



“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 25, 2024
Pages 1054 to 1170
Day 5

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1	List of Exhibits	
2	Exhibit No.	Page No.
3	TC-5	Portions of data found at TC/MPI-2-1,
4		Appendix 1, and MPI Exhibit 39
5		summarized into table format as an aid
6		to cross 1129
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1 --- Upon commencing at 9:03 a.m.

2

3 PANEL CHAIRPERSON: Good morning,
4 everyone. This morning we'll continue with the cross
5 by CAC counsel.

6 Ms. Dilay...?

7

8 RATEMAKING PANEL

9 CARA LOW, Previously Sworn

10 SALVIR JATANA, Previously Affirmed

11 KHURRAM MASUD, Previously Affirmed

12 KYLE CASALLA, Previously Sworn

13 NGOC LY, Previously Affirmed

14

15 CONTINUED CROSS-EXAMINATION BY MS. KATRINE DILAY:

16 MS. KATRINE DILAY: Thank you, Madam
17 Chair. Good morning. I have questions on two (2)
18 separate areas this morning, but both relating to
19 Driver Safety Rating.

20 Ms. Schubert, could we please turn to
21 Part 7 of the Application, RC Appendix 6, and
22 specifically Figure RC App 6-1, which is at page 5.

23 And My Friend, Mr. Andres, did ask some
24 questions on this topic, so I'll be relatively brief.
25 So, in this figure, you'll confirm that MPI fit curves

1 to the DSR level relativities using regression
2 analysis?

3 MR. KHURRAM MASUD: That's correct.

4 MS. KATRINE DILAY: And MPI fits the
5 curve to ensure a smooth decreasing relativity line as
6 the DSR level increases from minus twenty (-20) to
7 plus twenty (+20), correct?

8 MR. KHURRAM MASUD: That's correct.

9 MS. KATRINE DILAY: And so, if we look
10 at the figure before us here, the green line is the
11 balanced relativity?

12 MR. KHURRAM MASUD: That's correct.

13 MS. KATRINE DILAY: And so, to
14 clarify, this is the relativity indicated by the
15 minimum bias procedure?

16 MR. KHURRAM MASUD: That's correct.

17 MS. KATRINE DILAY: And can you
18 clarify what 'balanced' refers to?

19 MR. KHURRAM MASUD: Yes. So, I think
20 this was -- this has been explained in some part of
21 our GRA. So, what we do is we have the accrued
22 relativity that comes from our data when we use a
23 minimum bias, and then we make sure that the weighted
24 credibility -- sorry, weighted relativity is balanced
25 to one (1).

1 MS. KATRINE DILAY: Thank you. And
2 then if we look at the blue and purple lines, those
3 are the fitted relativities, correct?

4 MR. KHURRAM MASUD: Yes.

5 MS. KATRINE DILAY: Which means the
6 best possible goodness of fit to the observed data as
7 measured by the R-squared variable, correct?

8 MR. KHURRAM MASUD: That's correct,
9 yes.

10 MS. KATRINE DILAY: And can you
11 clarify for us what is the difference between the
12 purple and the blue lines?

13

14 (BRIEF PAUSE)

15

16 MR. KHURRAM MASUD: When we fit a
17 straight line or a curve to the crude relativity -- to
18 the balanced relativities, we need to rebalance it
19 again to make sure that they balance to one (1).

20 MS. KATRINE DILAY: And so, the
21 balanced fitted relativity is the purple line?

22 MR. KHURRAM MASUD: That's correct,
23 yeah.

24 MS. KATRINE DILAY: And you agree that
25 the DSR indicated discounts are based on the fitted

1 lines we see here?

2 MR. KHURRAM MASUD: That's correct.

3 MS. KATRINE DILAY: And in this
4 figure, the independent variable is the DSR level,
5 correct?

6

7 (BRIEF PAUSE)

8

9 MR. KHURRAM MASUD: Can you repeat the
10 question?

11 MS. KATRINE DILAY: In this figure,
12 the independent variable would be the DSR levels?

13

14 (BRIEF PAUSE)

15

16 MR. KHURRAM MASUD: Yes, that's
17 correct, yeah.

18 MS. KATRINE DILAY: And if we just
19 back up a step, at a high level, you will agree that
20 some independent variables are numerical?

21 MR. KHURRAM MASUD: When you are
22 referring to some independent variables, you mean more
23 than just the DSR level?

24 MS. KATRINE DILAY: At a high level,
25 yes.

1

2

(BRIEF PAUSE)

3

4

5

MR. KHURRAM MASUD: Yes, there may be other independent variables.

6

7

MS. KATRINE DILAY: And, sorry, so some independent variables can be numerical, correct?

8

9

10

11

MS. KATRINE DILAY: And those can sometimes be referred to as cardinal? Would that be accurate?

12

13

(BRIEF PAUSE)

14

15

16

17

MS. KATRINE DILAY: And we can move on if -- if there's no answer to that question. It's -- that's fine.

18

19

MR. KHURRAM MASUD: Yeah. Can we -- can we move on, please.

20

21

MS. KATRINE DILAY: And you'll agree that other variables can be categorical?

22

23

24

25

MR. KHURRAM MASUD: That's true, yeah.

MS. KATRINE DILAY: And you'll agree that sometimes categorical variables are ordinal, which would mean that they have an order such as

1 small, medium, large sizes or one (1) star, two (2)
2 star, three (3) star --

3 MR. KHURRAM MASUD: Yeah.

4 MS. KATRINE DILAY: -- ratings, for
5 examples?

6 MR. KHURRAM MASUD: Yes, that's
7 correct.

8 MS. KATRINE DILAY: And as we
9 discussed on this figure before us, Figure RC App 6-1,
10 you show two (2) fitted regression equations?

11 MR. KHURRAM MASUD: That's correct.
12 One's for balance relatively and the other is for fit
13 relativity.

14 MS. KATRINE DILAY: And does the upper
15 equation in terms of this graph, so the purple line,
16 would that imply that for each movement in the DSR
17 level the relativity changes by 0.075?

18 MR. KHURRAM MASUD: That's correct.
19 That's the slope of the line, so that would imply
20 changes by 0.075.

21 MS. KATRINE DILAY: So, you'll agree
22 that it treats the DSR level as a numerical variable,
23 correct?

24 MR. KHURRAM MASUD: That's correct.

25 MS. KATRINE DILAY: And does the DSR

1 level have a numeric interpretation; or, in other
2 words, does a DSR movement from plus 2 to plus 3
3 signify an absolute improvement in expected claims
4 cost equal to the movement from plus 6 to plus 7, for
5 example?

6 MR. KHURRAM MASUD: Using the curve?
7 Yes.

8 MS. KATRINE DILAY: And is that why
9 the straight line is not capturing the movements in
10 the data?

11 MR. KHURRAM MASUD: Whenever you fit a
12 curve to any accrued curve, there will be differences
13 in moments in the accrued curve and the fitted curve.

14 MS. KATRINE DILAY: And just to
15 confirm what we see in this figure. So, if we look
16 specifically at levels -- DSR levels plus 1 to plus 9,
17 you'll agree that the fitted line is above the green
18 line, correct?

19 MR. KHURRAM MASUD: Yes, that's
20 correct.

21 MS. KATRINE DILAY: And if we look at
22 DSR levels plus 15 through to plus 20, so at the far
23 right of the graph, you'll agree that there the fitted
24 line is below the green line, correct?

25 MR. KHURRAM MASUD: That's correct.

1 MS. KATRINE DILAY: And so, this means
2 essentially that the straight line leads to
3 undercharging DSR levels 15 through 20 and
4 overcharging 1 through 9?

5 MR. KHURRAM MASUD: Yes. Whenever you
6 fit a curve to, as I said, the accrued curve, there
7 will always be ups and downs. So, that is -- that
8 phenomena is observed here, as well.

9 MS. KATRINE DILAY: Thank you.
10 Changing gears a little bit but staying on the topic
11 of Driver Safety Rating, at a high level, you'll
12 confirm that you are familiar with the issue of cross-
13 subsidization in a DSR system?

14 MR. KHURRAM MASUD: When you mean --
15 when -- when you say "issue," you mean there exists an
16 issue of --

17 MS. KATRINE DILAY: And -- and perhaps
18 I'll -- I'll clarify. You're familiar with the
19 specific issue that the discounts and surcharges
20 historically offered by MPI through the Driver Safety
21 Rating system are not actuarially indicated, correct?

22 MR. KHURRAM MASUD: Yes, we are moving
23 towards actuarially indicated discounts, but we are
24 not there yet.

25 MS. KATRINE DILAY: And so, the result

1 is that drivers at the high end of the scale are
2 overpaying for their insurance relative to their risk
3 at a high level, correct?

4 MR. KHURRAM MASUD: Yes. Until we get
5 there, until we get to the actuarially indicated
6 discount, this will be observed.

7 MS. KATRINE DILAY: And conversely, it
8 also means that the safest drivers are understood to
9 be paying -- sorry -- so, this means that the safest
10 drivers are understood to be paying for more than
11 their share of MPI's claims costs, correct? That
12 would be the -- the result?

13 MR. KHURRAM MASUD: Correct, yes.

14 MS. KATRINE DILAY: Ms. Schubert,
15 could we turn to PUB Order 134 of '21, and
16 specifically, page 90, please. Thank you.

17 And so, here under the 'Board findings'
18 heading, you'll confirm your understanding based on
19 this, as well as your experience with MPI, that the
20 Public Utilities Board has been concerned about the
21 issue of cross-subsidization since at least the 2018
22 GRA which took place in 2017?

23 MR. KHURRAM MASUD: Right.

24 MS. KATRINE DILAY: And if we scroll
25 to the top of page 94 of the same Order, you'll

1 confirm that in the 2022 GRA the Board approved MPI's
2 proposed plan to shift the DSR discounts to be
3 consistent with actuarial indications over a period of
4 five (5) years, correct?

5 MR. KHURRAM MASUD: Correct.

6 MS. KATRINE DILAY: And the proposal
7 was to increase the discounts by one-fifth of the
8 difference between current discounts and indicated
9 discounts in that year, correct?

10 MR. KHURRAM MASUD: Yes.

11 MS. KATRINE DILAY: And then in years
12 2, 3, and 4 MPI proposed to recalculate the indicated
13 discounts each year and move the actual discounts
14 towards their actuarial indications, correct?

15 MR. KHURRAM MASUD: Correct.

16 MS. KATRINE DILAY: And finally, in
17 year 5 the discounts would be increased a final time
18 to align with actuarial indications?

19 MR. KHURRAM MASUD: That's correct,
20 yes.

21 MS. KATRINE DILAY: And, Ms. Schubert,
22 if we could turn to DSR appendix 1 from the 2022 GRA,
23 and specifically figure 14, please.

24

25 (BRIEF PAUSE)

1 MS. KATRINE DILAY: Thank you, Ms.
2 Schubert. And so, you'll confirm that this table
3 presents the calculated discounts and surcharges back
4 in the 2022 GRA before MPI started implementing its
5 five (5) year plan?

6 MR. KHURRAM MASUD: Correct.

7 MS. KATRINE DILAY: And if we look at
8 line number 1, this is describing DSR level 15.
9 You see that?

10 MR. KHURRAM MASUD: Yes, I see that.

11 MS. KATRINE DILAY: And you'll confirm
12 that for DSR 15, the 33 percent current discount was
13 23 percent points -- percentage points, pardon me,
14 lower than the 56 indicated discount, correct?

15 MR. KHURRAM MASUD: Correct.

16 MS. KATRINE DILAY: And you'll also
17 confirm that at the time of the 2022 GRA, DSR 15 was
18 the highest DSR level available for Manitoba's safest
19 drivers. Correct?

20 MR. KHURRAM MASUD: Yeah, yeah.

21 MS. KATRINE DILAY: And so, what we
22 see here is that Manitoba's safest drivers were
23 overpaying relative to their risk because their
24 discount should have been 23 percentage points higher.
25 Correct?

1 MR. KHURRAM MASUD: That's correct,
2 yes.

3 MS. KATRINE DILAY: And Ms. Schubert,
4 if we could turn to the 2022 GRA Revenue Appendix 1
5 please.

6 And so, you'll confirm this table
7 presents the number of policy year earned drivers by
8 DSR level.

9 MR. KHURRAM MASUD: Can you repeat the
10 question, please?

11 MS. KATRINE DILAY: So, if we look at
12 the -- the left-hand side of this page, you'll confirm
13 this table presents the number of policy year earned
14 drivers by DSR level?

15 MR. KHURRAM MASUD: The ones for
16 2022/'23 and '24 were projected, not actuals.

17 MS. KATRINE DILAY: Thank you. And --
18 and sorry, just to make sure I heard you correctly,
19 the numbers for '22, '23, '24 were projected?

20 MR. KHURRAM MASUD: That's correct.

21 MS. KATRINE DILAY: Thank you. And
22 so, if we focus at DSR level 15 and we look at the
23 year 2021, which was the year at the time of the 2022
24 GRA, you'll confirm there there were three-hundred and
25 thirteen thousand one hundred and twenty-two (313,122)

1 drivers at the DSR level 15?

2 MR. KHURRAM MASUD: I just want to
3 make a correction to my earlier statement. 2021 is
4 also projected here.

5

6 (BRIEF PAUSE)

7

8 MS. KATRINE DILAY: Thank you for that
9 clarification. And so, to confirm we're -- we're all
10 on the same page, so here, if we look at DSR level 15
11 for the projected 2021 policy year earned drivers, by
12 DSR level, for 2021 three hundred and thirteen
13 thousand, three hundred and twenty-six (313,326).

14 MR. KHURRAM MASUD: That's correct,
15 yes.

16 MS. KATRINE DILAY: Thank you. And
17 we'll go to one last reference from the 2022 GRA. If
18 we could turn to CMMG/MPI-1-3 Part C. Thank you, Ms.
19 Schubert.

20 And so, you'll confirm that 94.8 --
21 94.8 percent of those drivers at DSR 15, that we
22 previously saw, would have moved to DSR 16 in the 2022
23 policy year when the new level was introduced.

24 Correct?

25 MR. KHURRAM MASUD: That was the

1 expectation.

2 MS. KATRINE DILAY: And it's your
3 understanding that MPI has consistently introduced a
4 new DSR level each year since 2022?

5 MR. KHURRAM MASUD: Since 2022, yes.

6 MS. KATRINE DILAY: And similar to
7 2022, with each new DSR level, a substantial portion
8 of drivers at the top of the scale have the
9 opportunity to up to the next new DSR level. Correct.

10 MR. KHURRAM MASUD: Correct. Yes.

11 MS. KATRINE DILAY: And could we
12 please turn to the current GRA, Revenue Appendix 1
13 please.

14

15 (BRIEF PAUSE)

16

17 MS. KATRINE DILAY: And so, if we
18 focus here again on the left side of the scale -- or,
19 pardon me, the left side of this page, we see again
20 the policy -- policy year earned drivers by DSR level,
21 correct?

22 MR. KHURRAM MASUD: That's correct.

23 MS. KATRINE DILAY: And so, if we look
24 at the top of the DSR scale, we see here the -- that
25 it illustrates the effects of the process ordered by

1 the PUB over time as drivers move up the scale and as
2 a large group of drivers at the top move -- move up as
3 the scale expands, correct?

4 MR. KHURRAM MASUD: Yes.

5 MS. KATRINE DILAY: And so, you'll
6 confirm that DSR level 18 is new in 2024?

7 MR. KHURRAM MASUD: Correct.

8 MS. KATRINE DILAY: And that MPI's
9 forecast for the number of drivers at that level this
10 year is two hundred and fifty thousand four hundred
11 and seventy-one (250,471) in the current year?

12 MR. KHURRAM MASUD: Correct.

13 MS. KATRINE DILAY: And if we could
14 turn to Figure RC App 6-3, please. Thank you, Ms.
15 Schubert.

16 And so here, these are the calculated
17 discounts, correct?

18 MR. KHURRAM MASUD: Yes.

19 MS. KATRINE DILAY: And so, if we look
20 specifically at DSR level 18, you'll confirm that the
21 two hundred and fifty thousand four hundred and
22 seventy-one (250,471) drivers at the DSR 18 level,
23 that we saw previously, will have a 46 percent
24 discount in 2024?

25 MR. KHURRAM MASUD: Correct.

1 MS. KATRINE DILAY: And we can also
2 see here that the indicated discount is 68.2 percent
3 just to the left of that 46 percent number?

4 MR. KHURRAM MASUD: Correct, yes.

5 MS. KATRINE DILAY: And so, it's a
6 difference of 22.2 percent, correct?

7 MR. KHURRAM MASUD: Yes.

8 MS. KATRINE DILAY: And you'll confirm
9 as well that the two hundred and fifty thousand four
10 hundred and seventy-one (250,471) drivers who will
11 overpay by 22.2 percentage points this year would all
12 have been part of the group of drivers who were
13 overpaying by 23 percent in 2021, correct?

14 MR. KHURRAM MASUD: Overpaying by 23
15 percent?

16 MS. KATRINE DILAY: So, the -- the
17 drivers that are currently projected to move to DSR
18 level 18 this year would all have been part of the
19 group of drivers who were at DSR level 15 back in 2021
20 and who were overpaying by 23 percent, correct?

21 MR. ANTHONY GUERRA: Sorry, counsel.
22 I'm objecting to that question on the basis that it's
23 not established that customers are overpaying. The
24 rates were approved last year, and customers are
25 paying the approved rates for their -- for their

1 products.

2 MS. KATRINE DILAY: Thank you, Mr.
3 Guerra. I'll rephrase the question. Just one (1)
4 moment.

5

6 (BRIEF PAUSE)

7

8 CONTINUED BY MS. KATRINE DILAY:

9 MS. KATRINE DILAY: Thank you. So,
10 you'll confirm that the two hundred and fifty thousand
11 four hundred and seventy-one (250,471) drivers who are
12 projected to be at DSR level 18 and who are paying
13 22.2 percent more than their indicated discount this
14 year would all have been part of a group of drivers
15 who, in 2021, were at DSR level 15 and paying 23
16 percent more than the indicated discount, correct?

17 MR. KHURRAM MASUD: Where is the 23
18 percent? Is this -- are you -- are you referring to
19 an earlier document that you showed before?

20 MS. KATRINE DILAY: Yes. The 23
21 percent was the difference between the indicated
22 discount and the proposed MPI discount in 2021.

23 MR. KHURRAM MASUD: Okay. The -- the
24 difference between thirty-three (33) and fifty-six
25 (56). Now I remember, yes.

1 MS. KATRINE DILAY: And so, you'll
2 agree that, essentially, it's the same group of
3 drivers who are -- who have moved to DSR level 18 and
4 are paying 22.2 percent more than the indicated
5 discount this year, correct?

6 MR. KHURRAM MASUD: Just one (1)
7 second.

8

9 (BRIEF PAUSE)

10

11 MR. KHURRAM MASUD: Yes, that would be
12 correct.

13 MS. KATRINE DILAY: And that's because
14 we saw that that large group of drivers at the top has
15 moved up as the scale has expanded, correct?

16 MR. KHURRAM MASUD: That's correct,
17 although I would like to clarify that in 2021, the way
18 we were calculating the indicated discount has -- and
19 the way we are calculating that indicated discount has
20 changed.

21 We are using the simulated data to
22 calculate the discount at each level. So, whether
23 they were overpaying by 23 percent, in hindsight,
24 maybe not. But at that stage, that was the difference
25 between what was indicated and what they were paying.

1 MS. KATRINE DILAY: Thank you very
2 much. Those are all our questions for this panel.

3 PANEL CHAIRPERSON: Thank you, Ms.
4 Dilay.

5 Ms. Meek...?

6 MS. CHARLOTTE MEEK: Thank you, Madam
7 Chair.

8

9 CROSS-EXAMINATION BY MS. CHARLOTTE MEEK:

10 MS. CHARLOTTE MEEK: Good morning to
11 the Panel. My friends at CAC did a great job of
12 covering these issues, so I'm going to attempt to kind
13 of modify some of my questions here to not be
14 repetitive.

15 So, as you went through with My
16 Colleague, Ms. Dilay, we reviewed some of the rate
17 indications or the variances for the DSR levels in the
18 2022 GRA and in this year's GRA.

19 And what we saw through your
20 questioning there is that the highest level DSR, the
21 discount is -- the -- the variance between the
22 indicated discount and the current discount is
23 approximately 22 or 23 percent.

24 Would you agree with that?

25 MR. KHURRAM MASUD: Are you referring

1 to the actually indicated discounts and what they are
2 paying now?

3 MS. CHARLOTTE MEEK: Yes, the -- the
4 variance between those two (2) numbers is basically
5 the same in this year's GRA for the highest level DSR
6 as it is for the 2022 GRA?

7 MR. KHURRAM MASUD: Correct, and with
8 -- with the intention of moving them up each year. So
9 eventually, they will be paying what the actuarial
10 discount indicates.

11 MS. CHARLOTTE MEEK: Right. And --
12 and as you confirmed with Ms. Dilay, the ratepayers
13 who have not incurred any demerits and remain at the
14 highest level DSR continue to pay an indicated rate
15 that is 22 percent lower than the actuarially-
16 indicated rate.

17 MR. KHURRAM MASUD: When you say,
18 "continue to pay," you mean in the subsequent years as
19 well? 'Cause in the subsequent years, they will be
20 closer to the actuarially-indicated discounts --

21 MS. CHARLOTTE MEEK: So -- so --

22 MR. KHURRAM MASUD: -- so they are
23 paying now 22 percent. The difference is 22 percent,
24 but that difference will narrow and eventually become
25 zero.

1 MS. CHARLOTTE MEEK: Right. You're
2 saying on a forward-going basis --

3 MR. KHURRAM MASUD: Correct.

4 MS. CHARLOTTE MEEK: -- that
5 difference will change. But since the 2022 GRA, any
6 driver who is in the highest level DSR and has not
7 incurred any demerits since that time will continue to
8 be paying an amount that is 22 -- 22 or 23 percent
9 higher than the indicated rate.

10 MR. KHURRAM MASUD: I think that
11 number, when we calculate it in 2021, because the
12 basis has changed, so that even though that 23 percent
13 -- if you compare twenty-two (22) to twenty-three
14 (23), it looks like it's very similar. But because
15 the basis itself has changed, so you'll notice that
16 the calculated discount itself has changed as well.

17 So, if it was 56 percent, the
18 actuarially-indicated discounts, but not for the
19 highest level. It's seventy-five (75), and for
20 fifteen (15) itself, it's 56.9 percent.

21 MS. CHARLOTTE MEEK: Right, but those
22 drivers would have moved up in the scale, right?

23 MR. KHURRAM MASUD: Correct, yes.

24 MS. CHARLOTTE MEEK: So those drivers
25 who are at level 15, if they haven't received any

1 demerits, are now up at level 18, and they are still
2 paying a -- an amount that is 22 percent higher than
3 the indicated rate.

4 MR. KHURRAM MASUD: That's correct,
5 yes.

6 MS. CHARLOTTE MEEK: Thank you. And
7 I'd also like to take a quick look at the '22 GRA, if
8 we could, as well. So, this was MPI Exhibit 2, which
9 is the Driver Safety Rating pricing review. If we
10 could go to page 11 -- or, sorry, to page 13. Thank
11 you, Kristen.

12 This figure shows us the difference
13 between the average current and indicated rate by
14 dollar value. Is that correct?

15 MR. KHURRAM MASUD: That's correct.

16 MS. CHARLOTTE MEEK: And so, we can
17 see at the time -- this is in the '22 GRA --
18 individuals at the highest DSR level at plus fifteen
19 (+15) were overpaying, on average, by almost two
20 hundred dollars (\$200).

21 Would you agree with that?

22 MR. KHURRAM MASUD: Right.

23 MS. CHARLOTTE MEEK: And then looking
24 at the bottom of the scale, we can see that drivers at
25 the bottom end of the scale in the negative DSR

1 ratings were underpaying by approximately three
2 hundred and forty dollars (\$340). Is that correct?

3 MR. KHURRAM MASUD: Correct.

4 MS. CHARLOTTE MEEK: And the 2022 GRA
5 was the first year that MPI completed this pricing
6 examination of the DSR system. Is that correct?

7 MR. KHURRAM MASUD: Can you repeat the
8 question?

9 MS. CHARLOTTE MEEK: Yeah. The 2022
10 GRA -- so this GRA that we're looking at -- this was
11 the first year that MPI did this pricing examination
12 of the DSR system. Is that correct?

13

14 (BRIEF PAUSE)

15

16 MR. KHURRAM MASUD: I cannot confirm
17 that we did not perform a study of DSR before.

18 MS. CHARLOTTE MEEK: Sure. And maybe
19 I can move on to my next question; it's not
20 particularly important.

21 But -- so, from this year -- this GRA
22 that we were looking at, the '22 -- '22 GRA where we
23 had this detailed analysis and the actuarial review of
24 the DSR system, we can assume that prior to that time
25 there was also an inaccuracy in the DSR levels in

1 years before that.

2 Would you agree with that?

3 MR. KHURRAM MASUD: I wouldn't use the
4 word 'inaccuracy' because the earlier discount must be
5 based on an earlier examination of the DSR discounts.

6 MS. CHARLOTTE MEEK: So, would you
7 agree that individuals at the DSR levels, the positive
8 DSR levels, were paying an amount that was higher than
9 the indicated rate?

10 MR. KHURRAM MASUD: Yes. Whenever we
11 perform a new analysis, maybe the discounts move up or
12 down, but that doesn't necessarily mean that the
13 previous discounts were inaccurate because they were
14 also based on a study that was conducted before.

15 MS. CHARLOTTE MEEK: Okay. So, from
16 your perspective then, at this time in the 2022 GRA,
17 it was only at this point that we determined that
18 there were inaccuracies in the DSR scale, that those
19 inaccuracies didn't exist prior to that time?

20 MR. KHURRAM MASUD: We refreshed the
21 discount, so we found that the discounts needed to be
22 updated. So, I would just not use the word
23 'inaccurate'. I would just use the word that they
24 were updated to align with the -- the actual
25 experience better.

1 MS. CHARLOTTE MEEK: Okay. And so,
2 since the 2022 GRA where we have this updated pricing
3 analysis and on an ongoing basis, you would agree that
4 ratepayers who are not receiving the actuarially-
5 indicated discount, it has a cumulative effect year
6 over year. Would you agree with that statement?

7 MR. KHURRAM MASUD: Yes.

8 MS. CHARLOTTE MEEK: Okay. And so,
9 what I mean by that is over time an overpayment by
10 individuals at the top end of the scale increases year
11 over year. Would you agree with that?

12 MR. KHURRAM MASUD: Yeah. Yeah.

13 MS. CHARLOTTE MEEK: Thank you. And
14 given this cumulative impact, individuals at the
15 higher DSR levels are disproportionately negatively
16 impacted by the inaccuracies of the rating scale.

17 Would you agree with that?

18 MR. KHURRAM MASUD: Again, I would
19 choose not to use the word 'inaccuracy' it's --
20 because we do have a plan of getting there. So,
21 eventually, they will be paying what's actually
22 determined.

23 MS. CHARLOTTE MEEK: Right. And
24 eventually they will. But in the interim period, they
25 are disproportionately impacted by the rates that are

1 not according to the actuarially-indicated rate?

2 MR. KHURRAM MASUD: Yes.

3 MS. CHARLOTTE MEEK: Thank you. And
4 in the current system that we have, the individuals at
5 the negative DSR levels are paying less than what they
6 should based on the actuarial indication.

7 Is that correct?

8 MR. ANTHONY GUERRA: And again,
9 Counsel, for the same reasons I objected earlier to
10 Ms. Dilay's question, the PUB Orders are -- are what
11 customers should be paying, and so customers have been
12 paying what the PUB has ordered.

13

14 CONTINUED BY MS. CHARLOTTE MEEK:

15 MS. CHARLOTTE MEEK: Given the
16 proposed plan that MPI has to move individuals on the
17 DSR scale towards the actuarially-indicated discount,
18 it requires a base rate increase, is that correct, to
19 offset the changes to the DSR scale?

20 MR. KHURRAM MASUD: When you say "base
21 rate," do you mean the vehicle premiums?

22 MS. CHARLOTTE MEEK: The -- the base
23 rate in -- in the DSR scale. Those -- those
24 individuals at DSR level zero, it requires a rate
25 increase for those levels and levels below in order to

1 offset the impacts of the DSR changes?

2 MR. KHURRAM MASUD: Correct, yes.

3 MS. CHARLOTTE MEEK: Okay. And so,
4 over time, as you correct the DSR scale, that base
5 rate is going to increase gradually over time.

6 Is that correct?

7 MR. KHURRAM MASUD: Yes, that would be
8 correct.

9 MS. CHARLOTTE MEEK: Okay. And so,
10 over time, individuals at the lower end of the DSR
11 scale, on the negative DSR scale, are paying a lower
12 amount than they will in future indications when the
13 DSR scale is -- is corrected.

14 Would you agree with that?

15 MR. KHURRAM MASUD: Are paying a lower
16 amount now, and, yes. Yeah.

17 MS. CHARLOTTE MEEK: So, their amounts
18 will increase over time in order to achieve
19 actuarially-indicated DSR discounts?

20 MR. KHURRAM MASUD: Yeah. Yeah.

21 MS. CHARLOTTE MEEK: Okay. And so,
22 during that cumulative period, individuals at the
23 negative DSR levels experience a cumulative benefit
24 until that actuarially-indicated rate is achieved?

25 MR. KHURRAM MASUD: That's correct,

1 yes.

2 MS. CHARLOTTE MEEK: Thank you.

3 MR. KHURRAM MASUD: During that five
4 (5) year phase, yeah.

5 MS. CHARLOTTE MEEK: Thank you. And
6 in this Application the Corporation is seeking a pause
7 or deferral of the ordered adjustments to the DSR
8 discount figures in this year's GRA.

9 Is that correct?

10 MR. KHURRAM MASUD: Sorry, can you --
11 can you repeat that. I'm sorry.

12 MS. CHARLOTTE MEEK: Sure. Yes,
13 absolutely. In this Application the Corporation is
14 seeking a pause or deferral of the ordered adjustments
15 to the DSR discounts?

16 MR. KHURRAM MASUD: That's correct,
17 yes.

18 MS. CHARLOTTE MEEK: Okay. But the
19 Corporation intends to resume moving to the DSR
20 discounts as ordered by the Public Utilities Board in
21 the 2026 Rate Application.

22 Is that correct?

23 MR. KHURRAM MASUD: That's correct.

24 MS. CHARLOTTE MEEK: Okay. And
25 ultimately, that means there would be a one (1) year

1 delay in achieving the actuarially-indicated
2 discounts. Is that correct?

3 MR. KHURRAM MASUD: That's correct.

4 MS. CHARLOTTE MEEK: Okay. And so,
5 that would delay us from achieving actuarially-
6 indicated discounts from achieving them in the 2027
7 GRA to the 2028 GRA?

8 MR. KHURRAM MASUD: That's correct.

9 MS. CHARLOTTE MEEK: And would it be
10 fair to say that in years where we are determining the
11 adjustments to the DSR scale, it's important to
12 consider the cumulative impact of the changes to the
13 DSR scale on customers?

14 MR. KHURRAM MASUD: Can you repeat the
15 question.

16 MS. CHARLOTTE MEEK: In years where we
17 are determining adjustments to the DSR scale it is
18 important to consider the cumulative impact that we
19 already discussed on ratepayers of the variance
20 between the actuarially-indicated discounts and the
21 current discounts?

22 MR. KHURRAM MASUD: So, when we're
23 determining the discounts, what we try to do is charge
24 a fair discount based on the historical experience.
25 And now that we have determined that discount, the

1 intention is to move to those actuarially-indicated
2 discounts over five (5) year period.

3 We are cognizant of the fact that
4 during that phase the drivers on the higher end are
5 paying more than they should, but we do have a plan of
6 getting there over a five (5) year period based on the
7 PUB Order.

8 MS. CHARLOTTE MEEK: And you'd agree
9 that in determining what is fair, we should consider
10 the cumulative impact that is occurring over time for
11 each of those DSR customers?

12 MR. KHURRAM MASUD: That effect is --
13 is there. We are cognizant of -- of that. But we
14 understand that it will take five (5) years to get
15 there, so there will be cumulative effect. We are
16 aware of that.

17 MS. CARA LOW: I could add to that.
18 Fairness is something we have to balance with
19 affordability for Manitobans. And as we move to the
20 actuarially-indicated discounts, as you've pointed
21 out, there will be a major impact for DSR level zero
22 and the negative scale, so we do balance that.

23 And so, that was the reason for the
24 pause for this year, was the concern about
25 affordability.

1 MS. CHARLOTTE MEEK: Great. Those are
2 my questions. Thank you.

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

5

6 CROSS-EXAMINATION BY MS. SHARNA NELKO:

7 MS. SHARNA NELKO: Good morning. I'm
8 Sharna Nelko. And I'm representing the Taxi
9 Coalition. Just as with the counsel before me, I'm
10 not going to be directing my questions to a specific
11 panel member, so whoever feels that they can best
12 answer, or if multiple of you want to answer, please
13 feel free. Okay.

14 So, Ms. Schubert, to start, if you
15 could please pull up TC/MPI 2-5. All right.

16 And this is an Information Request
17 asked by the Taxi Coalition relating to the time band
18 model and the uptake of the different time bands for -
19 - specifically for passenger Vehicle for Hire.

20 And, Ms. Schubert, if you could just
21 scroll down to question 'C', please.

22 And that question on the screen related
23 to what steps MPI takes, if any, to confirm the
24 capacity in which the driver was driving when an
25 accident or a collision was reported.

1 And (i), in the event that MPI relies
2 solely on self-reporting, the question was asked
3 whether MPI has concerns about the accuracy of
4 collision counts for passenger Vehicle for Hire
5 insurance use and why or why not.

6 And, Ms. Schubert, if you can scroll
7 down, we can see the answer to that in 'C'. And that
8 sets out the steps that MPI takes to confirm the
9 capacity in which the driver was driving.

10 You see that?

11 MR. ANTHONY GUERRA: Counsel, sorry,
12 I'm just being asked to -- to note that the panel on
13 Monday will have people who will be better suited to
14 respond to this particular question. I don't know if
15 this is in the line of questions, but I -- I -- maybe
16 this question is better posed to that panel. I just
17 want to leave it with you.

18

19 CONTINUED BY MS. SHARNA NELKO:

20 MS. SHARNA NELKO: Sure, and I think I
21 can definitely park this line of questioning until --
22 until Monday. Thank you for that, counsel.

23 Okay. So, shifting gears to a line of
24 questioning that's more appropriate for this panel,
25 I'd like to talk to you about relativities.

1 So as part of its ratemaking
2 methodology, MPI calculates what are called
3 relativities for all distinct vehicle groups.

4 Correct?

5 MR. KHURRAM MASUD: Yes, that's
6 correct.

7 MS. SHARNA NELKO: And the use of
8 relativities promotes equitable rates since riskier
9 groups within a specific major class can expect to pay
10 more than groups with lower risk within that major
11 class. Correct?

12 MR. KHURRAM MASUD: That's correct.
13 That's what relativities are meant for.

14 MS. SHARNA NELKO: Okay. And in its
15 application, MPI uses the term 'relativity' in a
16 couple of different ways. There's actual or raw
17 relativity, there's current relativity and new
18 relativity. Correct?

19 MR. KHURRAM MASUD: That's correct.
20 Yes.

21 MS. SHARNA NELKO: Okay, and I'd like
22 to just briefly go through those with you to make sure
23 we're on the same page.

24 So actual or raw relativity is
25 reflective of the indicated relativity. Would that be

1 a correct characterization?

2 MR. KHURRAM MASUD: That's correct.
3 That's just based on the historic information.

4 MS. SHARNA NELKO: Okay. So said
5 another way, it's what's indicated to be charged to
6 that vehicle group in the future, recognizing the most
7 current or actual loss experience in addition to
8 historical loss experience. Correct?

9 MR. KHURRAM MASUD: That's correct.
10 Yes.

11 MS. SHARNA NELKO: And in order to
12 determine that raw relativity, MPI utilizes data from
13 the five (5) most recent insurance years. Correct?

14 MR. KHURRAM MASUD: Yes, it's -- it's
15 five (5) years. Yes.

16 MS. SHARNA NELKO: Okay. And the
17 reason why MPI uses data from the five (5) most recent
18 insurance years as opposed to just simply one (1) year
19 is because MPI wants to enhance accuracy and mitigate
20 year-to-year variations. Is that right

21 MR. KHURRAM MASUD: That's correct,
22 yes.

23 MS. SHARNA NELKO: Okay, so in
24 addition to raw relativities, MPI also determines
25 current relativities, right?

1 MR. KHURRAM MASUD: Correct.

2 MS. SHARNA NELKO: And the current
3 relativity is the existing relativity used in
4 determining or calculating the premium. Correct?

5 MR. KHURRAM MASUD: Correct.

6 MS. SHARNA NELKO: So, in this year's
7 GRA, for example, we're looking at what the relativity
8 is based on the approved rates from the 2024 GRA.
9 Correct?

10 MR. KHURRAM MASUD: Yes.

11 MS. SHARNA NELKO: Okay. So, as
12 compared with raw relativity, current relativity is
13 using old information in the sense that it's the most
14 recent years, numbers are not taken into account.
15 Correct?

16 MR. KHURRAM MASUD: Correct.

17 MS. SHARNA NELKO: Okay. And then
18 there's also new relativities. And those are derived
19 from the weighted credibility averages of raw
20 relativities and the current relativities for
21 different rating variables. Correct?

22 MR. KHURRAM MASUD: That's correct,
23 yes.

24 MS. SHARNA NELKO: And once the new
25 relativity is calculated, it's ultimately plugged into

1 a formula and used to determine the indicated rate for
2 each vehicle group. Correct?

3 MR. KHURRAM MASUD: That's correct,
4 subject to capping, and floating rules.

5 MS. SHARNA NELKO: Okay and that --
6 that formula I'm referring to is -- is in the rate
7 classification chapter. Correct?

8 MR. KHURRAM MASUD: That's correct,
9 yes, it's there.

10 MS. SHARNA NELKO: And at a high
11 level, am I correct in understanding that if the new
12 relativity for a vehicle group goes up, all other
13 variables in the formula remaining the same, one would
14 expect that the indicated rate would go up a
15 corresponding amount.

16 MR. KHURRAM MASUD: Just one second.

17

18 (BRIEF PAUSE)

19

20 MR. KHURRAM MASUD: Yes, that would be
21 correct.

22 MS. SHARNA NELKO: Okay. So, in other
23 words, there's a correlation, or a direct correlation,
24 between the new relativities and the indicated rate?

25 MR. KHURRAM MASUD: All else being

1 equal, yes.

2 MS. SHARNA NELKO: Thank you for that
3 clarification. All right and the purpose of doing a
4 weighting, in this calculation, is to make sure that
5 there's not too much weight or credibility given to
6 the most current or indicated experience without
7 giving weight to historical experience. Correct?

8 MR. KHURRAM MASUD: That's correct.
9 To keep the rate stabilized and prevent volatility in
10 the premiums.

11 MS. SHARNA NELKO: Right. So, we want
12 to mitigate against large fluctuations ---

13 MR. KHURRAM MASUD: Right. Yeah.

14 MS. SHARNA NELKO: --- that can occur
15 in the raw relativities.

16 MR. KHURRAM MASUD: Correct.

17 MS. SHARNA NELKO: Okay. And
18 credibility is the measure of credence that's attached
19 to a particular body of experience for ratemaking
20 purposes. Correct?

21 MR. KHURRAM MASUD: That's correct.

22 MS. SHARNA NELKO: And in practice
23 that's the weight that's given to a certain piece of
24 data in the overall calculation. Correct?

25 MR. KHURRAM MASUD: That's correct,

1 yes.

2 MS. SHARNA NELKO: Okay. So, you had
3 -- had just confirmed for me that the purpose of doing
4 this weighting in the calculation of the new
5 relativities is to mitigate against large fluctuations
6 that can occur in the raw relativities. Correct?

7 MR. KHURRAM MASUD: That's correct.

8 MS. SHARNA NELKO: Okay. And this is
9 also something that MPI does when it's calculating the
10 raw relativity in the first place. Correct? In
11 looking at that five (5) years of -- of data?

12 MR. KHURRAM MASUD: That's right.

13 MS. SHARNA NELKO: So, you'd agree
14 with me that this weighting between raw and current
15 relativities is an additional way to mitigate against
16 year-to-year fluctuations.

17 MR. KHURRAM MASUD: Right. The
18 intention of using five (5) years is two-fold. One is
19 to prevent the volatility and the other is to ensure
20 that we have large enough data to calculate the
21 relativities itself.

22 MS. SHARNA NELKO: Okay. So, in terms
23 of calculating the credibilities to be used in the
24 weighting credibility average methodology, MPI assigns
25 credibility using the formula of 'N' over 'N' plus

1 'K'. Correct?

2 MR. KHURRAM MASUD: That's right.

3 MS SHARNA NELKO: And in its new
4 relativity calculation, the credibility assigned to
5 each raw relativity is subject to a minimum 10 percent
6 credibility. Correct?

7 MR. KHURRAM MASUD: That's correct.

8 MS. SHARNA NELKO: And this assignment
9 of 10 percent minimum credibility becomes necessary
10 with some of the small insurance uses. Correct?

11 MR. KHURRAM MASUD: Correct, where the
12 credibility is less than 10 percent, the minimum would
13 apply.

14 MS. SHARNA NELKO: Yes, so
15 automatically assign ten (10) because when we perform
16 the 'N' over 'N' plus 'K', it's less than ten (10).

17 MR. KHURRAM MASUD: That's correct.

18 MS. SHARNA NELKO: Okay. And examples
19 of some of these insurance uses in the private major
20 class would include all-purpose motor home, antique
21 vehicle, passenger Vehicle for Hire and passenger
22 Vehicle for Hire truck. Correct? Subject to check?

23 MR. KHURRAM MASUD: Subject to check,
24 yes, I was going to say that.

25 MS. SHARNA NELKO: And in the

1 commercial major class, subject to check, this would
2 include artisan truck, common carrier trucks, cement
3 truck, tow truck?

4 MR. KHURRAM MASUD: Correct.

5 MS. SHARNA NELKO: And in the public
6 major class, subject to check, the small insurance
7 uses subject to the 10 percent minimum credibility,
8 would include charter bus, limousine, all uses
9 passenger vehicle and taxi passenger Vehicle for Hire.

10 Correct?

11 MR. KHURRAM MASUD: Subject to check,
12 yes.

13 MS. SHARNA NELKO: Okay. And the
14 effect of using this 10 percent minimum credibility
15 for the small insurance uses, assigning
16 (INDISCERNIBLE) to the raw relativity, is that -- that
17 means 90 percent is then assigned to the current
18 relativity. Correct?

19 MR. KHURRAM MASUD: Correct.

20 MS. SHARNA NELKO: And that translates
21 to 10 percent being assigned to what's indicated based
22 on the most recent performance, being -- including the
23 last five (5) years, and 90 percent based solely on
24 historical. Correct?

25 MR. KHURRAM MASUD: That's correct.

1 MS. SHARNA NELKO: And you'll recall
2 from last year's GRA, MPI confirmed that the selection
3 of this 10 percent minimum credibility was subjective.

4 Correct?

5 MR. KHURRAM MASUD: Yes. It was
6 judgmentally selected.

7 MS. SHARNA NELKO: Yes. That was my
8 next question, judgmental selection. So, during last
9 year's GRA, you'll recall that the panel couldn't
10 comment on how it was selected, correct?

11 MR. KHURRAM MASUD: Correct.

12 MS. SHARNA NELKO: And also confirmed
13 that, in theory, MPI could have selected a higher
14 credibility, correct?

15 MR. KHURRAM MASUD: Yes, higher or
16 lower if --

17 MS. SHARNA NELKO: Higher or lower.

18 MR. KHURRAM MASUD: -- yeah. If the
19 number is arbitrary, it could be eleven (11) or nine
20 and a half (9 1/2).

21 MS. SHARNA NELKO: Fair. Yeah. Thank
22 you for that. And if MPI were to have selected a -- a
23 higher credibility, say, of 20 or 30 percent, MPI
24 confirmed that this would still allow for more weight
25 to be given to current relativities.

1 MR. KHURRAM MASUD: Yes. Anything
2 more than 10 percent would mean a higher weightage is
3 allocated to the most recent experience, and
4 conversely, lower if it's less than 10 percent.

5 MS. SHARNA NELKO: Yeah, though really
6 anything less than 50 percent would mean that more is
7 being given to current relativities.

8 MR. KHURRAM MASUD: Sorry, can you
9 repeat that?

10 MS. SHARNA NELKO: Any minimum
11 credibility that's selected under 50 percent, as an
12 example, would mean that more weight is given to
13 current relativities as opposed to raw.

14 MR. KHURRAM MASUD: Correct.

15 MS. SHARNA NELKO: And following last
16 year's GRA, MPI was directed to report on whether this
17 10 percent minimum credibility that MPI judgmentally
18 selected remained appropriate or whether it should be
19 changed.

20 Do you recall that?

21 MR. KHURRAM MASUD: Yes.

22 MS. SHARNA NELKO: And in order to
23 provide this report to the Board, MPI conducted a
24 credibility analysis, correct?

25 MR. KHURRAM MASUD: That's correct.

1 MS. SHARNA NELKO: And this
2 credibility analysis is found in the Risk
3 Classification chapter, RC.4.1, correct?

4 MR. KHURRAM MASUD: Yes.

5 MS. SHARNA NELKO: And, Ms. Schubert,
6 if you could please bring that up, Risk Classification
7 chapter, RC.4.1, the Credibility Analysis per PUB
8 Order 145/'23.

9

10 (BRIEF PAUSE)

11

12 MS. SHARNA NELKO: Almost there.
13 Perfect. Thank you. Page 12. All right.

14 And if we start at the second
15 paragraph, it says:

16 "MPI assigns a minimum credibility
17 to ensure that the new relativities
18 for insurance uses with minimal
19 units partially reflect their
20 historical experience."

21 Do you see that?

22 MR. KHURRAM MASUD: Yes.

23 MS. SHARNA NELKO: And am I correct in
24 understanding that this partial reflection of
25 historical experience is the 90 percent credibility

1 assigned to the current relativity?

2 MR. KHURRAM MASUD: It's the 10
3 percent.

4 MS. SHARNA NELKO: It's -- it's
5 intended to refer to the 10 percent?

6 MR. KHURRAM MASUD: Yes. 10 percent
7 is assigned to the actual experience, to the indicated
8 relativity.

9 MS. SHARNA NELKO: All right. So as
10 opposed to using what the actual credibility would be
11 if you didn't apply that minimum, so it being smaller
12 than 10 percent.

13 MR. KHURRAM MASUD: Sorry, can you --
14 can you repeat this?

15 MS. SHARNA NELKO: Yes. So, I -- I --
16 what I had understood this to be referring to was the
17 90 percent assigned to current relativity, but what I
18 understand you to be saying is that it's referring to
19 selecting a minimum so that some weight is given to
20 that raw relativity as opposed to a like even further
21 negligible amount.

22 MR. KHURRAM MASUD: Correct, yes.

23 MS. SHARNA NELKO: Okay. Thank you.

24 MR. KHURRAM MASUD: At least 10
25 percent is allocated to -- or 10 percent weighted is

1 given to the actual experience.

2 MS. SHARNA NELKO: Understood. As
3 opposed to maybe just 1 percent which is what the
4 formula might result in.

5 MR. KHURRAM MASUD: Correct --

6 MS. SHARNA NELKO: Okay.

7 MR. KHURRAM MASUD: -- if there was no
8 10 percent.

9 MS. SHARNA NELKO: Okay. And that
10 paragraph goes on to say:

11 "Although 10 percent was
12 judgmentally selected, MPI believes
13 that the percentage is appropriate
14 to ensure stability for the
15 insurance use where the raw
16 relativities fluctuate materially
17 year over year."

18 And that goes on to the next page, Ms.
19 Schubert. Sorry about that.

20 Do you see that?

21 MR. KHURRAM MASUD: Yes.

22 MS. SHARNA NELKO: And I'd like to
23 focus on the phrase 'fluctuate materially'. You'll
24 agree with me that nowhere in its Application has MPI
25 set out what a material fluctuation is.

1 MR. KHURRAM MASUD: That's correct.

2 MS. SHARNA NELKO: Does MPI have a
3 threshold or standard for what it considers to be a
4 material fluctuation in raw relativity?

5 MR. KHURRAM MASUD: The materially --
6 materiality, the -- it would depend on the purpose for
7 which it is used. I understand that materiality is
8 defined in -- just one (1) second.

9

10 (BRIEF PAUSE)

11

12 MR. KHURRAM MASUD: Correct. It's not
13 been defined in the -- our Application, but as I said,
14 the threshold of materiality depends on the purpose.
15 So, it cannot be just one (1) materiality for every
16 purpose that an analysis is performed.

17 MS. SHARNA NELKO: So, specifically
18 focussing on the analysis that MPI was performing for
19 this credibility assessment, did MPI have a threshold
20 or standard from -- for what it considered to be a
21 material fluctuation?

22 MR. KHURRAM MASUD: No. We have not
23 described that here.

24 MS. SHARNA NELKO: So apart from it
25 not being described here, does one exist?

1

2

(BRIEF PAUSE)

3

4

MR. KHURRAM MASUD: It's mostly a

5

subjective evaluation.

6

MS. SHARNA NELKO: Okay. Thank you.

7

And if we look back on the screen on page 13 starting

8

after "however", MPI acknowledges that there are

9

merits and weaknesses to selecting a higher or lower

10

credibility. It goes on:

11

"For statistically non-credible

12

insurance uses where the raw

13

relativities are consistent year

14

over year, a higher credibility will

15

ensure that the new relativities

16

calculated will reach the raw

17

relativities faster."

18

You see that?

19

MR. KHURRAM MASUD: I see.

20

MS. SHARNA NELKO: And do I understand

21

correctly that the reference to reaching the raw

22

relativity faster means reaching what's actuarially

23

indicated faster?

24

MR. KHURRAM MASUD: Correct. If it's

25

consistently very similar, then it will eventually

1 reach the raw relativities faster. But conversely, if
2 the raw relativities are fluctuating, it will never
3 reach a stable relativity.

4 MS. SHARNA NELKO: So that's what sort
5 of is being referred to in -- oh, apologies.

6

7 (BRIEF PAUSE)

8

9 MS. SHARNA NELKO:

10 "So, for statistically non-credible
11 insurance uses where the raw
12 relativities fluctuate year over
13 year having a higher credibility may
14 result in large swings year on
15 year."

16 Do you see that?

17 MR. KHURRAM MASUD: Yes.

18 MS. SHARNA NELKO: And I note here
19 that this sentence doesn't refer to 'fluctuate
20 materially', but simply refers to 'fluctuate'.

21 Is this intended to refer to a material
22 fluctuation or simply fluctuations generally?

23 MR. KHURRAM MASUD: If it's
24 fluctuating within a narrow range, then it's more or
25 less stable. But if it's fluctuating in a wider

1 range, that essentially means that it's extremely
2 volatile.

3 MS. SHARNA NELKO: Does MPI have a
4 range in terms of using relativity numbers for what it
5 considers to be narrow versus broad?

6 MR. KHURRAM MASUD: We don't have a
7 well-defined measure of what's narrow and what's
8 broad.

9 MS. SHARNA NELKO: Okay.

10 MR. KHURRAM MASUD: But we do use
11 credibility to ensure that it does not fluctuate.
12 Again, I will use the word 'significantly', but we
13 don't have a standard of what constitutes significant.

14 MS. SHARNA NELKO: Okay. So
15 ultimately, to show or illustrate its analysis of this
16 minimum credibility assessment, MPI looked at the
17 relativities for major class 1 insurance uses for the
18 last five (5) years, correct?

19 MR. KHURRAM MASUD: In the original
20 submission, we did it for major class 1 only.

21 MS. SHARNA NELKO: Okay. And from
22 there, it recalculated the new relativities by
23 adjusting the minimum credibility from 10 percent to
24 15, 20, and 25 percent, correct?

25 MR. KHURRAM MASUD: Correct, yes.

1 MS. SHARNA NELKO: And Ms. Schubert,
2 if you could please pull up figure RC-2. Just
3 scrolling down on this document, I believe. One (1)
4 more page. Perfect. Okay.

5 And this figure, as I understand it,
6 shows the spread in new relativity changes.

7 Is that correct?

8 MR. KHURRAM MASUD: Correct.

9 MS. SHARNA NELKO: And in particular,
10 the difference between the maximum and minimum percent
11 change in the relativities through the last five (5)
12 years, correct?

13 MR. KHURRAM MASUD: Yes.

14 MS. SHARNA NELKO: Okay. And while
15 not highlighted in this figure, the insurance uses
16 where the minimum credibility is applied are -- and
17 this can be subject to check if it needs to be -- all-
18 purpose motorhome, antique vehicle, collector truck,
19 disabled person's private/business bus, fishing all-
20 purpose truck, passenger Vehicle For Hire, passenger
21 vehicle, and passenger Vehicle for Hire truck,
22 correct?

23 MR. KHURRAM MASUD: Yes.

24 MS. SHARNA NELKO: So, would it be
25 correct to say that in conducting its analysis and

1 reviewing the information contained in the figure, MPI
2 was focusing specifically on those insurance uses?

3 MR. KHURRAM MASUD: Sorry, can you
4 repeat the question.

5 MS. SHARNA NELKO: Yes. So, we had
6 just previously gone through which insurance uses were
7 subject to this minimum credibility.

8 And so, I'm asking if it would be
9 correct to say that in conducting its analysis, MPI
10 would have been focusing on the impact of the
11 different minimum credibilities on those specific
12 insurance uses.

13 MR. KHURRAM MASUD: We did it for all
14 insurance uses in the major class 1. Is that what
15 you're referring to?

16 MS. SHARNA NELKO: I guess what I'm
17 trying to confirm is you're most concerned about how
18 it would impact that ones that are already subject to
19 the minimum credibility. It doesn't necessarily
20 matter to the ones where minimum credibility doesn't
21 come into play.

22 MR. KHURRAM MASUD: That's correct.
23 We did perform it though for all insurance uses. But,
24 yes, where the minimum credibility kicks in, that's
25 where it impacts the effect of that minimum

1 credibility being used.

2 MS. SHARNA NELKO: Yes. Thank you.

3 And so, that would have been MPI's specific focus, how
4 does it impact those insurance uses that are actually
5 impacted by this minimum credibility.

6 MR. KHURRAM MASUD: Correct. But the
7 intention was not to just focus our analysis on these
8 insurances uses; it was broad. But, as you said, if
9 the minimum credibility does apply, if that kicks in,
10 then it affects the relativities.

11 MS. SHARNA NELKO: Sure. Thank you.
12 Okay. And if we look at the paragraph right under
13 this figure, it states that:

14 "For insurance uses with large
15 fluctuations in relativities year
16 over year, such as passenger Vehicle
17 For Hire truck, the spread increases
18 as the minimum credibility
19 increases."

20 Do you see that?

21 MR. KHURRAM MASUD: I see that, yes.

22 MS. SHARNA NELKO: Okay. And so, if
23 we look at that use in the figure, line 12, that's
24 passenger Vehicle for Hire truck, correct?

25 MR. KHURRAM MASUD: Yes.

1 MS. SHARNA NELKO: Okay. And using
2 the 10 percent minimum credibility which we can see at
3 the top line of the figure, that results in a spread
4 in the relativity changes for the last five (5) years
5 of 36 percent, correct?

6 MR. KHURRAM MASUD: Correct.

7 MS. SHARNA NELKO: Okay. And if we
8 look at the spread for minimum credibility -- sorry --
9 for 15 percent minimum credibility, that spread is 42
10 percent, correct?

11 MR. KHURRAM MASUD: Correct.

12 MS. SHARNA NELKO: So, that's an
13 increase of 6 percent in the spread, right?

14 MR. KHURRAM MASUD: Correct.

15 MS. SHARNA NELKO: Okay. And if we
16 look at the spread for 20 percent minimum credibility,
17 that spread is 48 percent, correct --

18 MR. KHURRAM MASUD: Correct.

19 MS. SHARNA NELKO: -- which is a
20 further increase of 6 percent from the 15 and 12 from
21 the 10?

22 MR. KHURRAM MASUD: Correct.

23 MS. SHARNA NELKO: Okay. And then
24 finally, if we look at the spread for the 25 percent
25 minimum credibility, that spread is 53 percent,

1 correct?

2 MR. KHURRAM MASUD: Yes.

3 MS. SHARNA NELKO: So, a further
4 increase of 5 from the 20, 17 -- and 17 from the 10,
5 correct?

6 MR. KHURRAM MASUD: Correct.

7 MS. SHARNA NELKO: All right. And so
8 ultimately, MPI says that passenger Vehicle for Hire
9 truck is one (1) of the insurance uses with large
10 fluctuations in relativities year over year, right?

11 MR. KHURRAM MASUD: Yes, that's a fair
12 statement.

13 MS. SHARNA NELKO: And in terms of the
14 other insurance uses that we see in this figure, we
15 can see that there's also an increase in all-purpose
16 motorhome, which is line 1, right?

17 MR. KHURRAM MASUD: Yes.

18 MS. SHARNA NELKO: There's also an
19 increase in disabled persons private business bus --

20 MR. KHURRAM MASUD: Yes.

21 MS. SHARNA NELKO: -- line 7, and also
22 an increase in line 10 fishing all-purpose truck?

23 MR. KHURRAM MASUD: Correct.

24 MS. SHARNA NELKO: And would MPI
25 characterize those insurance uses as displaying large

1 fluctuations in relativities year over year?

2 MR. KHURRAM MASUD: There is a
3 difference in the spread, but it's not large, for some
4 of the line -- some of the insurance uses you
5 specified just now.

6 MS. SHARNA NELKO: Sure. So -- so,
7 then looking at this -- at this table, is there a
8 standard for what MPI deems as a large fluctuation?

9 MR. KHURRAM MASUD: We don't have a
10 specific standard. As I said, these are subjectively
11 evaluated.

12 MS. SHARNA NELKO: But did MPI make a
13 subjective evaluation in considering what was a large
14 fluctuation for this table?

15

16 (BRIEF PAUSE)

17

18 MR. KHURRAM MASUD: We do not have a
19 specific criteria for what's large and what's not
20 large, so it was, as I said, subjectively evaluated.

21 MS. SHARNA NELKO: Okay. So, you'd
22 agree with me looking at line 12 versus line 7, for
23 example, MPI determined that the fluctuation between
24 36 percent and 42 percent being a 6 percent increase
25 was a large fluctuation versus in line 7, the increase

1 of 3 percent. MPI subjectively deemed that as not a
2 large fluctuation. Would that be correct?

3 MR. KHURRAM MASUD: Line 12 versus
4 line 7? Yes, line 12 is -- is a larger fluctuation.

5 MS. SHARNA NELKO: All right. And
6 line 7 is not a large fluctuation?

7 MR. KHURRAM MASUD: There is still
8 fluctuations.

9 MS. SHARNA NELKO: Sorry?

10 MR. KHURRAM MASUD: There -- it's
11 still fluctuating between 9 and 12.

12 MS. SHARNA NELKO: It's fluctuating,
13 but MPI did not deem that to be large?

14 MR. KHURRAM MASUD: We have not made
15 that statement in the -- the GRA.

16 MS. SHARNA NELKO: Okay. But it's
17 certainly not included in MPI's paragraph underneath
18 this chart where it indicates that passenger Vehicle
19 for Hire is --

20 MR. KHURRAM MASUD: Yes.

21 MS. SHARNA NELKO: -- one of the
22 insurance uses with a large fluctuation?

23 MR. KHURRAM MASUD: Yes. We've used
24 the term 'such as'. So, we're not saying passenger
25 for Hire truck is the only one that's experiencing

1 large fluctuation.

2 MS. SHARNA NELKO: Okay. So, in my
3 previous question when I asked you whether all-
4 purpose, disabled, and fishing all-purpose have large
5 fluctuations, your answer was that they're not large
6 fluctuations but are fluctuations nonetheless?

7 MR. KHURRAM MASUD: Can you scroll up.
8 I would like to set the fluctuations --

9 MS. SHARNA NELKO: Sure.

10 MR. KHURRAM MASUD: -- in the two (2)
11 insurance uses just -- you just specified. Can you
12 scroll up one (1) -- one (1) line more.

13

14 (BRIEF PAUSE)

15

16 MR. KHURRAM MASUD: The intention of
17 this chart is to show that as the minimum credibility
18 increases, the fluctuation increases, but we balance
19 that representation of -- or the response of
20 relativities to the experience with the -- the
21 stability of rates and we believe that 10 percent
22 strikes that balance.

23 MS. SHARNA NELKO: Okay. So,
24 ultimately, MPI is concerned about large fluctuations
25 because that introduces volatility in rates from year

1 to year. Correct?

2 MR. KHURRAM MASUD: That's correct.

3 MS. SHARNA NELKO: You'll agree with
4 me that this figure doesn't show year-to-year
5 fluctuations, but a spread. Correct?

6 MR. KHURRAM MASUD: That's correct,
7 yes.

8 MS. SHARNA NELKO: You'll also agree
9 with me that this specific figure doesn't show any
10 relativities. Correct?

11 MR. KHURRAM MASUD: If you scroll to
12 RC-1, it does show you the relativities.

13 MS. SHARNA NELKO: Yeah, so figure RC-
14 1 shows relativities, but I'm saying figure RC-2
15 doesn't show the relativities. Correct?

16 MR. KHURRAM MASUD: Yes, that's
17 correct.

18 MS. SHARNA NELKO: So, you're saying
19 that these figures need to be read together.

20 MR. KHURRAM MASUD: For the full
21 context, yes.

22 MS. SHARNA NELKO: Okay.

23 MR. KHURRAM MASUD: Depends on what
24 you want to see.

25 MS. SHARNA NELKO: You agree with me

1 that neither of these two (2) figures show the impact
2 of the relativities on the rates. Correct?

3 MR. KHURRAM MASUD: That's correct
4 because the intention was -- because after the minimum
5 10 percent relativity applies to the relativities, so
6 the intention was to illustrate how the different
7 minimum credibilities would affect the relativities.

8 MS. SHARNA NELKO: All right, but we
9 know that, ultimately, that new relativities are
10 plugged into the formula that determines the rates.

11 Correct?

12 MR. KHURRAM MASUD: Correct, but that
13 was not the intention of this analysis. The intention
14 of this analysis was to see the effect on the
15 relativities.

16 MS. SHARNA NELKO: Understood. And
17 because it doesn't show -- show the rates appreciating
18 the answer that -- that you just gave, it also doesn't
19 show whether the spread would increase or decrease
20 rates. Correct?

21 MR. KHURRAM MASUD: That's -- that's
22 correct. Yes. It's the volatilities. The stability
23 of the relativities, that's the intention of
24 introducing this 10 percent credibility.

25 MS. SHARNA NELKO: Okay.

1 MR. KHURRAM MASUD: Whether it's
2 upwards or downwards.

3 MS. SHARNA NELKO: All right. And so
4 MPI recognizes that setting the minimum credibility to
5 high can amplify volatility and while setting it too
6 low can make relativities insensitive to genuine
7 emerging trends. Correct?

8 MR. KHURRAM MASUD: That's correct.

9 MS. SHARNA NELKO: And I believe this
10 is what you were telling me a few moments ago, but
11 this figure is intended to reflect the -- the
12 volatility. Correct?

13 MR. KHURRAM MASUD: That's correct.

14 MS. SHARNA NELKO: Okay. And in
15 considering this amplification of volatility, is MPI
16 concerned with an increase in spread generally, or is
17 it the magnitude of the increase in spread?

18 MR. KHURRAM MASUD: Sorry, can you
19 repeat that?

20 MS. SHARNA NELKO: Sure. And -- and I
21 might be able to say it in a different way. And this
22 also may have been the line of questioning that we
23 were on before, but is it the change generally or the
24 magnitude of the change?

25 MR. KHURRAM MASUD: You mean the

1 change from 10 percent relativity to something else?

2 The magnitude of that?

3 MS. SHARNA NELKO: No, I'm referring
4 to -- to the spreads. So, along the lines of what we
5 were looking at before, of it being -- is it a concern
6 that there are just -- is a change, for example, in
7 all-purpose motorhome, goes from fourteen (14) to
8 fourteen (14) to fourteen (14) to sixteen (16), which
9 is a change. The last one being only a 2 percent
10 change. Or is it the magnitude of the change as we
11 see in line 12, it being a 6 percent change and it
12 escalating as we go forward.

13 MR. KHURRAM MASUD: Yeah, I would like
14 -- just to say that we are concerned with the
15 volatility.

16 MS. SHARNA NELKO: Okay. So, do I
17 understand that to mean concerned with any change?

18 MR. KHURRAM MASUD: If it's
19 fluctuating too much then that is a concern.

20 MS. SHARNA NELKO: Okay. And as with
21 not stating what constitutes a large fluctuation,
22 you'll also agree with me that MPI has not stated in
23 its filing what level of amplified volatility it's
24 prepared to accept.

25 MR. KHURRAM MASUD: Correct, yes. The

1 -- the intention of this analysis was to demonstrate
2 that by increasing the minimum credibility, the
3 relativities are subject to more volatility.

4 MS. SHARNA NELKO: Okay. And is there
5 a level of amplified volatility that MPI is prepared
6 to accept?

7 MR. KHURRAM MASUD: That was not the -
8 - that was not the intention of this analysis.

9 MS. SHARNA NELKO: Okay.

10

11 (BRIEF PAUSE)

12

13 MS. SHARNA NELKO: Okay. And so, what
14 we see in this RC.4 is -- or this section of the GRA
15 is the extent of the analysis included in the GRA
16 regarding Directive 10.5. Correct?

17 MR. KHURRAM MASUD: That's correct.

18 MS. SHARNA NELKO: And in terms of the
19 filing, it only includes this analysis for Major Class
20 1. Correct?

21 MR. KHURRAM MASUD: Yes, as part of
22 the initial filing, Major Class 1 was studied.

23 MS. SHARNA NELKO: Okay. And, Ms.
24 Schubert, if you could please pull TC/MPI-1-2 please.

25 And in its Information Request, the

1 Taxi Coalition asked for MPI to provide the same
2 analysis, being the spread in new relativity changes,
3 for all other major classes in insurance uses.

4 And in response MPI produced three (3)
5 figures. Figure 1 which is the Major Class 2 spread
6 in new relativity changes. Figure 2 which is for
7 Major Class 3 and Figure 3 for Major Class 4.

8 And prior to reaching its conclusion
9 contained within the filing, had MPI performed this
10 analysis that's included in these figures 1 to 3?

11 MR. KHURRAM MASUD: We did it only for
12 Major Class 1 in the original submission.

13 MS. SHARNA NELKO: Okay. All right and
14 if we can look at figure 1, please, Ms. Schubert.
15 That's the spread in new relativity changes for Major
16 Class 2.

17 Am I correct in understanding that if a
18 minimum credibility above 10 percent were used as part
19 of MPI's methodology or mate -- ratemaking process,
20 more uses would become subject to the minimum
21 credibility.

22 MR. KHURRAM MASUD: Correct.

23 MS. SHARNA NELKO: So, if we use
24 common carrier vehicle, as an example, which is on
25 line 3 common carrier vehicle local, the credibility

1 currently assigned to that raw relativity, subject to
2 check, is about 12 percent.

3 So, if MPI were to increase the minimum
4 credibility to 15 percent, that use would now subject
5 to this 15 percent minimum credibility. Correct?

6 MR. KHURRAM MASUD: Correct.

7 MS. SHARNA NELKO: All right. So,
8 increasing the minimum credibility could, in turn,
9 result in more insurance uses being subject to this
10 minimum credibility standard.

11 MR. KHURRAM MASUD: Correct.

12 MS. SHARNA NELKO: And in turn, it
13 could result in more insurance uses being sensitive to
14 genuine emerging trends. Correct?

15 MR. KHURRAM MASUD: Genuine emerging
16 trends and noise in the data. Both.

17 MS. SHARNA NELKO: Sorry?

18 MR. KHURRAM MASUD: Genuine emerging
19 trend and noise in the data. The volatility could be -
20 - because a genuine emerging trend or just because
21 there is noise in the data.

22 MS. SHARNA NELKO: Noise in the data.

23 MR. KHURRAM MASUD: Yes.

24 MS. SHARNA NELKO: Okay. And -- and
25 this might be a natural transition point if the Board

1 wanted to take a break. I don't have too much left,
2 but I just wanted to provide that option.

3 PANEL CHAIRPERSON: Okay. Thank you.
4 Can you define what 'too much left' means?

5 MS. SHARNA NELKO: I'm more than
6 halfway through, but I'm not sure how long I've been
7 going for so that's ---

8 PANEL CHAIRPERSON: Fine. Then we'll
9 take a break now and back at twenty-five (25) to 11:00
10 please.

11

12 --- Upon recessing at 10:21:00

13 --- Upon resuming at 10:49 a.m.

14

15 PANEL CHAIRPERSON: Sorry, for the
16 delay, everyone. We are going to proceed without the
17 aid of the screens, but I believe that we each have
18 paper of this document.

19 So, Ms. Nelko, would you please
20 proceed?

21 MS. SHARNA NELKO: Yes. Thank you,
22 Madam Chair.

23

24 CONTINUED BY MS. SHARNA NELKO:

25 MS. SHARNA NELKO: So, we were just

1 looking at Figure RC-2 and Figures 1 to 3 produced in
2 response to the Taxi Coalition's Information Request.

3 And you'll agree with me that in those
4 figures themselves that -- just not -- not on the
5 screen, not what anybody's looking at on the screen --
6 the figures that show the new relativity spread, the
7 percentages, we don't see the range in the new
8 relativities contributing to that spread, correct?

9 MR. ANTHONY GUERRA: Sorry, counsel.
10 Just before we begin, because this is not a document
11 that was prepared by MPI, perhaps we just want to
12 confirm that MPI agrees to the accuracy of the
13 information on this document.

14 MS. SHARNA NELKO: Oh, yes. I just
15 haven't referred to this document yet. It's just on -
16 - happens to be on the screen, but --

17 MR. ANTHONY GUERRA: Oh, okay.

18 MS. SHARNA NELKO: -- I'm not touching
19 it.

20 MR. ANTHONY GUERRA: My apologies,
21 yeah.

22 MS. SHARNA NELKO: No problem. It's -
23 - it's confusing.

24

25 CONTINUED BY MS. SHARNA NELKO:

1 MS. SHARNA NELKO: So, I'm --
2 disregard what's on the screen currently, but I'm
3 referring to the figure RC-2 that we had looked at
4 before the break, as well as Figures 1 to 3 that were
5 produced in the -- in response to the Taxi Coalition's
6 Information Request.

7 And in those figures, we simply saw the
8 spread in relativity changes in percentages, but we
9 don't actually see what those new relativities are,
10 correct?

11 MR. KHURRAM MASUD: Yes, that's
12 correct.

13 MS. SHARNA NELKO: Okay. And in that
14 sense, the spread is not necessarily helpful in
15 discerning or demonstrating how actual performance is
16 reflected in the new relativities based on the appli -
17 - application of different minimum credibilities,
18 correct?

19 MR. KHURRAM MASUD: It's
20 multiplicative relative. These are multiplicative, so
21 the percentage does give you an idea of how far they
22 are moving.

23 MS. SHARNA NELKO: But we cannot see
24 whether the new relativities are higher or lower than
25 what's indicated based on the raw relativity, correct?

1 MR. KHURRAM MASUD: Correct, yes. As
2 I said, the intention so to show that it increases the
3 volatility.

4 MS. SHARNA NELKO: Understood. And we
5 also don't know, in turn, whether indicated rates
6 would be higher or lower than perhaps what they ought
7 to be based on raw relativities, correct?

8 MR. KHURRAM MASUD: Correct. As I
9 said, the intention is to show the volatility, not
10 necessarily the direction of whether it would lead to
11 higher or lower rates. It could just lead to
12 increased volatility.

13 MS. SHARNA NELKO: Yes. Okay. And in
14 the Taxi Coalition's Round II Information Request, the
15 Taxi Coalition asked to be provided with the
16 relativities used to calculate this spread, and also
17 in the pre-ask, the Taxi Coalition asked for RC
18 Appendix 4 to be updated for each major class using
19 the different minimum credibility weights.

20 Do you recall that?

21 MR. KHURRAM MASUD: Yes.

22 MS. SHARNA NELKO: And that
23 information has been produced and is contained in
24 TC/MPI-2-1, Appendix 1, and also MPI Exhibit 39.
25 We're not going to go there, but that's where it --

1 it's contained, for the record.

2 And that produced pages and pages of
3 information, correct?

4 MR. KHURRAM MASUD: I would think so,
5 yes.

6 MS. SHARNA NELKO: You can take my
7 word for it.

8 MR. KHURRAM MASUD: Okay.

9 MS. SHARNA NELKO: So, what we've done
10 to -- to simplify things for the purposes of this
11 hearing is compiled the portions of this data in -- in
12 the appendices into a few tables as an aid to cross.

13 And this table was provided to counsel
14 for MPI yesterday, and we were just hopeful that it
15 would be an easier way to walk through this
16 information to demonstrate what these new relativity
17 spreads are -- are showing, or what the data is
18 underlying these spreads.

19 And you'll have received that document
20 from your counsel?

21 MR. KHURRAM MASUD: Yes, we have
22 received it.

23 MS. SHARNA NELKO: Okay. And -- and,
24 counsel, is there any -- I guess and -- and did you
25 have a chance to review the information that's

1 contained within it?

2 MR. KHURRAM MASUD: Not necessarily.

3 We did not have a chance to look at it thoroughly, but

4 we did have a glance at the information that was

5 provided.

6 MS. SHARNA NELKO: Okay. So, in a

7 general sense, you appreciate the data that's

8 contained within it --

9 MR. KHURRAM MASUD: Yes.

10 MS. SHARNA NELKO: -- and where it

11 came from?

12 MR. KHURRAM MASUD: Yes. It's

13 summarized, and we can see that.

14 MS. SHARNA NELKO: Okay. Now,

15 counsel, is there any concern with using the document

16 as an aid to cross that was provided yesterday?

17

18 (BRIEF PAUSE)

19

20 MR. ANTHONY GUERRA: Subject to check,

21 we don't have any issues with the accuracy of the

22 information contained in those -- in those charts on

23 that -- that document. So perhaps the best way to

24 deal with it would be to mark it as an exhibit and

25 then refer to the exhibit.

1 MS. SHARNA NELKO: Sure. And -- and I
2 appreciate that, and -- and my intention is really
3 just to use it for illustrative purposes. So, I --
4 I'm hoping that it has all of the -- all of the data
5 is accurate in there, but appreciate that you haven't
6 had a chance to verify all that.

7 So, if we could mark this as TC Exhibit
8 5, please.

9
10 --- EXHIBIT NO. TC-5: Portions of data found at
11 TC/MPI-2-1, Appendix 1,
12 and MPI Exhibit 39
13 summarized into table
14 format as an aid to cross
15

16 CONTINUED BY MS. SHARNA NELKO:

17 MS. SHARNA NELKO: All right. And if
18 we're looking on -- on the first page of this table,
19 that has -- identifies major class 1, private
20 passenger.

21 And starting from the left-hand side,
22 we have the -- the 'Use' column, 'Current Units'
23 column, the 'GRA' identifying what GRA the data
24 relates to, the 'Raw Relativity', and then the 'New
25 Relativities' based on the different minimum

1 credibilities of 10 percent, 15, 20, and 25.

2 Do you see that?

3 MR. KHURRAM MASUD: Yes.

4 MS. SHARNA NELKO: And am I correct in
5 understanding that the 10 percent new relativity
6 column would be the new relativity that was ultimately
7 used by MPI to calculate the indicated rate in each of
8 these GRA years?

9 MR. KHURRAM MASUD: We use 10 percent
10 credibility, minimum credibility, for the
11 recalculation. Is that what you're referring to?

12 MR. KHURRAM MASUD: Yes.

13 MS. SHARNA NELKO: The other columns
14 we did not use.

15 MS. SHARNA NELKO: Yes. So, the 10
16 percent minimum credibility is, ultimately, what was
17 used. The other columns were produced as part of
18 MPI's analysis of minimum credibility --

19 MR. KHURRAM MASUD: Correct.

20 MS. SHARNA NELKO: -- as part of this
21 filing.

22 MR. KHURRAM MASUD: Correct.

23 MS. SHARNA NELKO: Okay. And so I
24 understand how the range or the spread in new
25 relativities was calculated in MPI's analysis that --

1 included in the filing, am I correct in understanding
2 that, if we look at the passenger Vehicle for Hire
3 rows at the bottom of this first page, looking
4 specifically at the new relativity 10 percent minimum
5 credibility column, what MPI did was calculate the
6 percent change for each year -- so 2020 to 2021, 2021
7 to 2022, 2022 to 2023, and 2023 to 2024 -- and then
8 figure out what percentage range was, and that
9 constituted the spread?

10 MR. KHURRAM MASUD: Are we still
11 looking at the first page of this?

12 MS. SHARNA NELKO: Yeah. So, the
13 bottom of the first page where passenger Vehicle for
14 Hire Truck is.

15 MR. KHURRAM MASUD: Oh, trucks. Okay.

16 MS. SHARNA NELKO: My apologies if I
17 didn't identify that. So, in its spread in figure RC-
18 2, the spread calculated for the new relativity at 10
19 percent minimum credibility was 36 percent.

20 Do you recall that?

21 MR. KHURRAM MASUD: Yes.

22 MS. SHARNA NELKO: So, what I'm trying
23 to establish is how MPI calculated that 30 -- 36
24 percent spread because it's not in the filing.

25 And I'm just confirming that my

1 understanding is it was totalling the difference -- so
2 2020 to 2021, the percent change there, as I
3 understand it, is a decrease of 6.2 percent, subject
4 to check.

5 MR. KHURRAM MASUD: Subject to check,
6 yes.

7 MS. SHARNA NELKO: And then from 2021
8 to 2022, that reflects an increase in the new
9 relativity of 26.2 percent, subject to check?

10 MR. KHURRAM MASUD: Subject to check.

11 MS. SHARNA NELKO: And 2022 to 2023,
12 that reflects a 12.1 percent increase, subject to
13 check?

14 MR. KHURRAM MASUD: Subject to check,
15 yes.

16 MS. SHARNA NELKO: And for 2023 to
17 2024, that reflects a 29.4 percent increase, subject
18 to check?

19 MR. KHURRAM MASUD: Yes.

20 MS. SHARNA NELKO: So then,
21 ultimately, this 30 -- 36 percent spread reflects the
22 spread between minus 6.2 percent and 29.4 percent,
23 correct?

24 MR. KHURRAM MASUD: Subject to check,
25 yes.

1 MS. SHARNA NELKO: Okay. And that --
2 the process that we just went through is the same
3 process that MPI went through to calculate all of the
4 spreads in Figure RC-2 as well as Figures 1, 2, and 3
5 produced in response to Taxi Coalition's Round I
6 Information Request, correct?

7 MR. KHURRAM MASUD: (NO AUDIBLE
8 RESPONSE).

9 MS. SHARNA NELKO: And to ensure that
10 I understand what these numbers indicate, you
11 confirmed for me earlier that there is a direct
12 correlation between the new relativities and the
13 indicated rates, correct?

14 MR. KHURRAM MASUD: Correlation?

15 MS. SHARNA NELKO: So, one would
16 expect that assuming all other variables are --

17 MR. KHURRAM MASUD: Okay.

18 MS. SHARNA NELKO: -- remaining the
19 same, as the new relativity goes up, one would expect
20 the indicated rate to go up, as well?

21 MR. KHURRAM MASUD: Correct. There is
22 a correlation subject to caps and flows.

23 MS. SHARNA NELKO: Yes. And so,
24 similarly, if the new relativity goes down, assuming
25 everything else remains the same, you would expect the

1 indicated rate to go down, as well, correct?

2 MR. KHURRAM MASUD: That's correct.

3 MS. SHARNA NELKO: Okay. And just
4 above the bottom section on page 1 that says
5 'Passenger Vehicle for Hire truck', the section above
6 that is 'Passenger Vehicle for Hire'.

7 Do you see that?

8 MR. KHURRAM MASUD: I see it.

9 MS. SHARNA NELKO: Okay. And -- and
10 focusing to start on the 2020 year. We can see that
11 the raw relativity there is 3.0965. Do you see that?

12 MR. KHURRAM MASUD: I see that.

13 MS. SHARNA NELKO: And the new
14 relativity calculated on the basis of 10 percent
15 minimum credibility is 1.8.0, so -- yeah, 1.8084,
16 correct, subject to check that that's the correct
17 figure?

18 MR. KHURRAM MASUD: Yeah.

19 MS. SHARNA NELKO: All right. And
20 you'd agree with me that that indicates that the
21 premium that's being -- plugging that into the rate
22 indication, the premium that may be -- or the
23 indicated rate that comes out of that is lower than
24 what's indicated -- or would be lower than what's
25 indicated based on the raw relativity, correct?

1 MR. KHURRAM MASUD: That's correct.
2 Having said that, the raw relativity, because it's
3 using last five (5) years' data and because it does
4 not fulfill the criteria of credibility, the raw
5 relativity itself is questionable because the data is
6 too small.

7 And whereas you see that the raw
8 relativity continues to be close to 3. something
9 percentage as it goes, but it is possible that the raw
10 relatively could have been more volatile. It could
11 have come down to 1.5, then come back to 4, or
12 whatever.

13 The numbers could have been more
14 volatile and could be in multiple directions.

15 MS. SHARNA NELKO: Okay. So, what
16 you're saying is that the numbers could have been more
17 volatile.

18 But would you agree with me that there
19 seems to be a trend now that we have six (6) years of
20 data?

21 MR. KHURRAM MASUD: That's correct.
22 And that's exactly why we -- why we use the
23 credibility.

24 MS. SHARNA NELKO: Okay.

25 MR. KHURRAM MASUD: If there's a

1 continued strength, then eventually you'll see that
2 translating to the relativity that's used for pricing.

3 MS. SHARNA NELKO: Okay.

4 MR. KHURRAM MASUD: If the trend is up
5 and down, then we blend it with the existing
6 relativity to make sure that we are not giving too
7 much weight to the current relativity, which could be
8 volatile from year to year, and it could be in
9 different directions.

10 MS. SHARNA NELKO: So, picking up on
11 your use of the word 'eventually', would you agree
12 with me that specifically as it relates to passenger
13 Vehicle for Hire had a larger minimum credibility of
14 15 percent been utilized, for example, that reflection
15 of more recent data and experience would have been
16 reflected more quickly in the new relativity had a
17 larger minimum credibility been selected?

18 MR. KHURRAM MASUD: Yes, in hindsight
19 we can say that.

20 MS. SHARNA NELKO: Okay.

21 MR. KHURRAM MASUD: But when we did
22 use these relativities, I wouldn't disagree with the
23 method that was used.

24 MS. SHARNA NELKO: Okay. And if we
25 look to the fourth page of this exhibit, that's where

1 we can see there's four (4) insurance uses on this
2 page. It's the one that says 'Major Class 3 public'
3 at the top.

4 And what I'd like to focus on is the
5 taxi passenger vehicle section. Do you see that?

6 MR. KHURRAM MASUD: I see that.

7 MS. SHARNA NELKO: And if we look at
8 the raw relativities for taxis starting in 2020, would
9 you agree with me that there is -- that they're
10 consistently decreasing based on the data presented?

11 MR. KHURRAM MASUD: Correct.

12 MS. SHARNA NELKO: Okay. And if we
13 look to the column right beside the raw relativities,
14 which is the new relativities calculated on the basis
15 of a 10 percent minimum credibility, would you agree
16 with me that notwithstanding this decrease in the new
17 relativities, based on a 10 percent minimum
18 credibility, the new relativities remained higher than
19 what was indicated based on the 10 percent minimum
20 credibility for a number of years?

21 MR. KHURRAM MASUD: Yeah, but they are
22 relatively close. I understand we don't have a
23 specific criteria for what's considered close, but
24 they are relatively close.

25 MS. SHARNA NELKO: So, in this subset

1 of data for taxi passenger Vehicle for Hire, MPI would
2 consider the new relativities and raw relativities to
3 be relatively close. Is that correct?

4 MR. KHURRAM MASUD: That is subject
5 to. So, you may have another view of what you believe
6 constitutes relatively close, but they don't appear to
7 be too far apart.

8 MS. SHARNA NELKO: And does that apply
9 to all six (6) years that are shown in this table?

10 MR. KHURRAM MASUD: Most of the time.

11 MS. SHARNA NELKO: So, even in 2020
12 the raw relativity of 4.27 as compared with the new
13 relativity of 3.98, that, in MPI's subjective opinion
14 would be considered close?

15 MR. KHURRAM MASUD: I would choose to
16 word they're not too far apart.

17 MS. SHARNA NELKO: Not something to
18 necessarily be concerned about?

19 MR. KHURRAM MASUD: I would be more
20 concerned about associating a higher credibility to
21 insurance uses that have sparce volume because that
22 may be too high volatility in the relativities.

23 Now, in hindsight, if there is an
24 emerging trend, that's exactly why credibility is in
25 place, that if there's a continuous trend and the

1 relativities are stable, that eventually -- eventually
2 the relativities that we use for pricing will be using
3 that trend.

4 But if you use it too prematurely and
5 the relativities move up and down, then this will
6 introduce volatility to the premiums and the
7 relativities. That's the intention of using
8 credibility.

9 MS. SHARNA NELKO: Okay. But you'd
10 agree with me that the higher the credibility for an
11 emerging trend, the quicker that it's reflected in the
12 new relativity?

13 MR. KHURRAM MASUD: Correct. But how
14 do you identify a trend being an emerging trend or a
15 noise in data? You give it some time. You give it
16 some time before you can establish whether it's an
17 emerging trend or it's noise in the data. It might
18 well be noise in data.

19 MS. SHARNA NELKO: And does MPI have a
20 plan in place for when it will re-evaluate whether its
21 minimum credibility standard remains appropriate?

22 MR. KHURRAM MASUD: We carried out an
23 analysis during 2025 GRA to show the volatility that
24 could be experienced if we were to use higher
25 credibilities. At present, we are comfortable with

1 the 10 percent minimum credibility being used.

2 MS. SHARNA NELKO: Okay. Is there any
3 sort of plan for MPI to look at this again in the
4 future, or not unless ordered by the Board?

5 MR. KHURRAM MASUD: We could look at
6 it periodically.

7 MS. SHARNA NELKO: Because with more
8 data, you -- MPI may be able to consider whether what
9 it thought might be noise is a trend or whether there
10 is no more noise such that we can simply raise the
11 credibility because we --

12 MR. KHURRAM MASUD: Correct.

13 MS. SHARNA NELKO: -- have to be less
14 concerned about noise?

15 MR. KHURRAM MASUD: Yeah, but that
16 would not change with time. So, five (5) years later
17 you'll still have some insurance uses which have
18 volumes of data that are not large enough to be
19 credible.

20 MS. SHARNA NELKO: Okay.

21 MR. KHURRAM MASUD: I don't believe
22 that changes with time. Even if we do it five (5)
23 years later, there might still be some insurance uses
24 or some pockets of the book of business where the data
25 is not credible and 10 percent will still apply.

1 MS. SHARNA NELKO: Okay. So, MPI
2 doesn't expect to -- even though this 10 percent
3 minimum credibility was judgmentally selected, MPI
4 doesn't expect that it will ever increase this
5 judgmental selection of 10 percent?

6 MR. KHURRAM MASUD: We are open to
7 changing that. But if -- if this 10 percent is -- the
8 choice of this is judgmental, then it will always be
9 judgmental.

10 MS. CARA LOW: MPI is still
11 comfortable with the minimum credibility of 10 percent
12 and it has no plans at this time to do any further
13 analysis.

14

15 (BRIEF PAUSE)

16

17 MS. SHARNA NELKO: Okay. And you'll
18 agree with me that customers don't necessarily want to
19 see fluctuations on an annual basis in their rates.

20 Correct?

21 MS. CARA LOW: We can't speak to what
22 the customers necessarily want, but rate stability is
23 one of the -- I was going to say in our Mission
24 Statement, but it's -- but it's something we're trying
25 to achieve, of course, is rate stability.

1 MS. SHARNA NELKO: Okay. So, there's
2 -- MPI recognizes that there's value in stability.

3 MS. CARA LOW: There is absolutely
4 value in rate stability and it has to be balanced with
5 fairness.

6 MS. SHARNA NELKO: Balanced with
7 fairness?

8 MS. CARA LOW: Yes.

9 MS. SHARNA NELKO: Okay. And you'd
10 agree with me that MPI is no stranger to incentivizing
11 safe driving. Correct?

12 MR. KHURRAM MASUD: That's correct,
13 yes.

14 MS. SHARNA NELKO: And we see this
15 with the fleet program and also with the DSR scale.
16 Correct?

17 MR. KHURRAM MASUD: That's correct.
18 Both are incentive programs for safer driving
19 behaviour.

20 MS. SHARNA NELKO: Would you agree
21 with me that increasing credibility so as to give more
22 weight to the most recent loss experience, could in
23 theory be an additional way to incentivize safe
24 driving?

25 MR. KHURRAM MASUD: Not necessarily.

1 As I said, the -- the experience in one (1) year could
2 not -- may not be representative of the true driving
3 behaviour.

4 MS. SHARNA NELKO: So, may not, but it
5 could in theory be an additional way. But it may also
6 not be reflective of anything.

7 MR. KHURRAM MASUD: Yes, as long as
8 volume is credible, it is representative, but if the
9 volume is sparse then it may not be representative of
10 true driving behaviour.

11 MS. SHARNA NELKO: Okay. So,
12 ultimately, we know that MPI concludes that this 10
13 percent minimum credibility threshold remains
14 appropriate and in doing so MPI considered the two (2)
15 competing factors of amplifying volatility and
16 insensitivity to emerging trends. Correct?

17 MR. KHURRAM MASUD: At this stage,
18 yes.

19 MS. SHARNA NELKO: Okay. And these
20 two (2) factors are consistent with what MPI always
21 tries to balance, and this is what Ms. Low was just
22 saying, balancing stability and what's actuarially
23 indicated, affordable and fair and just. Correct?

24 MR. KHURRAM MASUD: That's correct.

25 MS. SHARNA NELKO: Okay. And you

1 understand that the Board's function or mandate is to
2 set what's just and reasonable. Correct?

3 MR. KHURRAM MASUD: Correct.

4 MS. SHARNA NELKO: And would you agree
5 with me that stability doesn't always equate to what's
6 just and reasonable?

7 MR. ANTHONY GUERRA: Sorry, the
8 witness is being asked to opine on a legal standard
9 and I don't think this witness has been qualified to -
10 - to be able to do that.

11

12 CONTINUED BY MS. SHARNA NELKO:

13 MS. SHARNA NELKO: So MPI is -- is
14 balancing when it's considering its -- its judgment in
15 selecting this minimum credibility, is balancing
16 stability, affordability and what's just and
17 reasonable. Correct?

18 MS. CARA LOW: Correct.

19 MS. SHARNA NELKO: And they're not
20 necessarily the same thing.

21 MS. CARA LOW: No, they are not.

22 MS. SHARNA NELKO: Okay. Thank you.

23 Those are all my questions for this panel.

24 PANEL CHAIRPERSON: Mr. Gabor...?

25

1 BOARD CHAIR GABOR: Ms. Low, you were
2 involved in reviewing the AAP?

3 MS. CARA LOW: Yes, I was.

4 BOARD CHAIR GABOR: Okay. And the --
5 I understand in actuarial mathematics, the field I
6 know absolutely nothing about, you would be looking at
7 complex formulas on a regular basis?

8 MS. CARA LOW: Correct.

9 BOARD CHAIR GABOR: And you would be
10 getting inputs from different areas of MPI to
11 determine what the AAP would be.

12 MS. CARA LOW: That would be correct.

13 BOARD CHAIR GABOR: And this, I
14 understand it, the original AAP at the filing was
15 either 6.14 or 6.15 and then it moved up in October to
16 6.77.

17 MS. CARA LOW: Correct, 6.15 to 6.77.

18 BOARD CHAIR GABOR: 6.15. Thank you.
19 And that means something to you.

20 MS. CARA LOW: It does.

21 BOARD CHAIR GABOR: Okay. Can you --
22 but the -- but the rate request is 3 percent.

23 Is that right?

24 MS. CARA LOW: That is correct.

25 BOARD CHAIR GABOR: Okay. Can you

1 explain how the rate request is 3 percent versus 4
2 percent versus 2 percent? I mean how do you arrive at
3 that number when the AAP is such a different number?

4 MS. CARA LOW: The 3 percent rate ask
5 was -- this was responded in one of the IRs. It was -
6 - it was selected based on affordability and not based
7 on an actual calculation.

8 BOARD CHAIR GABOR: Okay.

9 MS. CARA LOW: Once the threshold for
10 affordability is defined by management.

11 BOARD CHAIR GABOR: Would the same
12 reason be given for 2 percent, instead of 3 percent?

13 MS. CARA LOW: Yes.

14 BOARD CHAIR GABOR: Okay. At one
15 point, and I didn't write it down quickly enough, you
16 were talking about risk in relation to cash flow
17 requirements and I think your comment was something
18 like, 'risk is always there'.

19 MS. CARA LOW: There's always risk,
20 'cause we're pricing for longtail liabilities when we
21 have our PIPP Injury Claims there and also a lot of
22 uncertainty when it comes events, such as the hail
23 event that we saw.

24 BOARD CHAIR GABOR: Right.

25 MS. CARA LOW: Or even the rising

1 severity versing in repairing cars or replacing
2 vehicles. So, a lot of uncertainty.

3 BOARD CHAIR GABOR: There's always
4 uncertainty, because you don't know what's going to
5 happen the year ahead.

6 MS. CARA LOW: Right, or even multiple
7 years ahead 'cause some people end up on income
8 replacement benefits for life, so that can be fifty
9 (50), sixty (60) years out.

10 BOARD CHAIR GABOR: Right. Would you
11 agree that the overall risk is less if you have more
12 money in your reserves than if you have less money in
13 your reserves?

14 MS. CARA LOW: When we're doing our
15 pricing it's for the specific claims attached to that
16 rating year, which is a very different concept than
17 the Capital Management and how much we need in our RSR
18 and in order to support risks that the Corporation may
19 have, pricing risk being one of many risks.

20 BOARD CHAIR GABOR: Okay. But later
21 on in your testimony, again I couldn't write it down,
22 you started naming all the risks. There's -- there is
23 the claims risk, there is hail risk, there are all of
24 those things.

25 MS. CARA LOW: Correct.

1 BOARD CHAIR GABOR: Okay.

2 MS. CARA LOW: And you see a lot of
3 those calculated as part of the MCT calculation, so
4 the required capital it goes through a lot of those
5 risks and they're quantified.

6 BOARD CHAIR GABOR: Right. And, as I
7 understand previously, the -- before we had MCT we had
8 DCAT; the position of MPI was DCAT was not sufficient
9 in terms of the risk and we should to move to MCT-100.

10 Is that correct?

11 MS. CARA LOW: That is correct.

12 BOARD CHAIR GABOR: Okay. And then
13 later it was MCT-100 turned into MCT-120, before there
14 would be a release. Is that correct?

15 MS. CARA LOW: The internal target is
16 still 100 percent but with the -- any potential rebate
17 at -- after one-twenty (120). So, the internal target
18 didn't change. It's still 100 percent.

19 BOARD CHAIR GABOR: Right. I guess
20 the -- the question -- the -- the -- one of the issues
21 is that the argument about risk and all of the risks
22 facing MPI and the uncertainty, in previous hearings
23 always led to a -- a request of at least AAP, if not
24 higher than AAP.

25 Is that correct?

1 MS. CARA LOW: That is my
2 understanding.

3 BOARD CHAIR GABOR: Okay. In relation
4 to Extension, I just want to confirm some things.

5 The Extension rate will increase by
6 10.2 percent. Is that correct?

7 MS. CARA LOW: That is in the current
8 year and the reason it's so high is because we're
9 still offsetting the cost of the deductible change
10 that was back in 2021, which was revenue neutral.

11 So, there was a decrease in the Basic,
12 an increase on the Extension side and that wasn't
13 fully taken and that's why the 10 percent ---

14 BOARD CHAIR GABOR: Right.

15 MS. CARA LOW: --- increase.

16 BOARD CHAIR GABOR: But whatever that
17 rate is that's a determination of the MPI Board.

18 MS. CARA LOW: Yes.

19 BOARD CHAIR GABOR: And we -- we
20 haven't -- the PUB Board has no role in that.

21 MS. CARA LOW: Correct.

22 BOARD CHAIR GABOR: And under the
23 existing system, you could do, essentially, what you
24 want, in the sense of there is no mandatory transfer
25 if money is required for DVA or another purpose, the

1 Board has the ability to do it so long as it does it
2 before March 31st.

3 MS. CARA LOW: Those decisions are at
4 the discretion of the Board of Directors.

5 BOARD CHAIR GABOR: Right. So, for
6 example, if -- if there's -- you -- you came forward
7 and said there are a number of things you can do if
8 there's a problem going forward. There could be a
9 higher rate request, there could be reserves. One of
10 the things you could do is simply increase Extension
11 rates.

12 MS. CARA LOW: That is one (1) option,
13 and that's the option that was displayed in exhibits -
14 -

15 BOARD CHAIR GABOR: Right.

16 MS. CARA LOW: -- that were filed.

17 BOARD CHAIR GABOR: Right. Okay.
18 When we issue an Order and then a rate goes into the
19 computer, there's going to be a notice that goes out
20 to customers.

21 Will the notice disclose that the
22 Extension rate has gone up by 10.2 percent or whatever
23 that number is?

24 MS. CARA LOW: One (1) minute, please.

25

1 (BRIEF PAUSE)

2

3 MS. CARA LOW: Yeah. Annual
4 assessment does split out the Basic premium being
5 charged from the Extension premium, but it doesn't
6 show the change. So, a customer would have to take
7 their assessment from the prior year and compare the
8 two (2).

9 BOARD CHAIR GABOR: So, it'd be up to
10 them. Will the notice indicate what the rate increase
11 for Basic awarded by this Board will -- will that show
12 up on the -- the notice document?

13

14 (BRIEF PAUSE)

15

16 MS. CARA LOW: We could take that into
17 consideration, the communication of the changes.

18 BOARD CHAIR GABOR: Okay. You -- you
19 just mentioned that the customer would have to take
20 last year's information and this year's information
21 and do a comparison.

22 Do you view that as being transparency,
23 that it's up to the customer to do it?

24 MS. CARA LOW: Well, no. It's not
25 necessarily transparent 'cause maybe the customer

1 hasn't saved their assessment from last year, but
2 that's currently how it's done.

3 When they get the assessment, it's
4 their premium for that year, and it does split Basic
5 between Extension, so it's transparent as how much is
6 for the Basic and how much is for the Extension.

7 BOARD CHAIR GABOR: Right, but
8 increase versus the previous year doesn't show up?

9 MS. CARA LOW: It does not show up.

10 BOARD CHAIR GABOR: And there was the
11 suggestion yesterday, well, if the customer doesn't
12 like Extension -- sorry -- if the customer doesn't
13 like the Extension increase, they can go to a
14 competitor.

15 If you could take me through that, how
16 -- the customer gets the form. They don't know what
17 the increase has been, but assuming they have the --
18 the last year's statement, do they phone MPI and say,
19 I don't want the Extension or what is -- what is it
20 they do?

21 MS. CARA LOW: They would go in and
22 see their broker and discuss that with their broker.

23 BOARD CHAIR GABOR: Okay. This is --
24 so they would go to the broker. The broker has MPI --
25 the one (1) screen that has both Basic and Extension

1 together, correct?

2 MS. CARA LOW: Correct.

3 BOARD CHAIR GABOR: And the broker
4 gets a commission for selling MPI Extension --

5 MS. CARA LOW: Correct.

6 BOARD CHAIR GABOR: -- correct? Okay.
7 Okay. Those are my questions.

8 PANEL CHAIRPERSON: Thank you. Mr.
9 Bass...?

10 BOARD MEMBER BASS: Thanks. Ms. Low,
11 yesterday you had indicated that MPI also has
12 investment income coming through on RSR that is not
13 taken into account in the breakeven exercise.

14 MS. CARA LOW: It is --

15 BOARD MEMBER BASS: Do you recall
16 that?

17 MS. CARA LOW: Yes.

18 BOARD MEMBER BASS: Okay. And why is
19 that?

20 MS. CARA LOW: According to Accepted
21 Actuarial Practice, the discounting or the present
22 value of future liabilities connected to that rating
23 year, you use a yield connected to where you would
24 invest those premium dollars.

25 And so, we have two (2) different

1 portfolios that -- one that backs the claim
2 liabilities or Basic claims portfolio, and then we
3 have our RSR, which is our retained earnings, with
4 different investment policies.

5 So, we use expected yield from the
6 Basic claims portfolio only, and so therefore, we do
7 have our retained earnings, the -- the RSR, that grow
8 over time with investment income, and that is not
9 factored into the AAP calculation.

10 BOARD MEMBER BASS: Okay. And as you
11 say, that's consistent with sound actuarial practice?

12 MS. CARA LOW: Correct.

13 BOARD MEMBER BASS: Thank you. And
14 you'd talked this morning about MPI's concern for
15 affordability, so that's why there was the pause on
16 the DSR scale?

17 MS. CARA LOW: Correct.

18 BOARD MEMBER BASS: And that pause
19 would give the negative part of the DSR scale more
20 afford -- well, a -- a fair amount of affordability,
21 right?

22 MS. CARA LOW: On the negative side,
23 yes.

24 BOARD MEMBER BASS: Yeah.

25 MS. CARA LOW: But then you also have

1 to be aware that DSR zero up to even DSR 9, quite
2 often -- and which are the ones that wouldn't
3 necessarily be getting larger discounts, those aren't
4 necessarily bad drivers. They could be new drivers,
5 new to Manitoba, new Canadians.

6 So just because they're low on the DSR
7 scale, they're not necessarily bad drivers. Of
8 course, when you get into the negative, there's a
9 reason they're on the negative side.

10 BOARD MEMBER BASS: They're the badder
11 (sic) drivers.

12 MS. CARA LOW: Yes.

13 BOARD MEMBER BASS: And what happens
14 with this pause in terms of the DSR scale say 10 and
15 higher? Aren't they losing affordability?

16 MS. CARA LOW: Yes. It's always a
17 balance.

18 BOARD MEMBER BASS: And that doesn't
19 seem discriminatory to MPI?

20 MS. CARA LOW: Again, it's that rate
21 stability versus fairness. And so, in fairness, if
22 you were to go all the way to the actuarial determined
23 discounts that would be the most fair. But we also
24 are concerned about rate shock and affordability, so
25 there was a decision by management to pause it for a

1 year.

2 BOARD MEMBER BASS: I suppose we could
3 have a philosophical debate about fairness and -- and
4 discrimination, but this is not the forum. Thank you.

5 PANEL CHAIRPERSON: Mr. Ireland...?

6 BOARD MEMBER IRELAND: Thank you. Mr.
7 Masud, back to DSR. And there might be a need for an
8 undertaking for this.

9 For each of the last five (5) fiscal
10 years -- so 2019 through to 2023 -- can we get a chart
11 which shows at each DSR level what the actual total
12 dollar discounted value would be -- making columns
13 here -- what the dollar value of the indicated
14 discount would have been, and then the dollar
15 difference, and just the number of clients in each of
16 those DSR levels? And if we could get that for a five
17 (5) year period.

18 MR. KHURRAM MASUD: Aggregate or all
19 customers?

20 BOARD MEMBER IRELAND: Yes.

21

22 (BRIEF PAUSE)

23

24 BOARD MEMBER IRELAND: Mr. Masud,
25 sorry. Maybe a clarification. What I was referring

1 to was on each level, the one (1) to twenty (2) scale.

2 MR. KHURRAM MASUD: Okay. Yes.

3 BOARD MEMBER IRELAND: Is that --

4 MR. KHURRAM MASUD: Let me just...

5

6 (BRIEF PAUSE)

7

8 MR. KHURRAM MASUD: We, at present,
9 may not have all the data that is required. We don't
10 have the premiums gross of discount at the level of
11 customers, so we may need to go back to our data
12 management team to see if we can get that information
13 and how long it would require.

14 We don't believe we would be able to
15 complete this task before the undertaking timeline, so
16 we may need more time to carry out this analysis, and
17 it's dependent on other things.

18

19 (BRIEF PAUSE)

20

21 PANEL CHAIRPERSON: Thank you, Mr.
22 Masud. What I would ask is that Mr. Andres and Mr.
23 Guerra have a discussion with regard to this over the
24 break, if that's possible. Thank you. Ms. Nemeč...?

25 BOARD MEMBER NEMEC (by TEAMS): Hi.

1 Thank you. A couple of quick questions.

2 We were talking about the ten-dollar
3 (\$10) increase to the driver's licence premium. And
4 one (1) of the comments made was that there are
5 customers with a driver's licence that don't
6 necessarily have --

7 PANEL CHAIRPERSON: ...unless we hear
8 her in a second. Mr. Guerra, do you have any
9 redirect?

10 BOARD MEMBER NEMEC (by TEAMS): Hello.

11 DR. DARREN CHRISTLE: Apparently,
12 she's trying to communicate. Just one second.

13 BOARD MEMBER NEMEC (by TEAMS): I am.

14 PANEL CHAIRPERSON: Sorry. We'll just
15 give her a couple more moments.

16 BOARD MEMBER NEMEC (by TEAMS): Can
17 you hear me? Hello. No, there's a problem. I am
18 trying to communicate, and it's not coming through.

19 MR. STEVE SCARFONE: Apparently, we
20 can hear her downstairs, yeah. I know it doesn't help
21 you, but...

22 BOARD MEMBER NEMEC (by TEAMS): Okay.
23 I'm not sure how to help -- how to work that. I think
24 there's a system problem. I -- I have questions. I
25 don't know if downstairs can bring that up. Hi,

1 Darren.

2

3

(BRIEF PAUSE)

4

5

BOARD MEMBER NEMEC (by TEAMS): My

6

question is on the -- one (1) of my questions is

7

relating to the increase of the ten dollars (\$10) for

8

the driver's licence premium.

9

And -- and one of the things that was

10

mentioned was that there's customers that would have a

11

driver's licence but not necessarily have a vehicle

12

insured by Basic.

13

So, I was just curious as to what's the

14

number of the -- how many -- how many people are there

15

that would have a driver's licence without Basic

16

insurance?

17

MS. CARA LOW: We don't have that

18

number handy, but we certainly can get it.

19

BOARD MEMBER NEMEC (by TEAMS): Okay,

20

I'd be curious (INDISCERNIBLE).

21

My next question is relating to the

22

changes to vehicle class 41. And -- and I believe

23

what was said, and you can clarify that for me, was

24

that in prior years when there was an increase from

25

35, 36, 37, 39, 40, those were usually dealt with as a

1 realignment, not necessarily an impact to the rate
2 indication.

3 So, I'm just curious as to this year,
4 is that a change in kind of a methodology or how you
5 will deal with that in the future. And was that just
6 a change precipitated by having an overly high-rate
7 indication this year?

8 DR. DARREN CHRISTLE: Susan, sorry, but
9 you're cutting out. I think there might be an issue
10 with your phone. Mine seems to be working. Could you
11 repeat your question, please.

12 BOARD MEMBER NEMEC (by TEAMS): Okay.
13 I'm asking about -- I'm getting feedback from my...
14 Yeah, I'm going to move away from --

15 DR. DARREN CHRISTLE: Okay.

16 BOARD MEMBER NEMEC (by TEAMS): --
17 with being online, and that might help. Can you hear
18 me now?

19 DR. DARREN CHRISTLE: Yes.

20 BOARD MEMBER NEMEC (by TEAMS): So,
21 with relating to class 41, what my understanding was
22 from discussions, and you can certainly correct me,
23 was, in the prior years when you moved up that scale
24 to 38, 39, 40, it was a realignment, not necessarily
25 something that has any impact on the rate indication.

1 And I'm just curious as to -- that was
2 a new decision this year, to have it handled in a way
3 that it would impact the rate indication; hence,
4 reducing the rate indication. And in future years,
5 when you looked to do 41, 42, 43, is -- which
6 methodology are you going to use?

7 MS. CARA LOW: Yeah. That was a new
8 decision this year, is that we didn't make it revenue
9 neutral, so there will -- so it did lower the AAP.

10 There hasn't been a decision what we
11 would do in the future, but it's something we could
12 consider for additional revenue is to do it the same
13 methodology as this year.

14 BOARD MEMBER NEMEC (by TEAMS): And is
15 that fair to do that in a different methodology from
16 past years?

17 MS. CARA LOW: I guess it depends on
18 your definition of 'fair'. We thought it was fair as
19 in these are more expensive vehicles who have been
20 capped. And so, by having them pay a little bit more,
21 we thought that was a fairness issue and, therefore,
22 it lowered the AAP.

23 BOARD MEMBER NEMEC (by TEAMS): Okay.
24 And next question deals with the MCT. And the MCT
25 currently to remain at 100 percent in five (5) years

1 is dependent on a 2 percent increase in Extension
2 every year, annually. It depends on a transfer from
3 all extended profits to about 200 percent to Basic.
4 It depends on a stretched budget, whether it's
5 attainable.

6 It depends on the approval of a
7 (INDISCERNIBLE) driver's licence increase and it
8 depends on not requiring moneys for DVA in the future
9 to be transferred, and it -- or it would depend on
10 (INDISCERNIBLE) rate increases.

11 So, my concern is those are a lot of --
12 those are a lot of ifs and there's a lot of risk. And
13 what would come down to the end is future Basic
14 (INDISCERNIBLE) which is going to -- is this going to
15 cause challenges in the future of rate shock?

16 MS. CARA LOW: Any time you're doing a
17 five (5) year forecast, there's a lot of risk. No one
18 knows what's going to happen over the next five (5)
19 years. It's -- was our base scenario, so our business
20 plan that we put forward and we do -- and we thought 2
21 percent on Extension pricing was very reasonable.

22 But going forward, we do know that the
23 claims trend is higher than our rate group up -- or
24 our premium drift.

25 So, we know claims are going up faster

1 than our premiums are going up. So, if we come
2 forward every year with an AAP, it's likely to be
3 small positive rate changes going forward. And that
4 was not factored into the proformas.

5 BOARD MEMBER NEMEC (by TEAMS): Like,
6 do you want to say that again, the -- about the
7 positive rate?

8 MS. CARA LOW: Our claims trends are
9 higher than our vehicle upgrade factors. So, our --
10 average premium just goes up and that's called premium
11 drift because people are buying new vehicles and
12 people are floating upwards in the CLEAR rate group
13 tables.

14 That drift upwards is lower than the
15 average claims trends. So, we know if you were to
16 look at it from an actuarial point of view, that would
17 suggest that going forward there's going to be small
18 rate increases to our AAP methodology over the next
19 few years.

20 BOARD MEMBER NEMEC (by TEAMS):
21 (INDISCERNIBLE).

22 MS. CARA LOW: Correct.

23 BOARD MEMBER NEMEC (by TEAMS): I have
24 just one more question and it's more on the
25 philosophy, I guess, and -- and I'm hoping you're the

1 right person to ask this, but I'm assuming as a
2 corporation, you'd say this is what I expect from the
3 DVA. I mean, I -- lovely thing to expect with the DVA
4 to break even.

5 Extension process, I would expect that
6 to be profitable and we might determine what markers
7 are profitable, or determine what happens in a -- a
8 competitive environment. SRV you might have target
9 spread as well.

10 So as far as Basic, when I look at the
11 five (5) year projection and how we have to use
12 Extension to bring Basic to be flush, is that what you
13 see as the going forward that you're always going to
14 relate -- rate -- rely on Extension profits to make
15 Basic flush?

16 MS. CARA LOW: Over the next five (5)
17 years if we come forward with the AAP and the AAP is
18 approved, then we would not have to rely on Extension
19 profits.

20 It's when the AAP is not approved,
21 that's where we run into a premium deficiency. We
22 have had five (5) years of rate decreases. We were
23 worried about affordability this year as we saw the
24 AAP at 6.77 percent. There could be premium
25 deficiency with a 3 percent rate ask.

1 One year, is something that the RSR can
2 sustain, 'cause we do have investment income coming
3 through from the RSR that's not factored in, but
4 ongoing premium deficiency for five (5) years would
5 cause us to have to take additional funds from the
6 Extension.

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

9 MR. ANTHONY GUERRA: Thanks. Before
10 we begin, my understanding is that there's a
11 correction that needs to be made on the record in
12 response to the notice to customers.

13 MS. CARA LOW: The back row has been
14 able to provide a sample of the Notice of Assessment a
15 customer would get and it does show previous -- the
16 prior year premium, split by Basic and Extension and
17 the current year. So, they -- and it -- it has a
18 dollar change, not percent change, but it has a dollar
19 change. So, they would see the change.

20

21 RE-DIRECT EXAMINATION BY MR. ANTHONY GUERRA:

22 MR. ANTHONY GUERRA: Okay. Thank you.
23 I -- you've covered most of the issues on re-direct,
24 actually in your response to questions from the panel
25 members. So, I think that's great that we're all on

1 the same page here.

2 But just in regards to the Driver
3 Safety Rating scale and the issue of cross-
4 subsidization on the scale.

5 Do you recall those lines of questions
6 -- line of questioning, rather, Ms. Low?

7 MS. CARA LOW: Yes, I do.

8 MR. ANTHONY GUERRA: And when we talk
9 about cross-subsidization, in this particular GRA, the
10 focus, would you agree, has been on DSR discounts?

11 MS. CARA LOW: Correct.

12 MR. ANTHONY GUERRA: And the DSR
13 scale, it includes surcharges in addition to
14 discounts. Correct?

15 MS. CARA LOW: It does.

16 MR. ANTHONY GUERRA: And when we talk
17 about cross-subsidization, is -- is there a concern
18 about purifying the Driver Safety Rating so that all -
19 - all targets for discounts or surcharges are at the
20 actuarial rate?

21 Is there an issue or concern that you
22 would have in terms of proceeding to -- too much
23 towards actuarial targets for all levels of the DSR?

24 MS. CARA LOW: Sorry. Are you -- to
25 clarify, you're talking about DSR levels at the

1 negative side of the scale or just the positive?

2 MR. ANTHONY GUERRA: Which would
3 include, yes, all levels of the DSR.

4 MS. CARA LOW: Well, there is always a
5 concern that if you make it too expensive for the
6 negative, they're going to not insure their vehicle or
7 they're going to not renew their driver's licence.

8 MR. ANTHONY GUERRA: And so, in those
9 circumstances, would it be MPI's position that some
10 level of cross-subsidization would be not only
11 necessary but desired to preserve the ability for
12 people to insure their vehicles and obtain their
13 driver's licences?

14 MS. CARA LOW: I would agree.

15 MR. ANTHONY GUERRA: And when it comes
16 to the issue of increasing Extension rates and
17 possibly to benefit the -- the Basic line of business,
18 could we just review the -- the products that are
19 included in the Extension line of business?

20 What -- what kinds of products can a
21 customer purchase from MPI through its Extension line
22 of business?

23 MS. CARA LOW: I believe there are
24 fourteen (14) products. I believe so. But anyways,
25 the two (2) most common is raising your third-party

1 liability limit. So that's currently, for the Basic,
2 a half million. You can raise it up to 1 million up
3 to 10 million.

4 And the second -- or the most common
5 would be lowering your deductible from the seven fifty
6 (750) down.

7 We also have rent-a-car vehicle
8 insurance. We have loss of use insurance. So, if
9 you're not -- or if you're at fault for a claim, you
10 could have a rental car vehicle. We have -- the
11 additional coverages not provided through the Basic
12 for off-road vehicles and for motorcycles.

13 MR. ANTHONY GUERRA: Thank you. And
14 in terms of these products, you would agree that none
15 of these products are mandatory?

16 MS. CARA LOW: None of them are
17 mandatory.

18 MR. ANTHONY GUERRA: And in the case
19 of some of the products that you've talked about, not
20 only they -- are they not mandatory, but they -- they
21 cost -- they would cost more than -- than what -- what
22 the average individual would be able to -- to purchase
23 if they are strictly looking at the Basic line.

24 I'm sorry. That question was not
25 phrased properly. Let me repeat myself.

1 The products that we're talking about
2 here, these are products that, if an individual is
3 looking to purchase them, they would be looking then
4 to purchase them to enhance an existing product that
5 they have.

6 MS. CARA LOW: Correct.

7 MR. ANTHONY GUERRA: So, the decision
8 here is to spend additional money to enhance the
9 insurance that they are already receiving.

10 MS. CARA LOW: Correct. Other than
11 rent-a-car insurance, everything else is an
12 enhancement to their Basic policy.

13 MR. ANTHONY GUERRA: Okay. Thank you.
14 And finally, we heard some questions asked yesterday,
15 I believe it was, on the compliance with PUB Order
16 162/'16.

17 Do you recall those lines of questions?

18 MS. CARA LOW: I do.

19 MR. ANTHONY GUERRA: And you agree
20 with me, Ms. Low, that in this rate Application, MPI
21 has produced the evidence to support its AAP rate?

22 MS. CARA LOW: We did.

23 MR. ANTHONY GUERRA: Thank you. I
24 have no further questions.

25 PANEL CHAIRPERSON: Thank you, Mr.

1 Guerra, and thank you very much to the Ratemaking
2 Panel. We appreciate having you here.

3 Just a procedural matter. At this
4 point, I believe the discussions have been held
5 amongst counsel with regard to hearing the motion this
6 afternoon as opposed to on Sunday.

7 I wondered, Mr. Andres, if you could
8 talk about timing on that and what if any preparation
9 time additional at noon hour is needed.

10 MR. TODD ANDRES: Thank you, Madam
11 Chair. I believe one of the times proposed was 2:00
12 p.m. rather than 1:00 to allow for a sufficient amount
13 of time. I'm just -- we'll need to check in with the
14 other counsel to ensure that that's going to be a
15 sufficient amount of time for both direct and cross-
16 examination as well.

17 MR. ANTHONY GUERRA: Yes, that's
18 acceptable to MPI.

19 MR. CHRIS KLASSEN: No issues from
20 CAC.

21 PANEL CHAIRPERSON: Thank you. We
22 will proceed then at two o'clock, and if I could ask
23 everyone to bring their paper just in case, we don't
24 have things up on the screen, that would be helpful.

25 This will be an in camera session, so

1 it will be on a separate record at Digi-Tran.

2 Thanks very much. We'll see you at two
3 o'clock.

4

5 --- Upon adjourning at 11:50 a.m.

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