approach going forward with regards to metrics on
21 affordability?

22

23 (BRIEF PAUSE)

24

25 MS. CARA LOW: The three (3) items

1 that we're currently considering is the percentage of
2 insurance premium to median income, the Stats Canada
3 data that we were just looking at, as well as rate
4 change relative to Manitoba CPI.

5 MR. TODD ANDRES: Thank you for that.
6 Those are my questions for the panel. Thanks very
7 much.

8 PANEL CHAIRPERSON: Thank you. Ms.
9 Dilay...?

10 MS. KATRINE DILAY: Thank you, Madam
11 Chair.

12

13 CROSS-EXAMINATION BY MS. KATRINE DILAY:

14 MS. KATRINE DILAY: Good afternoon.
15 My name is Katrine Dilay. I'm one of the lawyers for
16 the Manitoba branch of the Consumers' Association of
17 Canada. Thank you for being with -- with us today.

18 I'll direct my questions to the panel
19 broadly, and whoever is best suited, please feel free
20 to jump in.

21 To start, I have just a few questions.
22 Most of them have already been discussed in this
23 hearing, but just to -- to provide context, you'll
24 confirm that MPI is requesting a 3 percent rate
25 increase in this GRA?

1 MS. CARA LOW: That is correct.

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

5 MS. CARA LOW: Correct.

6 MS. KATRINE DILAY: And the base
7 driver premium is the amount that MPI customers pay
8 for their driver's licence each year?

9 MS. CARA LOW: It's for the insurance
10 premium attached to the driver's licence before
11 discounts or surcharges.

12 MS. KATRINE DILAY: And it's your
13 understanding that MPI's actuarial team determined a
14 6.15 percent rate indication based on AAP -- Accepted
15 Actuarial Practice -- in Canada in the original July
16 filing?

17 MS. CARA LOW: That is correct.

18 MS. KATRINE DILAY: And this 6.15
19 percent was updated to a rate increase of 6.77 percent
20 in October. Correct?

21 MS. CARA LOW: Correct.

22 MS. KATRINE DILAY: And you'll recall
23 an earlier conversation I had with your CEO, Ms.
24 Jatana, where she indicated that the Corporation's
25 actuaries had updated numbers, which downgraded the

1 rate -- the indicated rate and -- pardon me, the
2 indicated rate. Do you recall that?

3 MS. CARA LOW: There was some work
4 over the summer on our claims refresh, 'cause we
5 continue to monitor our claims forecasting on a
6 regular basis.

7 MS. KATRINE DILAY: And you'll recall
8 that Ms. Jatana had indicated the new numbers
9 minimized the gap between the 3 percent sought by MPI
10 and the higher rate indication?

11 MS. CARA LOW: I recall that being
12 said. Yes.

13 MS. KATRINE DILAY: And so, it would
14 be fair to say that an updated rate indication based
15 on those updated claims forecast numbers would be
16 lower than 6.77 percent?

17 MS. CARA LOW: Yes.

18 MS. KATRINE DILAY: But you are not
19 able to share that number. Correct?

20 MS. CARA LOW: MPI had discussed
21 filing that as part of the October filing and we were
22 told not to file that information.

23 MS. KATRINE DILAY: Thank you. And
24 so, you'll confirm that MPI in this GRA is not seeking
25 the rate request calculate -- the rate indication,

1 pardon me, calculated by its actuaries. Correct?

2 MS. CARA LOW: The rate ask is 3
3 percent.

4 MS. KATRINE DILAY: As compared to the
5 6.77 percent rate indication.

6 MS. CARA LOW: And the AAP for October
7 was 6.77 percent.

8 MS. KATRINE DILAY: And the reason for
9 seeking a 3 percent rate increase, as opposed to the
10 higher rate indication, is to keep MPI rates
11 affordable at a high level?

12 MS. CARA LOW: Yes.

13 MS. KATRINE DILAY: And Ms. Low, are
14 you familiar with Public Utilities Board Order 162 of
15 '16?

16 MS. CARA LOW: Yes.

17 MS. KATRINE DILAY: And I'd like to
18 take you to a few references from that Order. Ms.
19 Schubert, if we could go to page 89 of that particular
20 Order. And if we go down a little bit.

21 And if you look at 10.22, you see there
22 the PUB's directive that's starting with the 2018 GRA,
23 MPI's rate proposal, both overall and by major
24 classification, will be anchored on rate level
25 indications derived in accordance with accepted

1 actuarial practice in Canada. Do you see that?

2 MS. CARA LOW: I do see that.

3 MS. KATRINE DILAY: And digging a
4 little bit into the PUB's findings in this Order, if
5 we could go to page 66 towards the bottom.

6 And you see there these were the --
7 these are Board findings.

8 MS. CARA LOW: I do see that, yes.

9 MS. KATRINE DILAY: And do you see
10 there in the second paragraph under Board findings,
11 that the PUB found -- the Board also finds the
12 advantages of deriving rate level indications in
13 accordance with accepted actuarial practice in Canada
14 to be compelling?

15 MS. CARA LOW: Yes.

16 MS. KATRINE DILAY: And you would
17 agree that one of the advantages of setting rates
18 based on accepted actuarial practice in Canada is that
19 the indicated rate should equal the best estimate
20 present value of cash flows relating to the
21 corresponding claims costs and expense costs?

22 MS. CARA LOW: Yes, I see that.

23 MS. KATRINE DILAY: And that's from
24 the Canadian Institute of Actuary Standards of
25 Practice, Section 2620.01?

1 MS. CARA LOW: Correct. I recognize
2 that, yes.

3 MS. KATRINE DILAY: And that
4 particular excerpt then makes reference to the present
5 value of a profit for -- pardon me, of a provision for
6 profit over a specified period of time?

7 MS. CARA LOW: Yes.

8 MS. KATRINE DILAY: And you'll confirm
9 that the Basic Line of Business is mandated to break
10 even. Correct?

11 MS. CARA LOW: Correct.

12 MS. KATRINE DILAY: And so, you'll
13 confirm that MPI does not have a provision for profit?

14 MS. CARA LOW: There is no profit
15 provision in the AAP.

16 MS. KATRINE DILAY: And so, in other
17 words, for Basic rates derived in accordance with
18 accepted actuarial practice in Canada would mean rates
19 that would cover costs relating to claims and
20 operating expenses?

21 MS. CARA LOW: Correct.

22 MS. KATRINE DILAY: And so, it follows
23 that by seeking rates that are lower than rates
24 derived in accordance with accepted actuarial practice
25 in Canada, MPI is at risk of not being able to cover

1 its cash flow requirements?

2 MS. CARA LOW: The risk is always
3 there because we're always doing our best estimate
4 when we're doing our AAP. But like we spoke to this
5 morning at the Claims Forecasting Panel, we're not
6 always right.

7 So, there's always pricing risk is
8 inherent, especially, at MPI because we have very long
9 tail liabilities compared to other insurance
10 companies.

11 MS. KATRINE DILAY: And you'll agree
12 that MPI is seeking a rate lower than the rate derived
13 in accordance with accepted actuarial practice.

14 MS. CARA LOW: Sorry, could you repeat
15 that?

16 MS. KATRINE DILAY: And you'll confirm
17 that MPI is seeing a rate that is lower than the rate
18 derived in accordance with accepted actuarial practice
19 in Canada.

20 MS. CARA LOW: The rate ask of 3
21 percent is lower than the AAP of 6.77 percent.

22 MS. KATRINE DILAY: And in the event
23 that MPI is not able to cover its cash flow
24 requirements, MPI would potentially need to deplete
25 its reserves?

1 MS. CARA LOW: Any risk of the company
2 could have an impact to our RSR. There's a number of
3 risks, there's reserving risk, there's catastrophe
4 risk, there's re-insurance risk, there's operational
5 risk, there's market risk and pricing risk is one of
6 those.

7 There's also the risk that even if we
8 apply for an AAP, it's not necessarily approved.

9 MS. KATRINE DILAY: And we will go to
10 a reference in a moment, but you'll agree that in
11 MPI's current forecast, the Basic RSR level declines
12 over time without capital infusion from Extension.

13 Correct?

14 MS. CARA LOW: The exhibits that were
15 provided show that, but once again, we are mandated to
16 do a breakeven AAP and provide it in this forum and we
17 do not have that reflected in those proformas.

18 So, we know our loss trend is higher
19 than our vehicle upgrade trend, so going forward there
20 probably would be reasonable rate changes put before
21 this Board and that is not reflected in the proformas.

22 So, the Basic is a standalone line of
23 business that does not necessarily need Extension
24 profits to prop it up.

25 MS. KATRINE DILAY: I'm slightly

1 shifting gears, but at a high level you can confirm
2 that you're familiar with the concept of premium
3 deficiency?

4 MS. CARA LOW: Confirmed.

5 MS. KATRINE DILAY: And, in terms of a
6 definition, this is where the unearned premium reserve
7 is insufficient to cover the expected future
8 liabilities including claims, associated expenses and
9 claim adjustment expenses for the remainder of the
10 policy period.

11 MS. CARA LOW: Correct.

12 MS. KATRINE DILAY: And so, you'll
13 agree that where premium deficiency occurs, this would
14 be where MPI's premiums are not high enough to cover
15 its costs on a going-forward basis?

16 MS. CARA LOW: Going -- correct.

17 MS. KATRINE DILAY: And we can go to a
18 reference if you'd like, but you'll agree that being
19 premium deficient in one year, increases the
20 likelihood that a larger rate will be required in one
21 or more subsequent years than would otherwise be the
22 case?

23 MS. CARA LOW: That is definitely a
24 possibility, but again, every year is independent as
25 we've seen new claims trends emerging and we try --

1 continue to analyze the book of business.

2 And we do have annual rate changes in
3 order to address any shifting trends.

4 MS. KATRINE DILAY: Thank you. And
5 you'll agree that depending on the circumstances, of
6 course, being premium deficient could cause the Rate
7 Stabilization Reserve to fall or remain below its
8 legislated capital target.

9 MS. CARA LOW: That is definitely a
10 risk.

11 MS. KATRINE DILAY: And in that case,
12 that would require MPI to seek approval of a capital
13 build in a future application.

14 MS. CARA LOW: Not necessarily, 'cause
15 a capital -- the proposed capital management plan has
16 five (5) years to get back to its target and that
17 could be through a number of means. We could increase
18 the number of rate groups. We could come here forward
19 with reasonable rate increases. We could have
20 Extension transfers.

21 MS. KATRINE DILAY: But one possible
22 way of bringing the RSR back to its capital level, may
23 be through a capital build.

24 MS. CARA LOW: Could be. We also have
25 investment income coming through on the RSR every year

1 that is not part of the breakeven exercise of pricing
2 the Basic line of business.

3 MS. KATRINE DILAY: And, Ms. Low, I --
4 I'm sure you're familiar with the regulatory principle
5 of enter -- intergenerational equity?

6 MS. CARA LOW: Yes.

7 MS. KATRINE DILAY: And at a high
8 level, you'll agree this is a regulatory principle
9 under which customers in a given period should only
10 pay the costs that are necessary to provide them with
11 services in that period?

12 MS. CARA LOW: Correct. It's a
13 fairness principle.

14 MS. KATRINE DILAY: And in addition,
15 you will agree that under this principle, customers
16 should not have to pay any costs incurred to provide
17 services to customers in any other period, correct?

18 MS. CARA LOW: That would be the
19 assumption, yes.

20 MS. KATRINE DILAY: And is it your
21 understanding that this principle is consistent with
22 setting rates that are just and reasonable?

23 MS. CARA LOW: Yes.

24 MS. KATRINE DILAY: And you'll agree
25 that if rates are not set to cover MPI's costs and

1 maintain -- pardon me. I'll restart.

2 You'll agree that if rates are not set
3 to cover MPI's costs, customers in the future may have
4 to pay more to make up the difference?

5 MS. CARA LOW: That's always a risk
6 but, again, there's so much uncertainty. When we set
7 these claims forecast, that's always a risk.

8 MS. KATRINE DILAY: And I'd just like
9 to bring you for a couple of questions to attachment
10 'B' to CAC/MPI 1-43. And while Ms. Schubert is
11 bringing that up, I'll just ask you if you're familiar
12 with Judge Kopstein's report of the Autopac Review
13 Commission from 1988.

14 MS. CARA LOW: Yes.

15 MS. KATRINE DILAY: And if we go to
16 page 51 of 136. And if we go down a little bit. Just
17 one moment.

18

19 (BRIEF PAUSE)

20

21 MS. KATRINE DILAY: Thank you. Thank
22 you, Ms. Schubert. And if we look at recommendation
23 number 3.12.

24 At a high level, are you familiar with
25 the recommendation from that report, that MPI should

1 develop an actuarially sound and statistically driven
2 ratemaking system?

3 MS. CARA LOW: I'm aware.

4 MS. KATRINE DILAY: And again, you'll
5 confirm that MPI has not provided statistical evidence
6 to support the 3 percent rate request, correct?

7 MS. CARA LOW: There is no actuarial
8 support for the 3 percent.

9 MS. KATRINE DILAY: And if we go to
10 page 72 of 136. And looking at recommendation 7.12,
11 are you familiar with the recommendation that the
12 Corporation not budget deliberately for losses in any
13 years.

14 MS. CARA LOW: Yes, I am.

15 MS. KATRINE DILAY: And -- and then
16 that recommendation goes to say that the Corporation
17 should budget for surpluses where reserves have been
18 reduced below target levels.

19 You're also familiar with that
20 recommendation?

21 MS. CARA LOW: Yes.

22 MS. KATRINE DILAY: Switching gears to
23 talk a little bit about the ten-dollar (\$10) increase
24 to the base driver premium.

25 You'll confirm that that's the -- the

1 request by MPI, a ten-dollar (\$10) increase to the
2 base driver premium?

3 MS. CARA LOW: Correct.

4 MS. KATRINE DILAY: And you'll agree
5 that the primary rationale for seeking a ten-dollar
6 (\$10) increase in driver premiums was to lower the
7 overall rate requirement for vehicle insurance
8 determined in accordance with accepted actuarial
9 practice by increasing another source of revenue?

10 MS. CARA LOW: Correct.

11 MS. KATRINE DILAY: And you'll agree
12 that the ten-dollar (\$10) increase to driver premium
13 is a dollar figure which applies to all DSR levels,
14 correct?

15 MS. CARA LOW: Correct.

16 MS. KATRINE DILAY: And if we could go
17 to the Information Request CMMG/MPI 1-9, and
18 specifically page 3, figure 1.

19 And so, here you -- you'll confirm we
20 see the proposed percentage increase at each DSR level
21 of that ten-dollar (\$10) increase request?

22 MS. CARA LOW: I see that.

23 MS. KATRINE DILAY: And so, just to
24 understand what we're seeing in front of us, the
25 second column from the left would be the DSR levels?

1 MS. CARA LOW: Correct.

2 MS. KATRINE DILAY: Then the column in
3 the middle are the 2024 driver licence premiums?

4 MS. CARA LOW: Correct.

5 MS. KATRINE DILAY: And the second
6 column from the right are the proposed 2025 driver
7 licence premium --

8 MS. CARA LOW: Correct.

9 MS. KATRINE DILAY: -- which include
10 that ten-dollar (\$10) increase?

11 MS. CARA LOW: Correct.

12 MS. KATRINE DILAY: And then the last
13 column to the right is the proposed percentage
14 increase.

15 MS. CARA LOW: Correct.

16 MS. KATRINE DILAY: So, essentially,
17 that ten-dollar (\$10) increase translated into a
18 percentage?

19 MS. CARA LOW: Correct.

20 MS. KATRINE DILAY: And perhaps, Ms.
21 Schubert, if we could I guess slowly scroll down just
22 so that we can see the percentage increase from the
23 top of the scale to the bottom of the scale. Thank
24 you.

25 And so, you'll see from that percentage

1 column that the percentage increases are higher for
2 the higher DSR levels and lower for the lower DSR
3 levels --

4 MS. CARA LOW: I --

5 MS. KATRINE DILAY: -- correct?

6 MS. CARA LOW: I do see that. So, the
7 idea here was that base zero, so your base premium if
8 you were adding ten dollars (\$10), and that is to
9 provide PIPP insurance for all Manitobans because it
10 is a universal product. You don't have to have a car.
11 You don't need to register a car. You no -- don't
12 even need to be driving a car.

13 And so, all Manitobans get the same
14 coverage, and so we were adding the ten dollars (\$10).
15 Overall, the discounts for good drivers, the
16 surcharges for the people on the negative scale, that
17 is an incentive program to encourage better driving.

18

19 (BRIEF PAUSE)

20

21 MS. KATRINE DILAY: Thank you for
22 that. And so, just to confirm the -- the percentages.
23 So, at the top of the DSR scale, those drivers would
24 be looking at a 67 percent increase?

25 MR. ANTHONY GUERRA: Sorry, I'm -- I'm

1 just -- I'm going to crow out just for that question
2 only because it assumes that -- that if you were in
3 DSR level 19, you are a driver. You are a driver
4 licence holder. You may not be driving a vehicle.

5

6 (BRIEF PAUSE)

7

8 CONTINUED BY MS. KATRINE DILAY:

9 MS. KATRINE DILAY: Thank you. I
10 appreciate that. And so, the 60 percent increase we
11 see there is for driver licence holders, correct?

12 MS. CARA LOW: Correct.

13 MS. KATRINE DILAY: And then we see
14 the declining percentages all the way down to a zero
15 percent increase for the lower DSR levels, correct?

16 MS. CARA LOW: Correct.

17 MS. KATRINE DILAY: And that zero is
18 rounded down from 0.3 approximately, correct?

19 MS. CARA LOW: Yes.

20 MS. KATRINE DILAY: And you'll confirm
21 that the driver licence premiums are not actuarially
22 indicated, correct?

23 MS. CARA LOW: Correct.

24 MS. KATRINE DILAY: And these amounts
25 are not directly linked to the cost of issuing

1 driver's licences?

2 MS. CARA LOW: No. This is related to
3 the premium that all Manitobans have regardless of
4 whether they're -- they are registering a vehicle.

5 So, maybe you have a driver's licence,
6 but you don't own a car and you're walking down the
7 street and you're hit by a car. You still have PIPP
8 benefits. And this cost here helps cover those
9 benefits.

10 MS. KATRINE DILAY: And MPI uses the
11 driver licence premiums as one (1) incentive for good
12 driving and a disincentive for bad driving through the
13 levels and associated prices, correct?

14 MS. CARA LOW: Right. Good drivers
15 get a discount off their driver premium and their
16 vehicle premium. But if you're on the negative scale,
17 we do it through the driver's licence because it's
18 likely that if you're going to get hit with a
19 surcharge on your vehicle premium, you may put it into
20 someone else's name.

21 MS. KATRINE DILAY: And MPI uses the
22 revenues from the driver's licence premiums to lower
23 the rate indication for vehicle insurance premiums,
24 correct?

25 MS. CARA LOW: Correct, because it's

1 more insurance. It's not from running the DVA, the
2 driver vehicle licensing, and it's not -- and it's not
3 from registration or admin costs; it's for insurance
4 premium.

5 MS. KATRINE DILAY: And I believe you
6 alluded to this in one (1) of your previous responses,
7 but you'll agree that there are some MPI customers who
8 have a driver's licence and who do not own a vehicle?

9 MS. CARA LOW: Correct.

10 MS. KATRINE DILAY: For example, some
11 people may have a licence and not own their own car
12 but use a car co-op?

13 MS. CARA LOW: Yes.

14 MS. KATRINE DILAY: And I'm not sure
15 if you'll know the answer to this, but if someone uses
16 a car co-op, they would pay for the car insurance
17 through the fees paid to the co-op to use that
18 service?

19

20 (BRIEF PAUSE)

21

22 MS. CARA LOW: We would assume that's
23 true, but we don't actually know the costing models
24 from the coops.

25 MS. KATRINE DILAY: Thank you. And

1 some people may have a licence but not own a car, but
2 they rent a car on occasion?

3 MS. CARA LOW: Correct.

4 MS. KATRINE DILAY: And when renting a
5 car, those individuals would purchase insurance for
6 the period of time for which they are renting the car?

7 MS. CARA LOW: That is true.

8 MS. KATRINE DILAY: And some people
9 may have a licence and not own a car but borrow a car
10 from friends or family occasionally?

11 MS. CARA LOW: Yes.

12 MS. KATRINE DILAY: And in that case,
13 the car insurance would already be paid by the
14 registered owner of the car, correct?

15 MS. CARA LOW: True, yes.

16 MS. KATRINE DILAY: And you'll agree
17 that some people may have a licence only as an
18 accepted form of picture identification?

19 MS. CARA LOW: I would agree that's
20 probably the case, yes.

21 MS. KATRINE DILAY: You'll agree that
22 some people cannot afford to own a car, correct?

23 MS. CARA LOW: Correct.

24 MS. KATRINE DILAY: And you'll agree
25 that driving is not a right but rather is a privilege?

1 MS. CARA LOW: Agreed.

2 MS. KATRINE DILAY: And similarly,
3 owning a car is not a right but rather a privilege?

4 MS. CARA LOW: I'm not sure I'm -- I
5 can answer that.

6 MS. KATRINE DILAY: And again, you'll
7 agree that the ten dollar (\$10) increase to the base
8 driver premium is to lower the AAP rate indication and
9 ensure the affordability of rates?

10 MS. CARA LOW: Yes.

11 MS. KATRINE DILAY: We can go to a
12 reference if you'd like, but you'll agree that MPI has
13 not done specific customer engagement on whether
14 customers would prefer to see the base driver premium
15 increase or their insurance premiums increase,
16 correct?

17

18 (BRIEF PAUSE)

19

20 MS. CARA LOW: Could you repeat the
21 question?

22 MS. KATRINE DILAY: You'll agree that
23 MPI has not done specific customer engagement on
24 whether customers would prefer to see the base driver
25 premium increase or their insurance premiums increase.

1 MS. CARA LOW: We have not done a
2 specific study such as you're referring to. But
3 again, 73 percent of Manitobans do believe that MPI
4 insurance is affordable and that the DSR scale is just
5 and reasonable -- fair and reasonable, and in fact,
6 fair and effective.

7 MS. KATRINE DILAY: But again, MPI did
8 not ask that question to their customers whether they
9 would prefer to see the driver premium increase or
10 insurance premiums increase?

11 MS. CARA LOW: No, we did not.

12 MS. KATRINE DILAY: And so, the
13 decision to seek the ten dollar (\$10) increase to
14 driver premium was solely MPI's opinion on how to best
15 balance MPI's long-term financial sustainability with
16 the goal of maintaining stable rates for MPI
17 customers.

18 MS. CARA LOW: Correct, yes.

19 MS. KATRINE DILAY: I now have some
20 questions about Extension rates and the relationship
21 between Extension and Basic line of -- lines of
22 business.

23 We can go to a reference, if needed,
24 but you'll agree that MPI is increasing the overall
25 Extension premium rates by 10.32 percent in 2024/'25?

1 MS. CARA LOW: That is correct.

2 MS. KATRINE DILAY: And you'll agree
3 that MPI has not yet finalized the Extension rates for
4 2025/'26 and beyond?

5 MS. CARA LOW: It will be going to the
6 board of directors on November 13th.

7 MS. KATRINE DILAY: You'll agree that,
8 at present, MPI is budgeting increasing Extension
9 rates another 2 percent in '25/'26?

10 MS. CARA LOW: That is in our base
11 scenario.

12 MS. KATRINE DILAY: And so
13 effectively, looking at both years, 2024/'25 and
14 2025/'26, Extension rates are forecasted to be going
15 up by over 12 percent in those two (2) years.

16 MS. CARA LOW: In those two (2) years,
17 but again, the average premium's a hundred dollars
18 (\$100).

19 MS. KATRINE DILAY: And, Ms. Schubert,
20 if we could turn to CAC/MPI-2-13E, and specifically
21 page 4 of this IR. Thank you.

22 And looking at the third line from the
23 bottom in response to Part E, MPI states that:

24 "MPI included a best-estimate
25 forecast to avoid the need to apply

1 for a capital build."

2 You see that?

3 MS. CARA LOW: I do see that.

4 MS. KATRINE DILAY: And to clarify
5 this response, MPI means here to avoid the need to
6 apply for a capital build for the Basic line of
7 business, correct?

8 MS. CARA LOW: For the Basic line of
9 business, correct.

10 MS. KATRINE DILAY: And to confirm,
11 MPI may have had to apply for a capital build for
12 Basic because the forecast with the 3 percent rate
13 increase applied for has the level of the Rate
14 Stabilization Reserve dipping under the hundred
15 percent MCT, correct?

16 MS. CARA LOW: Correct, but the rate
17 change could have come from fair and reasonable rates
18 in the Basic line of business in future years as well.
19 It doesn't necessarily have to come from Extension.

20

21 (BRIEF PAUSE)

22

23 MS. KATRINE DILAY: I'm sorry, Ms.
24 Low. I'm -- I'm not sure if I followed the response,
25 so I'll try again just to make sure I understand.

1 Without the forecasted transfers from
2 Extension, MPI may have had to apply for a capital
3 build for Basic because the forecast with the 3
4 percent rate increase had the level of the Rate
5 Stabilization Reserve dipping under the hundred
6 percent MCT in the forecast period, and it was not
7 projected to increase back to the target level,
8 correct?

9 MS. CARA LOW: In the pro formas
10 provided, that is correct. In order to get the MCT
11 back to the target within five (5) years, there's a
12 number of actions management could take. So, in that
13 particular set of pro formas, the decision was to put
14 the 2 percent through Extension 'cause that is a
15 reasonable placeholder.

16 We could be applying for reasonable
17 rate changes in this form. We could be looking at
18 higher rate groups. There's a number of options we
19 could be taking.

20 MS. KATRINE DILAY: And so, the action
21 in response to the RSR MCT ratio being under 100
22 percent, the action taken was to increase Extension
23 rates and have Extension capital transferred to Basic,
24 correct?

25 MS. CARA LOW: Correct.

1 MS. KATRINE DILAY: And we can go to a
2 reference or you could take this subject to check, but
3 you'll agree that, for 2026, 2027, and 2028, the MCT
4 ratio without Extension transfers would be forecasted
5 to be 82.3 percent, 71.9 percent, and 58.4 percent?

6 MS. CARA LOW: Subject to check, yes.

7 MS. KATRINE DILAY: And without
8 transfers from Extension, MPI would need to seek
9 approximately a 6.8 percent capital build provision to
10 keep the RSR MCT ratio at 100 percent by 2027/'28?

11 MS. CARA LOW: Do we have a reference
12 for this --

13 MS. KATRINE DILAY: Sure.

14 MS. CARA LOW: -- 6.8 percent?

15 MS. KATRINE DILAY: Yes, and thank you
16 for asking that. Ms. Schubert, could we turn to
17 PUB/MPI-2-27C?

18

19 (BRIEF PAUSE)

20

21 MS. KATRINE DILAY: Thank you, Ms.
22 Schubert. I was finding it at the same time as you.

23 And so, if we look here to Figure 1,
24 the scenario on line 3, which is in response to PUB-2-
25 27C saw a capital build provision of 6.8 percent.

1 MS. CARA LOW: I see that.

2 MS. KATRINE DILAY: And if we could
3 turn to MPI Exhibit 3. And so, you'll confirm this is
4 the supplementary filing in support of the 3 percent
5 overall rate increase filed July 18, 2024.

6 MS. CARA LOW: Confirmed.

7 MS. KATRINE DILAY: And if we turn to
8 page 11 on -- of this document. So, you see here this
9 is the updated --- just one moment, Ms. Schubert, I'll
10 just check my reference.

11

12 (BRIEF PAUSE)

13

14 MS. KATRINE DILAY: Ms. Schubert, I
15 think it's just on the next page, my apologies. Thank
16 you.

17 So, you see this is the updated figure
18 PF3 Statement of Changes in Equity, 3 percent Basic
19 Rate Change. Do you see that?

20 MS. CARA LOW: I do see that.

21 MS. KATRINE DILAY: And I'd just like
22 to confirm some numbers on line 10, which are the
23 transfers from non-Basic retained earnings. Correct?

24 MS. CARA LOW: Correct.

25 MS. KATRINE DILAY: And in this case,

1 what the numbers are, you'll agree that this line
2 refers to transfers from the -- specifically, the
3 Extension line of business. Correct?

4 MS. CARA LOW: Confirmed, yes.

5 MS. KATRINE DILAY: And so, looking at
6 the current fiscal year, which would be the 2024/'25
7 year, this is currently a budget forecast.

8 MS. CARA LOW: It is a budget
9 forecast, yes.

10 MS. KATRINE DILAY: And the transfer
11 from Extension is forecast to be almost 30.4 million.

12 MS. CARA LOW: Correct.

13 MS. KATRINE DILAY: And looking to the
14 next fiscal year 2025/'26, the forecasted transfer
15 from Extension is just over 46.7 million.

16 MS. CARA LOW: Correct.

17 MS. KATRINE DILAY: And looking to the
18 end of the forecasting period for 2029, the forecasted
19 transfer from Extension goes up to over 84.5 million.

20 MS. CARA LOW: Correct.

21 MS. KATRINE DILAY: And if we could
22 scroll down to the very last line of this figure, this
23 is where we see the MCT ratio, correct?

24 MS. CARA LOW: Correct.

25 MS. KATRINE DILAY: And so, you'll

1 agree that between the 2025 budget forecast and the
2 end of the forecast period 2029, the MCT ratio does
3 not dip much below 100 percent MCT. Correct?

4 MS. CARA LOW: Correct.

5 MS. KATRINE DILAY: And in fact, the
6 lowest ratio we can see for those years is 98.6
7 percent.

8 MS. CARA LOW: Yes.

9 MS. KATRINE DILAY: And you'll agree
10 that without the transfers from Extension that we
11 walked through, the MCT ratio for 2026 forecast would
12 be lower. Correct?

13 MS. CARA LOW: Correct.

14 MS. KATRINE DILAY: And that would be
15 the same for the other years of the forecast.

16 MS. CARA LOW: Yes.

17 MS. KATRINE DILAY: And I'd just like
18 to now turn to page 13. Thank you.

19 And so, you'll see there a figure
20 sixteen (16), which is the updated figure EPF-3
21 Extension Statement and Equity 3 percent overall rate
22 increase.

23 MS. CARA LOW: Sorry. What's the
24 difference between this one and the last one?

25 MS. KATRINE DILAY: So, this one would

1 be the EPF which I believe ---

2 MS. CARA LOW: Oh, this would be ---

3 MS. KATRINE DILAY: --- is Extension.

4 Correct.

5 MS. CARA LOW: Correct. Yes.

6 MS. KATRINE DILAY: And so here,
7 looking at the line 7, there we see the transfers to
8 other retained earnings.

9 MS. CARA LOW: Correct.

10 MS. KATRINE DILAY: And so, looking to
11 the years on line 7, looking to the years 2024/'25
12 until 2028/'29, we can see that's the amounts being
13 transferred out of Extension are those same numbers
14 that we saw going into Basic. Correct.

15 MS. CARA LOW: Correct. Yes.

16 MS. KATRINE DILAY: And looking at the
17 very last line of this figure, you'll agree that the
18 MCT ratio for Extension is maintained at 200 percent
19 MCT for the whole forecast period. Correct?

20 MS. CARA LOW: Correct.

21 MS. KATRINE DILAY: And this has
22 already been confirmed, but you'll agree that MPI is
23 currently forecasting that these transfers from
24 Extension to Basic will occur, but the final decision
25 each year will rest with the MPI Board of Directors.

1 Correct?

2 MS. CARA LOW: Correct.

3 MS. KATRINE DILAY: So those transfers
4 are not 100 percent guaranteed?

5 MS. CARA LOW: That is right.

6 MS. KATRINE DILAY: And you'll confirm
7 that without the forecasted rate increases for
8 Extension, MPI would be able to transfer a smaller
9 amount to Basic while still retaining that 200 percent
10 MCT in Extension.

11 MS. CARA LOW: Yes, anything over 200
12 percent gets transferred over, so the --

13 MS. KATRINE DILAY: But I'm asking
14 without those proposed rate increases to Extension,
15 that amount transferred to Basic would be smaller.

16 MS. CARA LOW: It would be smaller.
17 Yes.

18 MS. KATRINE DILAY: And in fact, in
19 order to transfer enough to Basic to keep the MCT
20 ratio and the RSR close to 100 percent, as well as the
21 MCT ratio for Extension at 200 percent MCT, MPI must
22 increase rates somewhere.

23 MS. CARA LOW: Correct. Either
24 Extension or Basic.

25 MS. KATRINE DILAY: And so, by seeking

1 a lower than AAP rate for Basic, MPI has to increase
2 Extension's rate in order to keep Basic's RSR level at
3 a hundred percent MCT --

4 MS. CARA LOW: It is --

5 MS. KATRINE DILAY: -- through the
6 transfer --

7 MS. CARA LOW: Sorry.

8 MS. KATRINE DILAY: -- through the
9 transfers from Extension to Basic?

10 MS. CARA LOW: That is what it's
11 showing in these exhibits, yes.

12 MS. KATRINE DILAY: And could we turn
13 to PUB/MPI 2-23, part 'C' of that IR.

14 And so, we see here that MPI responded
15 that the Extension rate change was not based on AAP.
16 The reason for the nominal increase in the July 18th
17 filing was to ensure that MPI would not be required to
18 seek a capital build in respect of the Basis RSR and,
19 thereby, compromise its commitment to seek affordable
20 rates. You see that response?

21 MS. CARA LOW: I do see that.

22 MS. KATRINE DILAY: And, of course,
23 you'll agree that Extension rates are not regulated by
24 the Public Utilities Board, correct?

25 MS. CARA LOW: I understand, yes.

1 MS. KATRINE DILAY: And that is
2 because it is a competitive line of business?

3 MS. CARA LOW: It is.

4 MS. KATRINE DILAY: And so, at a high
5 level, consumers can expect that the pressures of
6 competition will protect them from unreasonable or
7 unjust rates?

8 MS. CARA LOW: That would be a
9 reasonable assumption.

10 MS. KATRINE DILAY: Because if rates
11 increase too much, customers could choose to go to
12 another provider?

13 MS. CARA LOW: Exactly.

14

15 (BRIEF PAUSE)

16

17 MS. KATRINE DILAY: You'll agree that
18 all customers who purchase insurance vehicle must
19 purchase Basic insurance?

20 MS. CARA LOW: Basic is mandatory,
21 yes.

22 MS. KATRINE DILAY: And you'll agree
23 that Extension receives a benefit from its
24 relationship with Basic?

25 MS. CARA LOW: Yes.

1 MS. KATRINE DILAY: And one (1) of
2 these benefits is a seamless shared service delivery
3 platform?

4 MS. CARA LOW: It's easy to purchase
5 Extension.

6 MS. KATRINE DILAY: Including through
7 the seamless shared delivery platform?

8 MS. CARA LOW: Exactly, yes.

9 MS. KATRINE DILAY: And this shared
10 service delivery platform means that Extension
11 receives the same access to customer information as
12 Basic does --

13 MS. CARA LOW: Yes.

14 MS. KATRINE DILAY: -- with no
15 structural separation between the two (2) lines of
16 business --

17 MS. CARA LOW: Agreed.

18 MS. KATRINE DILAY: -- correct?

19 MS. CARA LOW: Yes.

20 MS. KATRINE DILAY: And would it be
21 fair to say that many Extension customers are not
22 aware that they have competitive options given this
23 shared service delivery platform?

24 MS. CARA LOW: One minute, please. I
25 guess that could be the case. Maybe some customers

1 are not aware.

2 MS. KATRINE DILAY: I have a few
3 questions now with respect to the treatment of
4 deferred expenses for ratemaking purposes. If we
5 could turn to PUB/MPI 2-24, please. Thank you. And
6 if we could go to part A -- the response to part A,
7 Ms. Schubert.

8 So, in terms of summarizing the
9 response here, you'll confirm MPI's assessment that
10 its activities will be considered out of scope and,
11 therefore, excluded from adopting the new rate
12 regulated activity standard when the final version is
13 released?

14 MR. ANTHONY GUERRA: Ms. Dilay,
15 unfortunately, the -- the best person suited to answer
16 these questions is Mr. Kolaski, and Mr. Kolaski is not
17 on this Panel.

18

19 (BRIEF PAUSE)

20

21 MS. KATRINE DILAY: Thank you, Ms.
22 Guerra. Madam Chair, we do have a couple more areas
23 of questioning; however, this would be a good place to
24 break. And we would be able to consolidate our notes
25 a little bit better tonight. We anticipate being

1 approximately twenty (20) to thirty (30) minutes
2 tomorrow morning.

3 PANEL CHAIRPERSON: Thank you very
4 much, Ms. Dilay. And that, of course, meets our four
5 o'clock deadline. So, I appreciate -- appreciate
6 everyone's cooperation on that.

7 We'll resume tomorrow morning at nine
8 o'clock. Thank you. Oh, and please remember to take
9 everything off the desks, there's another Panel coming
10 in.

11

12 --- Upon adjourning at 3:52 p.m.

13

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15 Certificate of Transcript

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18 _____

19 Wendy Woodworth, Ms.

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