



“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
Robert Gabor, KC - Board Chair
Susan Nemec - Board Member
George Bass, KC - Board Member
Patrick Ireland - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Ave.
Winnipeg, Manitoba
November 6, 2024
Pages 2214 to 2454
Day 11

1 APPEARANCES

2

3 Todd Andres) Board Counsel

4 Kara Moore) Board Counsel

5 Darren Christle) Board Staff

6 Jennifer Dubois) Board Staff

7 Kristen Schubert) Board Staff

8 Roger Cathcart) Advisor

9 Blair Manktelow) Advisor

10

11 Steve Scarfone (Counsel)) Manitoba Public

12 Anthony Guerra (Counsel)) Insurance

13 Eric Wishnowski) Counsel

14 Ted Meira)

15

16 Chris Klassen) CAC (Manitoba)

17 Katrine Dilay)

18

19 Charlotte Meek) CMMG

20 Douglas Houghton)

21

22 Sharna Nelko) Taxi Coalition

23

24 Charles Feaver) Bike Winnipeg

25 Christian Monnin)

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1 --- Upon commencing at 9:03 a.m.

2

3 PANEL CHAIRPERSON: Mr. Andres...?

4

5 CLOSING COMMENTS BY MR. TODD ANDRES:

6 MR. TODD ANDRES: Thank you, Madam
7 Chair. We have now completed the evidentiary part of
8 this public hearing with respect to the 2025 General
9 Rate Application , or GRA, filed by Manitoba Public
10 Insurance.

11 The Board will soon deliberate upon the
12 Application for base rates and premiums charged for
13 compulsory vehicle and driver insurance to take effect
14 April 1, 2025.

15 As Board Counsel, I do not take any
16 position on the merits of any part of the Application
17 or on the positions taken by any of the parties. My
18 role is to summarize the matters that are before the
19 Board and outline issues that it may wish to consider
20 in making its decisions.

21 Rate indications that are derived based
22 on accepted actuarial practices, or AAP, are interest
23 sensitive, and market interest rates are always
24 changing. This gives rise to a significant risk of
25 estimation error in deriving base -- Basic rate

1 indications that are actuarially indicated.

2 MPI has adopted a naive interest rate
3 and has traditionally applied for rate indications
4 derived in accordance with AAP in Canada to reduce the
5 risk of estimation error.

6 In recent GRAs, the Corporation has
7 updated its rate indications to reflect market
8 interest rates at approximately the time that the GRA
9 hearing commences to further mitigate this
10 uncertainty.

11 given MPI's Application for a rate less
12 than actuarially indicated, the Corporation's proposed
13 rate -- rate has not changed between the time of the
14 Application and the October update however, the
15 actuarially indicated rate has increased.

16 For the 2025 GRA, the Corporation
17 submitted an initial Application and public notice to
18 reflect a provisional rate indication, which was
19 updated on October 15th, before the hearing commenced.

20 On July 5th, 2024, the Corporation
21 filed its General Rate Application and public notice,
22 which indicated the need for a 6.15 percent overall
23 rate increase based on accepted actuarial practices
24 pursuant to market interest rates as of March 31,
25 2024.

1 However, the rate request made by the
2 Corporation was for an increase of 3 percent, which
3 MPI has acknowledged is a departure from its practice
4 of applying for an actuarially indicated rate.

5 On July 18th, MPI filed revisions to
6 its Application and additional documentation in
7 support of its request for a 3 percent overall rate
8 change. MPI has confirmed the proposed rate increase
9 was not actuarially indicated,

10 MPI filed an update to its Application
11 on October 15th, 2024, reflecting changes to the
12 interest rates as at August 31st, 2024. In that
13 update, the actuarially indicated rate change required
14 an increase from 6.15 percent to 6.77 percent.

15 MPI did not revise its 3 percent
16 requested overall rate increase. There is no
17 actuarially -- actuarial support for the 3 percent
18 rate sought. MPI has cited affordability and
19 predictability considerations in support of this
20 Application.

21 On that basis, the average rate
22 adjustment for each major class is as follows: For
23 private passenger, an overall increase of 3.31
24 percent; for commercial class, an overall decrease of
25 2.38 percent; for the public class, an overall

1 increase of 3 -- pardon me -- increase of 1.95
2 percent; for motorcycles, an overall decrease of 3.34
3 percent; for trailers, an overall increase of 7.24
4 percent; and for off-road vehicles, an overall
5 decrease of 11.46 percent. This amounts to an overall
6 rate increase of 3 percent.

7 MPI has applied for changes to the
8 Driver Safety Rating system by increasing the maximum
9 merit level under the DSR scale from 18 to 19 in the
10 2025 -- 2024/2025 policy year, setting the discount
11 for DSR 19 as equal to that for DSR level 18 and
12 increasing the DSR driver premiums by ten dollars
13 (\$10) for all DSR LEVELS.

14 MPI has also increased its passenger --
15 pardon me -- private passenger and light truck rate
16 groups from the existing forty-one (41) rate groups
17 ranging from zero to 40 to forty-two (42) rate groups
18 ranging from zero to 41.

19 The base rates were not rebalanced to
20 make this change revenue neutral and, therefore, this
21 addition of rate group 41 is expected to generate an
22 additional \$7.5 million of revenue and reduces the
23 actuarially indicated rate by about .5 percent.

24 Due to the high number of vehicles in
25 the high -- current highest rate group, that being,

1 rate 40, MPI indicates that this expansion of the
2 number of groups is designed to enhance fairness and
3 equitable rates. MPI may consider further expansion
4 in future GRAs.

5 MPI does not propose changes to service
6 or transaction fees, permit and certificate fees,
7 fleet rebates or surcharges, or the discount for
8 aftermarket and manufacturer or dealer installed
9 antitheft devices.

10 After consideration of insurance use
11 and territory and capping and balancing for interest
12 rate adjustments, the results were modeled by the
13 Corporation to assess the impact of various rate and
14 classification changes.

15 In total, the current vehicle
16 population is one million two hundred and sixty-two
17 thousand five hundred and fifteen (1,262,515)
18 vehicles, to which the proposed rate would be applied
19 as follows, excluding the impact of moving -- the
20 movement of the vehicles on the DSR scale

21 Three hundred and seventeen thousand
22 six hundred and forty-three (317,643) vehicles, or
23 25.16 percent of the overall fleet, rate -- pardon me
24 -- fleet would receive a rate decrease, the majority
25 of which would be a hundred dollars or less.

1 Eight hundred and twenty-five thousand
2 three hundred and eighty-four vehicles (825,384)
3 vehicles, or 65.38 percent of the overall fleet, would
4 receive a rate increase, the majority of which would
5 be a hundred dollars or less.

6 And a hundred and nineteen thousand
7 four hundred and eighty-eight vehicles (119,488)
8 vehicles, or 9.46 percent, would receive no change in
9 rates.

10 The above movement is based on the
11 proposed 3.0 percent increase confirmed by MPI in the
12 October update and not the actuarially indicated rate of
13 6.77 percent from the October update. The Corporation
14 has not applied for a Capital Management Plan, or CMP.

15 MPI has stated that while not seeking
16 approval of a CMP, it has prepared its Application
17 based on the proposed CMP from the 2024 GRA as a
18 framework.

19 In the Application as filed, MPI
20 reported a Basic insurance MCT ratio for 2023/'24 at
21 93.9 percent. The Basic MCT ratio is forecast to be
22 106 percent in 2024/2025, 101.1 percent in 2025/'26,
23 and 100.8 percent for 2026/'27.

24 MPI currently does not forecast to
25 remain at an MCT ratio of 100 percent over the five

1 (5) year forecast as the MCT is forecast to be at 99
2 percent in 2028/'20; however, their forecast does not
3 consider any rate changes for the 2026/'27 rating year
4 or thereafter.

5 The Corporation's estimate of the
6 actuarially indicated rate requirement is sensitive to
7 the methods and assumptions used in its derivation.
8 For the 2025 GRA attention has been given to five (5)
9 areas: the new money yield, forecast claims costs,
10 forecast claim expenses, forecast expenses, and the
11 Corporation's proposal to deviate from its practice of
12 proposing actuary indicated rates.

13 For future GRAs attention is paid to
14 two (2) areas: first, the allocation of the cost of
15 fleet rebates to fleet rated vehicles and the cost of
16 the driver safety rating, or DSR discounts, to DSR
17 eligible vehicles; and second, the use of generalized
18 linear modeling, or GLM, to determine rating
19 differentials.

20 The Corporation updated the 2025 GRA
21 actuarially accepted rate indication with interest rates
22 as of August 31st, 2024, reflecting more recent
23 yields.

24 The new money yield is a weighted yield
25 using all asset classes of the portfolio backing the

1 claims liabilities held by MPI consistent with Order
2 145/23. The new money yield is based on the duration
3 of the underlying expected cash flows of the claims
4 liabilities.

5 The new money yield is reduced for
6 investment per expenses. The GRA as filed was based
7 on yields as of March 31, 2024, generating a new money
8 yield of 4.78 percent before investment management
9 expenses and 4.61 percent after, and a rate indication
10 of 6.15 percent.

11 The October 15th update based on yields
12 as of August 31, 2024, generated a new money yield of
13 4.42 percent before investment management expenses and
14 4.25 percent after a decrease of 36 basis -- basis
15 points. This increased the rate indication by 0.62
16 percent to 6.77.

17 An alternative estimate of the
18 investment yield for each forecast year based on the
19 October update financial forecast was calculated using
20 a standard approach included in the Office of the
21 Superintendent of Financial Institutions' financial
22 return for federally regulated insurance companies.

23 The resulting AAP rate indication using
24 the new money yield based on the October update and
25 the average yield for 2025/'26 and 2026/'27 of 4.82

1 percent would be 5.78 percent.

2 Projected -- pardon me -- projected
3 undiscounted claims costs by coverage which would
4 exclude any interest rate impact were forecast in the
5 2025 GRA for the 2025/'26 rating year to be increased
6 by \$88.5 million from the level forecast in the 2024
7 GRA mainly due to increases in Collision and
8 Comprehensive.

9 In the October update, the Corporation
10 did not make any changes to its projected undiscounted
11 claims cost for the 2025/'26 and 2026/'27 accident
12 years.

13 The Corporation has made significant
14 improvements to its claims forecasting methodology,
15 using more robust trending approaches and applying the
16 selected trends to the most recent five (5) year
17 accident average of claims costs to improve the
18 predictability and stability of the claims cost
19 indications.

20 In this GRA significant attention was
21 paid to the frequency, severity, and loss cost trends.
22 Rajesh Sahasrabuddhe was -- who was called by CAC as
23 an expert witness, testified about differences in
24 projected frequency, severity, and loss cost trends
25 for multiple coverages.

1 CAC's expert witness suggested
2 alternative trend selections for seven coverages, with
3 an overall impact of negative 1.22 percent. The
4 coverage with the largest potential impact of a change
5 in trends was Comprehensive.

6 For this coverage, CAC's expert witness
7 suggested accounting for the lift in cost level
8 between 2021 and '22, potentially associated with the
9 rise of inflation with an additional scaler parameter
10 in the model.

11 The use of this alternative model
12 reduced the annual loss cost trend for Comprehensive
13 from 10.19 percent to 5.77 percent and a reduction in
14 the rate indication of 0.7 percent.

15 Other coverages with alternative trends
16 proposed by CAC's expert witness were investigated in
17 various Information Requests included Collision, the
18 three (3) accident benefits coverage -- coverages,
19 being weekly indemnity other indexed and other
20 nonindexed, and the three (3) property damage
21 coverages, being loss of use, deductible transfer, and
22 other.

23 Claims expenses are the costs
24 associated with the assessment and settlement of the
25 claims that are not directly attributable to

1 individual claims. There are two (2) claims expense
2 amounts that are included in determining the required
3 coverage -- pardon me -- the required average premium,
4 nonproportional and proportional.

5 Nonproportional claims expense consists
6 of fixed claims expenses, which include costs incurred
7 from Manitoba health levy and noncontract towing.
8 This corresponds to an average per unit cost of
9 twenty-six dollars and twenty-nine (\$26.29) cents,
10 which is a decrease from the twenty-eight dollars and
11 three (\$28.03) cents in the 2024 GRA based on Order
12 145/23.

13 Proportional claims expense includes
14 salaries of the claims department, costs associated
15 with payments, and any other overhead costs that are
16 solely related to claim settlement.

17 MPI calculated an average per unit cost
18 of one hundred and one dollars and forty-six (\$101.46)
19 cents, which is a decrease from one hundred and eight
20 dollars and eighteen (\$108.18) cents in the 2024 GRA
21 based on Order 145/23.

22 In the financial forecast, the
23 projected paid claims expense ratios relative to paid
24 claims range from 14.19 percent in 2025/'26 to 12.41
25 percent in 2028/'29.

1 MPI assumed a claims expense ratio of
2 18 percent of claims costs and its forecast of the
3 liability for incurred claims for each fiscal year
4 based on the appointed actuaries valuation.

5 During the March 2024 valuation, the
6 claims expense ratio was set based on a two (2) year
7 volume weighted average of fiscal year paid claims
8 expense to paid loss.

9 Applying this approach to the
10 forecasted liabilities for incurred claims was --
11 would result in favorable impacts to net income of
12 28.4 million in 2024/'25, 17.6 million in 2025/'26, .5
13 million in 2026/'27, 10 million in 2027/'28, and 8.7
14 million in 2028/'29, for a cumulative total of \$67
15 million of additional net income and an equivalent
16 amount of net equity.

17 Due to International Financial
18 Reporting Standards 17, also known as IFS 17, expenses
19 are presented differently than they were previously.

20 Fixed operating expenses include the
21 following separate categories that were in the 2024
22 GRA: road safety, operating expense, regulatory
23 appeal, commission, flat fee, reinsurance costs, and
24 the antitheft discount.

25 Total fixed operating expense included

1 in ratemaking has increased from eighty-six dollars
2 and fifty-one (\$86.51) cents to ninety dollars and
3 twenty-seven (\$90.27) cents per unit.

4 Consistent with Board Order 4/'23,
5 where the Board considered it appropriate and
6 consistent with AAP to defer costs that are for
7 systems that do not benefit current ratepayers, MPI
8 excluded initiative expenses from the rate indication.

9 The Corporation has proposed an overall
10 rate increase of 3 percent, whereas the actuarially
11 accepted practice -- pardon me -- whereas the accepted
12 actuarial practice rate increase in the October update
13 is, as previously noted, 6.77 percent.

14 As discussed earlier, MPI cited
15 affordability and predictability considerations in
16 deviating from the AAP rate increase.

17 To project MCT ratios in compliance
18 with section 18 of the MPI Act, the Corporation has
19 assumed that the rate increase will occur in the
20 Extension line of business to generate sufficient net
21 income that can be transferred to the Basic line of
22 business to maintain adequate capital levels.

23 The Corporation is forecasting
24 transfers of \$30.5 million in 2024/'25, \$46.6 million
25 in 2025/'26, and \$53.7 million in 2026/'27, and

1 further transfers in the 2027/'28 and 2028/'29 years,
2 resulting in MCT ratios that are at or above 100
3 percent.

4 At this time, MPI's Board has not
5 approved any future transfers from Extension to Basic
6 as such approvals would generally occur at the end of
7 the fiscal year.

8 MPI indicated that financial forecast
9 provided in this GRA does not include any rate changes
10 for Basic beyond the 2025/'26 rating year which would
11 affect the size of the transfers required from
12 Extension in latter part of the forecast.

13 With a proposed rate increase of 3
14 percent, the Corporation is forecasting negative net
15 income for each of 2025/'26 and 2026/'27, whereas the
16 AAP rate increase of 6.77 percent -- pardon me --
17 whereas with the AAP rate increase of 6.77 percent,
18 the Corporation would forecast positive net income in
19 each of 2025/'26 and 2026/'27.

20 In Order 145/'23, Directive 10.4, the
21 Board required MPI to file a revised analysis and
22 proposal for modifications to the Fleet Program to
23 better reflect cost causation in the 2025 GRA.

24 The current Basic Insurance Program
25 uses two (2) distinct incentive structures to promote

1 safe driving practices; the rebate surcharge system
2 for fleets and the DSR discount for individual
3 drivers.

4 Both mechanisms are designed to reward
5 policyholders with lower premiums for good driving
6 records. The DSR Discount system is a merit-based
7 program for individual drivers where premiums are
8 adjusted based on their at-fault collision and
9 infractions history.

10 DSR levels 1 to 18 are eligible for a
11 discount on their premium -- or pardon me -- on their
12 vehicle premiums, whereas zero to negative 20, receive
13 no discounts when they insured their vehicles.

14 In addition, drivers on the negative
15 scale are subject to higher fees when renewing their
16 driver's licence.

17 The fleet rebate surcharge system
18 functions similar to the DSR program but is applied
19 specifically to fleet customers. Fleet customers
20 initially pay the same premium for insuring their
21 vehicles as customers at DSR level zero.

22 However, upon completion of their
23 insurance year, fleets with favorable loss ratios due
24 to safer driving practices receive premium rebates and
25 fleets with higher loss ratios incur surcharges.

1 While both incentive structures aim to
2 promote safety, the current method of funding these
3 discounts and rebates through off-balance and loading
4 applied to all premiums may be seen as a cross subsidy
5 between these two (2) groups as both groups may be
6 indirectly paying for each other's discounts. This
7 may lead to potential inequities and premium
8 calculations.

9 The MPI rating approach is to be based
10 on principles that tie rates to expected costs,
11 minimize cross-subsidization between customers,
12 provide for rates that are responsive to rate changes
13 and claim patterns, ensure complete enumeration of all
14 expected costs, and achieve a breakeven mandate on
15 policies issued.

16 MPI is currently unable to determine
17 which claims belong to -- to which of the two (2)
18 groups and is, therefore, unable to determine which
19 group has a better driving record.

20 MPI is proposing a modification in its
21 rating structure. The DSR off-balance factor would be
22 applied exclusively to policies eligible for DSR
23 discounts.

24 The fleet rebate cost would be applied
25 exclusively to fleet customers. This approach would

1 allocate the costs of the DSR and the cost of the
2 fleet rebates to their respective group.

3 MPI would have three (3) separate rate
4 tables as some policies are ineligible for both DSR
5 discounts and the Fleet Program.

6 Based on the original 6.15 percent
7 overall rate indication, the following would be the
8 differences in the change required -- pardon me -- the
9 change in required rate between DSR eligible and fleet
10 customers; private passengers, 6.96 percent for DSR
11 eligible versus the 6.61 percent negative 6.61 percent
12 -- pardon me -- negative 6.1 -- 6.61 percent for
13 fleet; commercial, negative 3.09 percent versus 13.03
14 percent; public, 18.51 percent versus 2.07 percent;
15 and motorcycle, 0.71 percent; trailer, 10.47 percent;
16 and off-road vehicles, negative 10.89 percent.

17 Given the current functionality of MPI
18 systems and the timing of the proposal in relation to
19 MPI's Legacy transformation, implementation of the
20 proposed modifications is better aligned with the new
21 Duck Creek solution.

22 The new system will be built to perform
23 the complex calculations and customizable workflows
24 required to enable accurate Application of the target
25 off-balance factors, tailor risk assessments to

1 individual fleet characteristics, and manage the
2 diverse workflows associated with different
3 policyholder groups.

4 MPI, therefore, is not proposing to
5 implement this proposal in the 2020 GRA but will
6 implement -- pardon me -- but will provide an
7 implementation timeline in the 2026 GRA.

8 MPI is concurrently reviewing elements
9 of the Fleet Program and will present findings and
10 recommendations for approval in the 2026 GRA.

11 MPI provided an update on its journey
12 toward the use of generalized linear models, or GLM,
13 in its 2025 GRA in which it included an analysis
14 performed for major class one private passenger
15 vehicles only.

16 The analysis used the same rating
17 factors as are currently used -- in use under the
18 existing pricing framework which MPI believes are
19 essential to maintain regardless of whether -- pardon
20 me -- regardless of whether the GLM or the existing
21 minimum bias procedure is used.

22 MPI plans to provide similar analyses
23 for other major classes in the 2026 GRA. The scope of
24 this analysis was on passenger light -- pardon me --
25 passenger vehicle light truck and motorhome.

1 A disabled person's/private/business
2 bus insurance was excluded from the analysis as the
3 majority of the bus vehicle type is analyzed as a part
4 of major class 3, public vehicles.

5 In the 2026 GRA, the other major
6 classes would also be analyzed. MPI included an -- an
7 analysis of the resulting dislocation due to the use
8 of the GLM instead of the existing minimum bias
9 procedure on the final rates, which takes into --
10 pardon me -- takes into consideration all the
11 processes involved in the final rate calculation,
12 including capping.

13 The resulting dislocation affected 94
14 percent of customers by an increase or decrease of
15 less than 5 percent. MPI's proposed transition plan
16 is that for the 2025 GRA, a current analysis for major
17 class 1, whereby GLMs are run alongside the
18 traditional MBP, or minimum bias procedure, to compare
19 results from major class one with stakeholder
20 communication to gather feedback.

21 In the 2026 GRA MPI proposes to
22 integrate the GLM derived rate line relativities and
23 experience adjustments while capping and flooring
24 rules for smooth transition and concurrent analyses of
25 other major classes.

1 GLMs will be run alongside the
2 traditional MBP to compare the results for the
3 remaining major classes and continuously refine the
4 ratemaking process with MBP improvements enabled by
5 GLMs.

6 In the 2027 GRA and thereafter, MPI
7 will continue implementing this for all major classes
8 in the same way as major class 1, with capping and
9 flooring rules.

10 The Corporation has provided its actual
11 financial results for the 2023/'24 year and an updated
12 forecast of the 20 -- pardon me -- of the current
13 year; that being 2024/'25.

14 For the 2023/'24 fiscal year, Basic
15 reported a net loss from operations of 82 -- pardon me
16 -- 80.2 million. This compares to the 2023 October
17 update, which had forecast a net loss from operations
18 of 35.5 million.

19 Of the 82 -- pardon me -- of the \$80.2
20 million loss for the year, almost \$50 million was
21 directly attributable to the hailstorm in August of
22 2023. That storm was the largest catastrophe in MPI's
23 history with over seventeen thousand (17,000) hail
24 claims.

25 MPI also exceeded its collision claims

1 forecast by 72.4 million. MPI reported higher finance
2 expenses from insurance contracts of 26.4 million and
3 3.7 million due to an unfavorable change in
4 discounting, which was attributable to a reduction in
5 interest rates.

6 Higher investment income offset these
7 costs as it came in -- as it came in \$81.4 million
8 higher than forecast. The improvement is due
9 primarily to the unrealized gain on marketable bonds
10 of \$70.3 million due to interest rate changes and
11 higher gains on other asset classes.

12 With respect to the current year, that
13 being 2024/'25, the subject of the 2024 GRA, MPI
14 reduced its forecast net income for rate setting to
15 24.6 million from a net income of 43.8 million
16 forecast in last year's compliance filing.

17 MPI's revised forecast for 2024/'25,
18 reflected an increase in insurance revenue of \$36.1
19 million due to the higher than previously projected
20 written premium and higher policy service fees and an
21 increase in insurance service expenses of \$50.5
22 million primarily due to an increase in expected
23 collision claims.

24 In this Application, MPI initially
25 forecast a net income for rate setting purposes of

1 \$4.1 million in 2025/'26 and \$34.7 million in
2 2026/'27. The forecast was based on a 6.15 percent
3 actuarially indicated rate increase.

4 MPI filed a revision to its 2025 GRA on
5 July 18th, 2024. In that revision, MPI revised its
6 financial forecast to reflate -- pardon me -- to
7 reflect its requested rate increase of 3 percent.

8 On that basis, MPI reduced its
9 insurance revenue by 2025 -- pardon me -- in 2025/'26
10 by \$19.5 million, and the net income for rate setting
11 purposes was revised from a \$4.1 million net income to
12 a \$13.4 million loss in 2025/'26.

13 The impact of the revision to the rate
14 increase resulted in lowering insurance revenue in
15 2027 by \$38.9 million and the forecast net income for
16 rate setting purposes from a net income of \$34.7
17 million in 2026/'27 to a net loss of \$3.6 million for
18 the year.

19 In conjunction with its update to the
20 Basic financial forecast, MPI revised its forecast for
21 Extension operations, increasing the revenue growth in
22 2024/'25 from 10.32 percent to 12.32 percent for the
23 year.

24 MPI also forecast increasing Extension
25 rates by 2 percent annually from 2025/'26 to 2028/'29.

1 As a result of this change, MPI forecasts higher
2 Extension profits and higher levels of transfers of
3 excess capital to Basic.

4 If not for the higher forecast
5 transfers, Basic's capital would decline, resulting in
6 capital position falling below a 100 percent MCT,
7 which would trigger the need for a capital build
8 provision to replenish Basic's capital.

9 In the October 15th updated MPI updated
10 the Basic forecast for 2024/'25 to a net income for
11 rate setting purposes of \$52.1 million, which is a
12 \$27.5 million improvement in operating results from
13 the \$24.6 million net income for rate setting purposes
14 forecast in the revised July 18th Application.

15 MPI decreased its forecast of net
16 claims incurred by 13.3 million. This decrease was
17 due primarily to a favorable impact of forecast lower
18 Manitoba CPI, or inflation, in 2024.

19 In addition, the net investment income
20 increased by \$40.7 million due to higher realized or
21 unrealized gains resulting -- pardon me -- due to the
22 lower interest rates, which was offset by \$26.4
23 million increase in finance expenses on insurance and
24 reinsurance contracts due to the lower interest rates.

25 MPI advised that between March 31,

1 2024, and August 31, 2024, the cashflow weighted
2 average discount rate applied to the claims
3 liabilities decreased from 4.62 percent to 4.21
4 percent.

5 At the same time, the new money yield
6 calculation decreased from 4.61 percent to 4.25
7 percent. In Order 4/23, the Board commented that,
8 with respect to -- pardon me -- with respect to
9 initiative expenses, it was appropriate and consistent
10 with AAP to defer costs that are for systems that do
11 not benefit current ratepayers.

12 The Board directed that MPI defer these
13 integration costs through a regulatory deferral
14 account for rate setting purposes. MPI has received
15 professional accounting advice that it is not allowed
16 to adopt IFRS 14 regulatory activities, which is a
17 requirement to recognize a regulatory asset or
18 liability in its financial statements.

19 Nonetheless, MPI has complied with the
20 Board's directive and has adjusted its financial
21 forecast to provide net income from operations, and
22 then adjusted for initiative expenses to a net income
23 or loss for rate setting purposes.

24 MPI has not reflected the deferrals in
25 its equity, nor has it established an asset for their

1 deferred regulatory costs in the forecast of this
2 Application.

3 MPI notes that the period of recovery
4 for the regulatory asset referenced in Order 4/23 was
5 not established and remains pending.

6 As a result, MPI expects the -- pardon
7 me -- expects the Public Utilities Board to advise it
8 on when and how to recover these deferred integration
9 costs in this or subsequent GRAs and may take into
10 consideration the relative financial position of Basic
11 at that time.

12 The purpose of the Rate Stabilization
13 Reserve, or RSR, is to protect motorists from rate
14 increases made necessary by variances from forecasted
15 results and by unexpected events or losses arising
16 from nonrecurring events or factors.

17 Section 18 of the Manitoba Public
18 Insurance Corporation Act, or MPI Act, mandates
19 capital target levels for each MPI of business. The
20 targets are based upon the capital management
21 framework of the Office of the Superintendent of
22 Financial Institutions, or OSFI, and the minimum
23 capital test.

24 The minimum capital test, or MCT, is a
25 ratio of capital available to capital required and

1 uses a risk-based formula to assess the capital
2 adequacy of an insurance company.

3 The MPI Act establishes an MCT target
4 of 100 percent for Basic, 200 percent MCT for
5 Extension, and 300 percent MCT for special risk
6 Extension, or SRE.

7 Overall total -- pardon me -- overall
8 corporate total equity as of March 31, 2024, including
9 accumulated other Comprehensive income, was \$762.7
10 million of which \$498.2 million was related to Basic
11 operations, \$88.2 million to Extension 106.3 million
12 to SRE, and \$69.9 million to DVA, the driver -- pardon
13 me -- DVA.

14 Extension had transferred \$2.7 million
15 to capital -- pardon me -- in capital to Basic on
16 March 31, 2024. DVA's positive equity level resulted
17 from transfers of Extension retained earnings of \$60
18 million in 2021 -- pardon me -- 2020/'21 and \$57
19 million in 2021/'22.

20 The information reported for the 2023
21 annual report related to Basic operations was
22 unaudited. MPI was not able to provide audited
23 segmented information for Basic operations nor a Basic
24 audited financial statement because of limitations in
25 IFRS 17, insurance contracts.

1 Under the standard, a legal insurance
2 contract cannot be separated by coverages or products
3 for financial reporting standards. The insurance
4 contract is the lowest unit of account under IFRS 17
5 even if that insurance contract provides coverage
6 under both Basic and Extension lines of business.

7 Insurance contracts are aggregated into
8 portfolios for measurement and reporting in accordance
9 with the standard as the contracts for Basic and
10 Extension are subject to similar risks and are managed
11 together.

12 Based on the October 15th update,
13 Basic's 2024 retained earnings were restated to \$547.5
14 million and accumulated other Comprehensive income
15 totaled \$2.3 million, for a total equity of \$549.8
16 million.

17 The retained earnings include impacts
18 of the IFRS 9 and 17, incorporating restatements of
19 net income. In the 2024 GRA, MPI had estimated the
20 risk adjustment for the liabilities for insured claims
21 as of March 31, 2022, to be \$194.9 million struck at
22 the 90th percentile.

23 In the 2025 GRA, best on a -- based on
24 a revised analysis, the March 31, 2022, risk
25 adjustment is \$92.6 million also struck at the 90th

1 percentile, which is a reduction of \$102.3 million.

2 This means that this change is an
3 estimated increased -- increase -- pardon me -- that
4 means this change in estimate increased the equity of
5 Basic by \$102.3 million.

6 Although we're not required by statute,
7 the Corporation has undertaken annual basic FCT
8 investigations, a revision by the Canadian Institute
9 of actuaries to the former dynamic capital adequacy
10 testing, or DCAT investigation, as a matter of good
11 governance.

12 The FCT investigation entails
13 developing a basic financial forecast and stressing
14 that forecast under several plausible adverse
15 scenarios covering a variety of risk categories.

16 The report on the FCT investigation
17 includes an opinion from the signing actuary on the
18 financial condition of Basic. This report, former
19 under -- formerly under the DCAT acronym, has been
20 included with the annual basic GRA for many years.

21 Over the course of several years, the
22 Corporation worked with the Board and Interveners
23 toward the development of a consensus approach to
24 adapting the basic FCT investigation to estimate an
25 appropriate basic target capital range that directly

1 reflects Basic experience and risk characteristics.

2 With the amendments to the MPIC Act,
3 the role of the FCT investigation in the GRA has been
4 diminished. While the FCT investigation continues to
5 provide insight into the resiliency of Basic's capital
6 position, which is a matter of importance to the
7 Corporation, the amendments to the MPIC Act in 2022
8 eliminated any link between the FCT investigation and
9 the setting of Basic target capital levels.

10 The FCT-based scenario was based on the
11 July 18th update of the financial forecast. Adverse
12 scenarios were applied to the base scenario. The
13 three (3) solvency scenarios deemed to be posing the
14 greatest risk to satisfactory condition were
15 inflation, a combined scenario, and a decline in
16 equity markets.

17 However, the FCT assumed management
18 action in the form of rate increases could increase in
19 the year in which adverse events occurred. This
20 assumption was inaccurate as it would take two (2)
21 years before the rate increases would take effect.
22 Correcting this inaccuracy would change the ranking of
23 the adverse scenarios.

24 In addition, the inflation scenario and
25 the combined scenario both assume that after three (3)

1 years of sustained inflation claim -- claims costs in
2 2028/'29 are back to the level of the base scenario.

3 In the 2020 GRA, the Board first
4 approved a Capital Management Plan established by MPI.
5 MPI does not currently have an approved Capital
6 Management Plan.

7 In the 2024 GRA, the PUB, through
8 directive 10.7 of Order 145/'23, dismissed MPI's
9 proposed Capital Management Plan after declining to
10 approve it in the 2023 GRA for reasons identified in
11 Order 423.

12 MPI does not request the PUB's approval
13 of a Capital Management Plan in the 2025 GRA as the
14 concerns that resulted in the PUB refusing to approve
15 the most recent iteration of the Capital Management
16 Plan remain unresolved.

17 Over fiscal years 2020 and 2021 --
18 pardon me -- over fiscal years 2020/'21 and 2021/'22,
19 MPI transferred \$117 million from Extension to DVA.
20 The transfers were done to defray the impact of
21 historical losses in the DVA line of business as well
22 as the costs associated with the technology changes
23 related to Project NOVA. As a result, DVA's retained
24 earnings were \$66.3 million On March 31, 2024.

25 MPI secured an increase in funding from

1 the province For the 2022/'23, 2023/'24, and 2024/'25
2 fiscal years from \$30.25 million to 40.25 million.

3 Even with the increased level of
4 funding, MPI incurred a loss of \$13.2 million in
5 2023/'24 and is forecasting a loss of \$14.8 million in
6 2024/'25 and a further loss of \$30.2 million 2025/'26
7 due to the implementation expenses of Project NOVA.

8 MPI has not yet secured adequate -- an
9 adequate level of funding for its DVA operations. It
10 is currently forecasting to be in a deficit position
11 in 2026/'27. MPI is currently informally requesting
12 funding for 2025/'26 of \$59 million and is having
13 discussions with government for self-sustainability on
14 a go-forward basis.

15 MPI has been tasked with administering
16 the EV, or Electric Vehicle, Incentive Program on
17 behalf of the province. MPI indicated that it
18 receives funds from the government to issue rebates to
19 those that purchase electric vehicles and hybrid
20 vehicles under the Incentive Program and has entered
21 into an agreement to recover the administration costs
22 of the EV Incentive Programs.

23 In the 2022 GRA, given the gap between
24 the current discount premium charge and the indicated
25 discount premium charge, MPI recommended a gradual

1 implementation to remedy the cross-subsidization of
2 drivers with low DSR ratings by those with high DSR
3 ratings.

4 MPI indicated a plan to increase the
5 upper limit of the DSR scale from 15 to 20 over the
6 next five (5) years. MPI proposed to move one fifth
7 of the difference between the current and indicated
8 vehicle premium discounts for each year.

9 Directive 11.15 from Order 134/'21
10 following the 2022 GRA required the Corporation to
11 bring forward DSR transition plan to manage the
12 required increase in the base rate and year-to-year
13 rate dislocation while moving the DSR vehicle
14 discounts and driver premiums to actuarially --
15 actuarial targets in a timely manner.

16 In Directive 12.15 of Order 4/'23, the
17 Board ordered that in the 2025 GRA, that all DSR
18 discounts be moved one third of the way to the
19 actuarially indicated amount. MPI did not comply with
20 this Order but added DSR level 19. However, MPI has
21 not proposed changing the existing discounts.

22 In Order 145/'23, the Board found that
23 the use of a single straight line to fit the indicated
24 DSR relatively -- relativities overpredicted the high
25 -- higher DSR discounts and directed MPI to improve

1 the fit of the DSR discounts to the indicated
2 relativities.

3 Consideration of the volume of vehicles
4 at each DSR level and potentially the use of several
5 connected curves or straight lines may improve the fit
6 without requiring the use of categorical variables.

7 For the 2025 GRA, MPI did not change
8 the methodology of fitting a straight line through all
9 DSR levels, using the same approach as it did in the
10 2024 GRA. An alternative approach resulted in a
11 significant improvement in the fit over a single
12 straight line.

13 With the discount based on the
14 alternative curve, the overall impact on the average
15 premium charge is negative 4.86 percent, which would
16 require offsetting increases to the base rates of 5.45
17 percent, which vary by major class due to the
18 differing proportion of DSR eligible vehicles by
19 class.

20 In the 2025 GRA, I submitted an update
21 to the basic insurance model evolution. Three (3)
22 main aspects of the update were the importance of data
23 collection and regulation changes, project plan
24 updates, and 2024 Basic insurance model public
25 consultation.

1 In the 2025 GRA, MPI presented key
2 findings of the public consultation that was in the
3 form of a survey by Leger.

4 The Corporation has also been
5 developing a blanket policy for passenger Vehicle for
6 Hire. The Corporation had stated that its intention
7 was that this blanket policy would replace the current
8 passenger VFH category.

9 The Corporation initially submitted the
10 blanket policy for approval in the 2024 GRA, including
11 a proposed rate per kilometre, but withdrew its
12 request for approval of the proposed rate per
13 kilometre after Uber objected to the filing of its
14 data with the Board or sharing it with Interveners,
15 without which the parties to this GRA could not
16 analyze the information, underpinning the proposed
17 rate. The PUB did not approve the blanket policy in
18 the 2024 GRA.

19 For the 2025 GRA, MPI does have
20 revisions to the current VFH framework to put before
21 the Board for approval. The blanket policy was not
22 put before the Board as there had been no change in
23 position with respect to the confidentiality or
24 assertion of confidentiality over Uber's data.

25 Taxis communicated to MPI that they did

1 not want to pursue further development of the part-
2 time taxi model for 2025 GRA submission.

3 MPI and the Taxi Coalition are
4 currently engaged in early assessment of a taxi
5 blanket policy.

6 With respect to Telematics, the
7 Telematics pilot for taxis, no analysis has been
8 completed on the -- on any data gathered to date. MPI
9 proposes a technical conference in late 2025, based on
10 the availability of the Telematics data

11 MPI would focus on communicating the
12 initial result of the taxi Telematics initiative and
13 provide a status update on insurance model
14 development. The latter would be contingent upon the
15 progress of the product assessment and/or development
16 process with the Taxi Coalition over the next year.

17 As a result of recommendations made by
18 Mercer in a 2017 ALM study, MPI separated its co-
19 mingled investment portfolio -- portfolio into five
20 (5) unique portfolios, including Basic claims; rate
21 stabilization reserve, or RSR; employee future
22 benefits or pension; Extension; and special risk
23 extension, or SRE.

24 Each has a unique asset allocation and
25 allows the Corporation to develop investment

1 portfolios better reflecting the associated
2 liabilities and investment goals of each portfolio.

3 In June of 2021, with the assistance of
4 Addenda Capital, in order to protect it from changes
5 in interest rates, MPI implemented a hybrid strategy
6 including cashflow matching and moment matching.
7 IFRS-17 affects the discount rate used to calculate
8 the present value of the Basic claims liabilities
9 effective April 1st, 2023.

10 The discounting is now based on a yield
11 curve instead of a single rate and is based upon a
12 reference portfolio which reflects the actual asset
13 allocation of the Corporation's asset portfolio.

14 Addenda Capital assesses the
15 effectiveness of the strategy by measuring the
16 tracking area -- tracking error, which measures the
17 difference between the expected return on asset and
18 the return on liabilities relative to the balance of
19 reported liabilities.

20 Addenda Capital determined the tracking
21 error, excluding surplus, to be negative \$11.7 million
22 as at March 31st, 2024. This fell within the
23 tolerance of the policy of 1 percent of the market
24 value of the asset portfolio, or approximately \$20
25 million.

1 In 2022, MPI engaged Mercer to provide
2 an asset liability management study in accordance with
3 PUB directive 11.19 from the 2022 GRA. As a result of
4 that study, new asset mixes were developed for each of
5 the investment portfolios.

6 MPI's Investment Committee working
7 group presented the new asset mixes to the investment
8 committee in February of 2023. The new asset classes
9 approved by the MPI board were real estate,
10 infrastructure, commercial mortgages, and inflation-
11 linked bonds.

12 The inflation protection recommended by
13 Mercer represented a 34 percent allocation of the
14 Basic portfolio in real return bonds. The portfolio
15 proposed was on the efficient frontier, which
16 identified the highest level of return at each level
17 of risk.

18 Addenda Capital developed a bond
19 overlay strategy to fulfill the investment in real
20 return bonds and was presented to the PUB at the 2024
21 GRA. The bond overlay strategy aimed to create a
22 synthetic provincial real return bond using purchase
23 and repurchase agreements with counterparties.

24 MPI stated that its investment
25 committee was provided with the beneficial impact that

1 adding real return bonds would have on the efficient
2 frontier demonstrated in the Mercer 2022 study.

3 However, the investment committee
4 ultimately decided not to approve implementing the
5 board overlay strategy. The decision not to proceed
6 with the strategy was due to the size of the strategy,
7 the cost to administer, the complexity of the
8 strategy, and the view that MPI was entering a period
9 of disinflation where there was a declining inflation
10 rate.

11 MPI acknowledged that its Basic
12 portfolio is not on the efficient frontier because
13 they did not adopt the full recommendation made by
14 Mercer. MPI has recently renewed its contract with
15 Mercer to do some further work.

16 The funds available for investment in
17 the Basic line of business are primarily backing
18 unearned premium reserves and unpaid claims reserves.
19 The investment portfolio supports both the payment of
20 the accident claims as well as the pension obligations
21 of the Corporation.

22 The Corporation's investment assets as
23 of March 31st, 2024, were \$3.4 billion. The size of
24 the Basic line of business investment portfolio,
25 including the Basic claims portfolio, the RSR

1 portfolio, and the benefits portfolio, is \$2.9 billion
2 for 2023/'24, and is forecast to be \$2.9 billion in
3 2024/'25, and projected to grow to \$3 billion for 20
4 2025/'26.

5 The yields on corporate bonds dropped
6 by 5 to 12 basis points from March 31st, 2023, to
7 March 31st, 2024, while provincial bonds increased by
8 36 basis points and Government of Canada ten (10) year
9 bonds increased by 57 basis points. As a result, the
10 Corporation reported net investment income for the
11 Basic line of business \$91.8 million.

12 This consisted of \$102.8 million of
13 interest income, \$12.7 million of dividends, and other
14 income, \$6.1 million of losses during the period, \$4.5
15 million in investment fees paid, \$0.4 million --
16 pardon me, \$0.4 million amortization of bond premium
17 or discount, and \$13.5 million of pension expense.
18 With the losses were unrealized gains on marketable
19 bonds of \$38.6 million and realized loss on marketable
20 bonds of \$74.8 million.

21 The total return for the Basic claims
22 portfolio was 2.1 percent, while the RSR portfolio
23 return was 5 percent and the employee benefits
24 portfolio return was 6.1 percent for 2023/'24.

25 Based on the October 15th update, the

1 reduction in market yields increased the projected net
2 investment income in 2024/'25 for Basic by \$40.7
3 million from the \$136.3 million to \$177 million mainly
4 due to an increase in unrealized -- pardon me, in
5 realized or unrealized gains in marketable bonds as
6 well as private debt.

7 Total corporate operating expenses,
8 including the costs of administering claims and road
9 safety, increased from \$358.4 million in 2022/'23 to
10 \$359 million in 2023/'24. In the Application, MPI
11 forecast total corporate expenditures to be \$395.3
12 million in 2024/'25, \$399 \$0.1 million in 2025/'26,
13 and \$393.5 million in 2026/'27.

14 MPI's total corporate costs are
15 allocated among the insurance and non-insurance
16 categories of business and by automobile insurance
17 lines of business in a way that does not give rise to
18 cross-subsidization. Costs are allocated to Basic
19 through an integrated cost -- integrated cost
20 allocation methodology, or ICAM, approved by the Board
21 in Order 157/'12.

22 Upon completing the ICAM allocation
23 process, expenses attributable to the Basic program
24 are established for normal operations and improvement
25 initiatives. In this Application, MPI did not propose

1 any material changes to its ICAM. However, MPI
2 changed the approved ICAM steps cadence to allow the
3 reporting under IFRS-17 to break out the allocation of
4 operating, acquisition, and maintenance costs.

5 In the process, MPI changed the
6 allocation of service centre costs previously based on
7 a headcount allocation to one based on an activity
8 study conducted of staff at service -- working at the
9 service centres. The study allowed for a more
10 detailed identification of FTEs specific to insurance
11 and non-insurance operations.

12 The refinement to the allocation of
13 service centre costs resulted in a \$4 million shift in
14 cost from Basic to the DVA line of business. MPI
15 acknowledged that technically, in absolute terms, the
16 change represents a revised methodology, but does not
17 violate the PUB approved methodology. MPI indicates
18 that it will further consider refinements to the
19 methodology and how facility costs are allocated.

20 This Application included a third party
21 review of the integrated cost allocation methodology
22 submitted by MPI. The study was directed by the Board
23 in Order 4/'23. KPMG concluded that MPI's cost
24 allocation methodology continues to be appropriate and
25 provides a reasonable foundation for the allocation of

1 expenses for Basic insurance rate-setting purposes.

2 Although KPMG concluded that the
3 methodology is -- is appropriate, they identified
4 areas of improvement that can optimize the
5 effectiveness and efficiency of the allocation
6 process. The optimization opportunities identified by
7 KG do not impact the overall appropriateness of the
8 allocation methodology

9 Total Basic allocated corporate --
10 corporate expenditures were \$247.1 million in
11 2023/'24, and our forecasted -- forecast increased to
12 \$248.8 million in 2024/'25 and \$247.1 million in
13 2025/'26. Basic's share of corporate expenses is
14 forecast to decline to 61.9 percent.

15 Total employee compensation is a
16 significant component of Basic's operating expense
17 representing 56.8 percent of the total operating
18 expenses in the year of the Application. From 2021 --
19 pardon me, from 2020/'21 to 2023/'24, the Corporation
20 has experienced compound annual growth of total
21 compensation of 1.1 percent.

22 In this Application, Basic's salaries
23 and benefits were forecast to grow to \$141.2 million
24 in 2024/'25, which is an increase of 5.5 percent from
25 the previous year, and our forecast at \$140.6 million

1 in 2025/'26, which is a 0.4 percent decrease over
2 2024/'25.

3 MPI experienced a labour interruption
4 starting August 28th, 2023, which ended November 3rd,
5 2023. This distorted MPI's 2023/'24 staff complement.
6 MPI's staff compliment before the strike in 2022/'23
7 was two thousand five point six (2,005.6) FTEs and is
8 forecast to grow to two thousand one hundred and
9 twenty-two point eight (2,122.8) FTE in 2024/'25,
10 which is an increase of one hundred and seventeen
11 point two (117.2) over two (2) years.

12 MPI forecast staffing levels to be two
13 thousand one hundred and seventeen point eight
14 (2117.8) FTE for the 2025/'26 and 2026/'27, fiscal
15 years. MPI provided an updated budget for 2025
16 staffing indicating that it would be reducing its
17 staff budget from thousand one hundred and seventeen
18 point eight (2117.8) FTE to two thousand and eighty-
19 eight point eight (2,088.8) FTE, representing a
20 reduction of twenty-nine (29) FTE from what is
21 budgeted in the Application.

22 The revision has reduced the forecast
23 corporate compensation for 2025/'26 from \$219.2
24 million to \$215.7 million, representing a reduction of
25 \$3.5 million in 2025/'26. MPI acknowledged that its

1 staff level would be two thousand and eighty-eight
2 point eight (2,088.8) FTE in 2025/'26. However, MPI
3 did not revise its compensation expense forecast for
4 2026/'27 to reflect the staff change.

5 On April 3rd, 2023, the minister of
6 finance ordered an organizational review of MPI. EY
7 was selected to conduct a review of organizational
8 design, expenditure management, as well as forecasting
9 and reporting. The review, published in January of
10 2024, resulted in five (5) high-level recommendations
11 and twenty-one (21) more specific recommendations.

12 High-level recommendations included
13 organizational stability and role clarification,
14 aligning management activity and performance
15 measurement to corporate strategy, data management for
16 enhanced decision-making, creating a value-focused
17 finance function, and enhancing delivery capabilities
18 for transformation.

19 MPI has implemented a number of
20 specific recommendations, including the development of
21 a Multi-Year Strategic Plan and an organizational
22 realignment reducing management layers and
23 streamlining operations with MPI -- within MPI.

24 Duncan Meadows and Nicolas Gemiin from
25 EY appeared before the Board to answer questions

1 related to their MPI organizational review. It was
2 confirmed by EY that its retainer with MPI ended at
3 the conclusion of the submission of their report, and
4 that it was not retained to prioritize or implement
5 any recommendations.

6 The report was used to assist MPI in
7 its corporate strategic planning exercise, which
8 culminated with the recent completion of a Corporate
9 Strategic Plan. MPI's president stated that the
10 strategic plan will evolve over time as the
11 Corporation responds to changes in its operating
12 environment.

13 The Plan is built on five (5) pillars
14 that will grow in stability by protecting the
15 Corporation's core business. The Plan allows MPI to
16 pace its delivery within its capacity and financial
17 means to ensure future rate affordability.

18 While MPI's board approved the
19 strategic plan on October 18th for socialization.
20 The Corporation is committed to seeking input from its
21 employees, customers and stakeholders as it evolves
22 the details of the Strategic Plan.

23 Turning to IT strategy and value
24 management. for the fiscal year of 2024/'25, the MPI
25 executive committee, or EC, determined that a year

1 dedicated to stabilizing the Corporation would
2 establish a strong foundation to build a multi-year
3 corporate strategy.

4 The -- MPI's 2024/'25 stability
5 strategy identified three (3) corporate priorities to
6 right-size commitments and the pacing of modernization
7 efforts -- of modernization to ensure that efforts
8 reflect the complexities of its daily operations.

9 MPI is establishing a five (5) year IT
10 strategy and annual IT operating plan, which are
11 linked to its corporate strategy. The IT strategy
12 will align IT objectives, create a target
13 architecture, and create an IT Strategic Plan. The
14 Annual Operating Plan will set annual objectives,
15 annual budgets, and resourcing, creating annual risk
16 management plans and annual action plans and
17 timelines.

18 At this time, 70 percent of IT time
19 supports the technologies required to run the business
20 successfully. The remaining 30 percent ensures that
21 IT has the necessary guidance, delivery processes,
22 infrastructure, and practices to continue to support
23 the business as it evolves. The current IT roadmap is
24 in draft form and has yet to be discussed with the MPI
25 board of directors to obtain feedback.

1 MPI notes that understanding the
2 enterprise architecture roadmap is a key element of IT
3 strategy. This refers to how MPI tackles and manages
4 its technology risk or depth. MPI remains keenly
5 aware of its responsibility to protect information
6 from Manitobans given that MPI is both an insurance
7 provider and an identity provider.

8 MPI also maintains a focus on
9 application portfolio management. This refers to
10 establishing a registry of applications used by the
11 Corporation in managing risks and contractual require
12 -- pardon me, managing risk assessments and
13 contractual requirements of all software and related
14 service providers. Some of these contracts are near
15 end of term.

16 MPI believes they can access the right
17 skills and experience at the right times by
18 maintaining their external labor program, which
19 ensures their ability to increase and decrease
20 resources as required. MPI maintains close management
21 of the level of spending on external labour.

22 In 2019, MPI created a request for
23 standing offer, or RFSO, via an RFP process. At that
24 time, thirty (30) providers were approved with a five
25 (5) year term and one optional five (5) year renewal

1 of master service agreements.

2 MPI filed an update to the development
3 and documentation of business capabilities. These
4 capabilities have been decomposed for everything
5 within the scope of Project NOVA, and there is no
6 specific timeline to set the assessment of the
7 business -- pardon me, there is no specific timeline
8 set to complete the assessment of the business
9 capabilities across the entire Corporation.

10 MPI's evidence was that there was a
11 forecasted underspend of \$18.5 million on IT
12 attributable to the impact of the strike, leadership
13 changes, and a subsequent shift in priorities. As a
14 result, sixteen (16) projects initially approved in
15 the 2023/'24 fiscal budget will continue into the next
16 fiscal year using an estimated \$4.7 million in the
17 2024/'25 fiscal year budget. MPI has noticed --
18 pardon me, MPI has noted that a couple of the projects
19 will continue into the fiscal year, 2024/2025.

20 The \$18.5 million underspend has
21 delayed cloud adoption targets, stalled the
22 development of modern data management practice, and
23 postponed key initiatives like Enterprise content
24 management and HR finance technology upgrades,
25 increasing technology risk in the ecosystem.

1 Fiscal year 2024/'25 generally does not
2 represent a typical or standard year of IT delivery
3 for the organization as many factors have influenced
4 IT delivery. MPI plans to rely on stretch targets to
5 be conservative with respect to IT spending.

6 Historically, the organization planned
7 to execute against a \$24 million budget, but was never
8 able to achieve this level. Subsequently, it rolled
9 back to a \$14 million envelope and subsequently after
10 that to a \$9 million envelope, which matches capacity
11 and runway better. MPI indicates that this will allow
12 it to refocus and ensure continued execution against
13 Project NOVA.

14 In general, MPI has noted that -- that
15 technical debt is something that every organization
16 has and is a normal state of IT operations. While
17 Project NOVA was intended to modernize the section of
18 MPI's Enterprise systems, not every Enterprise system
19 was within its scope. MPI is conscious that
20 additional technical debt is building and will need to
21 be managed and prioritized.

22 MPI has twelve (12) approved untendered
23 contacts -- contracts from last year with agreements
24 that were completed between April 20 -- pardon me,
25 April 1, 2023, and March 31, 2024.

1 There are varying justifications
2 including but not limited to the need for more time
3 for MPI to develop a complete RFP process, the impact
4 of the labour interruption, and the need for
5 maintenance and support for perpetual licenses. The
6 total contract amount for these twelve (12) contracts
7 totals \$20,923,370.

8 MPI has indicated the reasons for
9 renewing an untendered contract include software and
10 maintenance renewals and emergencies or urgency due to
11 an immediate service requirement. Currently,
12 systematic technology is the only untendered contract
13 providing services to Project NOVA. While MPI can
14 move forward with an untendered contract, a change
15 beyond fifty thousand dollars (\$50,000) requires
16 government approval. For fiscal year 2024/'25, a few
17 maintenance renewals have remained untendered.

18 MPI is aligning its delivery methods to
19 the industry, recognizing the value of a hybrid
20 approach that includes reintroducing a traditional
21 Waterfall and Agile delivery for complex programs and
22 projects.

23 As part of stabilization, MPI will
24 introduce more traditional Waterfall metrics working
25 with Agile delivery. MPI notes continued efforts to

1 introduce more effective tools to understand
2 dependencies and relationships across the IT
3 portfolio. In addition, it will continue to use
4 standard methodologies such as Project Management
5 Institute and scaled Agile framework to support the
6 evolution of IT delivery.

7 MPI's value management approach
8 continues to evolve. As of May 2024, value assurance
9 was moved to the finance department, which MPI says
10 better aligns with the overall strategy -- pardon me -
11 - stability strategy plan and development. This team
12 is smaller and focuses on initiatives that are over
13 five hundred thousand dollars (\$500,000). Value
14 assurance and project accounting departments have been
15 combined under a single manager.

16 The scope of value assurance will focus
17 on supporting the business case process, emphasizing
18 metrics and insights related to the realization of
19 project objectives and benefits for projects with
20 budgets of five hundred thousand dollars (\$500,000) or
21 more, including NOVA.

22 The priority will be rolling out the
23 benefits realization process focusing on right-sizing
24 the process based on MPI's needs, considering IT focus
25 on stabilizing -- stabilizing technology. At a high

1 level, MPI is shifting from an on-premise solutions
2 environment to one with more software as a service, or
3 SAAS.

4 This will cause capital projects to
5 compress and operating expenses to grow slowly over
6 time. As such, an impact on the capital master
7 summary will occur as more will move to the
8 operational side versus the capital reporting side.

9 This year, MPI soft launched a strategy
10 to execution, or s2e (phonetic) pipeline in March
11 2024. The s2e pipeline is MPI's structured process
12 for turning strategic objectives into actionable
13 projects with governance, prioritization, and resource
14 alignment.

15 MPI states this pipeline is a tried and
16 tested model used in other crown corporations in
17 Manitoba with adaptations from MPI and its
18 stakeholders. MPI has indicated that this process is
19 governed by SMEs, which they call the allied partners,
20 which includes strategy, project -- product
21 management, change management, EPMO, LPMVA or value
22 assurance accounting, and others

23 Turning now to IT benchmarking, Gartner
24 is now in the fifth and final year of their
25 benchmarking engagement with MPI. Gartner is not

1 currently contracted to deliver a further IT
2 benchmarking report.

3 Gartner uses quantitative and
4 qualitative approaches to develop the-IT benchmarking
5 report. Gartner undertook stakeholder analysis using
6 a set of interviews with IT management to confirm the
7 findings and results of the reviews.

8 While the benchmarking report includes
9 Project NOVA, the annual IT benchmark deals with
10 aggregate spending measures. The Gartner IT
11 benchmarking report does not provide a detailed drill
12 down into the scope of Project NOVA. However, Gartner
13 was generally aware of the status of Project NOVA
14 during fiscal year 2023 -- pardon me, 2022/'23.

15 MPI reviews the value of Gardner --
16 Gartner as multifaceted, particularly in providing a
17 benchmark for IT spending and maturity levels against
18 both the insurance industry and, as of this year's
19 report, public sector peers.

20 MPI uses the Gartner IT benchmarking
21 services to review spending comparisons against the
22 two (2) groups. In addition, MPI gauges its maturity
23 on a granular level pinpointing areas for improvement
24 based on evidence from comparable organizations based
25 on Gartner's report. The benchmarking review also

1 keeps MPI informed on emerging industry trends.

2 Additionally, MPI appreciates Gartner's
3 recommendations as actionable data that guide their
4 efforts to improve the organization. MPI has
5 validated progress in line with Gartner's
6 recommendations, reinforcing the practical value of
7 the benchmarking exercises beyond mere compliance.

8 The current IT benchmarking reviews
9 fiscal year 2022/'23 and continues to contain
10 comparisons with insurance industry peers. As noted,
11 in addition to insurance industry peers, a second peer
12 group dedicated to the public sector was included in
13 the current IT benchmarking report for the first time

14 This year, bench -- this year's
15 benchmark included ten (10) insurance industry peers
16 and eleven (11) public sector peers. The ten (10)
17 insurance industry peers were predominantly firms that
18 had automotive insurance business lines, five (5) of
19 which were included in last year's benchmark. They
20 were selected for their similar revenues and number of
21 employees.

22 The eleven (11) public sector peers
23 operated at a federal, state, provincial, and local
24 level. Although they had similar operating expenses,
25 their average number of employees was higher due to

1 the nature of their public sector operations.

2 Gartner attempts to create peer groups
3 that match MPI in terms of industry size and level of
4 spending on IT.

5 Gartner was unaware as to whether the
6 peer groups are undertaking or have undergone IT
7 transformational initiatives similar to the size of
8 Project NOVA. MPI's IT has noted that the
9 organization falls into both peer groups and will plan
10 on -- will plan toward reaching the highest standard
11 using the comparisons provided.

12 Gartner has provided the following
13 three (3) main recommendations, and MPI has indicated
14 that it is making progress across all three (3).

15 Number 1, with respect to the adoption
16 of Agile development, MPI is working to integrate
17 Agile principles effectively across projects,
18 particularly in balancing Agile with Waterfall
19 approaches, depending on project need.

20 Number 2, with respect to strengthening
21 enterprise architecture and structured portfolio
22 management, MPI's implementing a five (5) year
23 strategy to support this.

24 Finally, with respect to
25 infrastructure, agility, and automation, MPI is

1 actively migrating data to a cloud centre from their
2 IBM data centre to enable better infrastructure
3 scalability and automation.

4 In addition, Gartner has provided an
5 assessment of MPI across several IT domains. This is
6 the first Gartner report which provides this
7 assessment. MPI has indicated it will adopt the
8 maturity recommendations presented by Gartner, and
9 this will be included within the forward-looking IT
10 strategy under development.

11 Going forward, MPI envisions continuing
12 its use of IT benchmarking strategically, but is
13 considering plans to shift to every two (2) to three
14 (3) years rather than conducting these assessments
15 annually. Its rationale is that making the necessary
16 changes often takes longer than one year to yield
17 measurable results.

18 Gartner has noted that if annual
19 benchmarking is not completed, then there would be no
20 traceability and ability to measure the impacts of the
21 recommendations made. MPI has not measured the impact
22 of the labor interruption against advancements towards
23 the initiatives related to the three (3)
24 recommendations.

25 Gartner has also provided a summary of

1 the largest increases and decreases in maturity across
2 several IT domains and related activities. MPI has
3 yet to set a specific target to achieve these goals,
4 but will work to identify a set target and plan to
5 achieve them on a prioritized basis.

6 While Gartner has indicated an
7 assessment against a list of IT domains and related
8 activities as level 5 maturity, MPI has indicated that
9 these are a bit high and would need to be reviewed
10 further.

11 Turning to Project NOVA, MPI
12 implemented a first release at the beginning of 2023.
13 And as MPI began preparing for the strike and labour
14 interruptions, it started to highlight that there were
15 still some concerns that needed close attention.

16 This prompted MPI to stop migrating
17 additional policies ending with five thousand (5,000)
18 on the new system and seven thousand (7,000) yet to be
19 migrated.

20 While in the GRA, Release 1 was
21 characterized as having been delivered primarily by --
22 by Agile, MPI notes that, in reality, MPI used a
23 hybrid approached -- approach as planning conducted
24 upfront was consistent with a Waterfall approach.
25 Release 1 was the first IT project of this size to use

1 a hybrid approach.

2 Generally, MPI does not consider
3 Release 1 to have been a successful launch due to gaps
4 and enhancements requiring remediation. The cost of
5 completed remediation activities is considered
6 operational and will be managed outside of Project
7 NOVA.

8 Similar to Release 1, MPI notes that
9 Release 2 used a hybrid approach. The launch of the
10 International Registration Plan occurred this past
11 summer. MPI indicated that the lessons learned and
12 the successes the team experienced will be detailed
13 and carried over into Release 3.

14 Release 2 was initially scheduled to
15 launch in August of 2023, but was rescheduled to
16 January of 2024. Labour interruptions from late
17 August to early November of 2023 delayed the go live
18 date from January, 2024 to June 17th, 2024. These
19 planned and unplanned delays affected Project NOVA's
20 overall budget.

21 Release 2 had part of its scope
22 deferred to better align with Release 3 and reduce --
23 reduced the risk of the IRP release. MPI estimates
24 this deferred work to be approximately 3 percent of
25 the overall Release 2 scope.

1 MPI considers Release 2 implementation
2 a success. However, MPI acknowledges that the release
3 was late and elements of the scope were deferred.
4 MPI's characterization of this release as a success
5 centres on the use of ADKAR, which stands for
6 awareness, desire, knowledge, ability, and
7 reinforcement, which is an organizational change
8 management practice that measures how well changes are
9 adopted by the people using the systems. ADKAR was
10 not used as a measurement of success for Release 1.

11 MPI views Release 3 as the largest
12 release under NOVA. At the time of the hearing, MPI
13 indicated that there would be no change to the release
14 schedule provided in the 2025 -- in the 2025 GRA, nor
15 would there be changes to the Project NOVA budget.
16 However, Release 3 remains in the discovery phase
17 until the end of this calendar year.

18 MPI states that the discovery of
19 Release 3 is scheduled to be completed by December of
20 2024, which is later than the date indicated in GRA
21 2025.

22 MPI has noted that the Project NOVA
23 team is spending more time planning to ensure a
24 comprehensive and confident plan and a revised budget
25 is developed. However, as Release 4 discovery will

1 not be completed, the overall budget and timeline for
2 Project NOVA will remain outstanding.

3 MPI anticipates continued use of the
4 hybrid approach to deliver Release 3. MPI also notes
5 in the hearing that Release 3 would be broken into
6 seven (7) sub-release and managed using an integrated
7 project plan.

8 MPI is implementing an integrated
9 project plan for Release 3, and while plans had been
10 used in previous releases, they were not at this
11 level, and MPI has taken this as a lesson learned.

12 Accenture was engaged as the lead
13 solution management or system integrator for Release
14 3. Accenture has already provided services for
15 Project NOVA as they're a preferred -- pardon me, the
16 preferred vendor for the Duck Creek Property and
17 Casualty configuration.

18 MPI plans on delivering Release 3 using
19 a multiple MVP, or minimum viable product, delivery
20 roadmap. As such, upon completion of Release 3 and
21 related sub-releases, MPI IT will deliver the simplest
22 core features and functionality to run the business
23 capabilities. Enhancements from these deliveries
24 would be considered by MPI to be outside of the scope
25 of Project NOVA.

1 Release 3 contains functionality
2 spanning insurance and identity management. This is
3 consistent with MPI's role as both an insurance and
4 identity provider. Cloud partners will be used to
5 provide the technology to -- support Release 3. MPI
6 selected cloud providers with Canadian hosting, but
7 may have providers with US hosting services.

8 MPI has noted that pre-discovery of
9 Release 4 is anticipated to begin during the
10 implementation of Release 3. No specific dates have
11 been communicated. MPI has not yet determined if
12 Accenture will be responsible for or participating in
13 delivering scope for Release 4.

14 MPI has indicated that all related --
15 pardon me, that all required IT Enterprise
16 capabilities have been implemented to support the
17 continuation of Project NOVA. MPI acknowledges that
18 new capabilities are evolving and, if a new IT
19 capability is identified to achieve objectives, MPI
20 would consider this.

21 If the new capability is an Enterprise-
22 wide capability, it will be funded outside Project
23 NOVA. If it isn't Project NOVA specific, it would be
24 funded within Project NOVA.

25 As Release 3 and Release 4 discovery

1 have not yet been completed, the total budget and
2 timeline for Project NOVA is not yet available. MPI
3 currently estimates Project NOVA's budget at \$253.5
4 million compared to the \$273.5 million in the 2022 re-
5 baseline. That is the 2024 -- pardon me, \$224.1
6 million budget plus 30 percent contingency. Based on
7 the current forecast, \$29.4 million in contingency
8 funding is expected to be used until the end of the
9 implementation phase.

10 MPI states this estimate will change
11 once discovery for Release 3 and 4 are completed and
12 deliverables and timelines are better understood. As
13 a result, MPI has acknowledged the use of contingency.

14 Overall, Project NOVA has been revised
15 to a timeline of fifty-six (56) months and is
16 estimated to be completed in 2026/'27 fiscal year.
17 However, this estimate is not final as Release 3 and
18 Release 4 discovery have not yet been completed.

19 MPI has seen multiple changes to
20 specific positions and committees within the
21 governance structure since filing -- since the 2024
22 GRA filing. The approximate estimated internal NOVA
23 Solution governance costs in since 2020 -- pardon me,
24 since 2019/2020 is \$30.6 million. The approximate
25 estimated cost of external governance resources is

1 \$6.8 million.

2 MNP has provided monthly and quarterly
3 reports pertaining to risk assessments and general
4 governance for Project NOVA. For the 2023/'24 fiscal
5 year, this is the first year MNP provided services for
6 Project NOVA. Previously, this was done by PwC, or
7 PricewaterhouseCoopers

8 MNP was provided access to the previous
9 PwC reports. However, as the MNP approach differs
10 from that of PwC, MNP has indicated the previous
11 reports were of limited value. In addition, MNP's
12 recommendations and feedback have not encompassed
13 reviewing or resolving previous PwC observations. MNP
14 has taken a clean slate approach.

15 When providing recommendations, MPI
16 performs a detailed risk assessment and notes critical
17 advice or key points of view for MPI management to
18 review. MNP provides independent assessments using
19 evidence and interviews provided.

20 MNP points out risks, issues, and gaps
21 to MPI management. MPI management can agree or
22 disagree with the observations and management develops
23 an Action Plan. MNP is involved with following up on
24 the Action Plan to confirm the plans exist, are being
25 implemented, and are achieving desired results.

1 Outside of MNP, MPI has noted
2 significant updates to governance, in particular
3 increased executive involvement with Project NOVA.
4 This has had the desired effect of moving Project NOVA
5 into a business -- business-led initiative to ensure
6 that business value is achieved.

7 The overall governance model has
8 changed as reflected by new roles, including Ms. St.
9 Laurent, director of major programs, along with
10 frequent updates and status reports to executive teams
11 as Project NOVA continues.

12 In general, MPI has many initiatives
13 underway in conjunction with Project NOVA. MPI
14 acknowledges that doing too many things at once runs
15 the risk of not all of them being done right, and MPI
16 IT is a substantial group within the Corporation and
17 is actively planning and calibrating the roadmap to
18 ensure priorities are acted on.

19 Turning now to the issue of road
20 safety, a technical conference took place in the
21 spring of 2024 on the issue of road safety. In this
22 GRA, the Board heard from Dr. Jennifer Hall who
23 contracted with the Board to facilitate the technical
24 conference and prepare a report.

25 MPI filed a report -- pardon me, MPI

1 filed a copy of Dr. Hall's report as Attachment A to
2 the road safety section of its Application. Dr.
3 Hall's report provided a summary of the issues
4 reviewed by the participants in the technical
5 conference, along with specific action items
6 undertaking -- undertaken by MPI arising from the
7 technical conference.

8 MPI is currently operating under the
9 2022 to 2025 Road Safety Strategy. MPI advised that
10 it will begin working on a new road safety strategy in
11 2025 to be implemented in 2026.

12 MPI shared updates with respect to road
13 safety programs it is conducting alongside Indigenous
14 communities. MPI also provides support to Safety
15 Services Manitoba to conduct off-road safety
16 presentations to First Nations schools and
17 communities. From October 2023 until October 1, 2024,
18 MPI has provided eighteen (18) presentations to a
19 total of one thousand nine hundred and ninety-one
20 (1,991) attendees.

21 MPI has also provided an update with
22 respect to its high visibility pedestrian gear program
23 in which it provides high visibility gear to
24 pedestrians in First Nations with a goal to reduce
25 pedestrian vehicle collisions.

1 MPI recently delivered its first set of
2 kits to Peguis First Nation. Barron's River First
3 Nation is looking to expand this program in the
4 future.

5 MPI shared the results of its most
6 recent drug and alcohol roadside survey, which took
7 place in 2022. Most notably, the survey found that
8 the overall proportion of drivers who tested with a
9 positive blood alcohol content went from 0.06 --
10 pardon me, .6 percent in the 2016 survey to 3.6
11 percent in 2022.

12 In response to these survey results and
13 due to legislative changes as of August 2023, MPI now
14 denies third-party liability coverage to impaired
15 drivers.

16 With respect to the road safety budget,
17 actual spending over the past five (5) years has been
18 less than forecast -- than the forecast expenses. MPI
19 attributed this to lower level of spending -- pardon
20 me, MPI attributed this lower level of spending to a
21 lack of driving instructors in rural Manitoba and its
22 inability to attract the desired level of Driver 'Z'
23 participants.

24 MPI's total road safety budget for
25 2024/'25 is \$15.1 million. The largest expense type

1 in the budget is for driver training, including the
2 Driver 'Z' Program, adult driver training, and
3 motorcycle training. This budget also included \$5.5
4 million for road safety messaging campaigns.

5 Madam Chair, panel members, I have
6 attempted to comment on the main issues that arose
7 this year. I would like to thank the Panel and
8 counsel to MPI and the Interveners for their
9 cooperation extended throughout the hearing.

10 Thanks as well to MPI and CAC witnesses
11 and to the Board and -- pardon me -- the Board staff
12 for their diligence and invaluable assistance over the
13 past several weeks.

14 PANEL CHAIRPERSON: Thank you, Mr.
15 Andres. It is almost exactly 10:30, so we'll take the
16 morning break now.

17 Mr. Guerra, if we break for fifteen
18 (15) minutes is that sufficient for you?

19 MR. ANTHONY GUERRA: It is, Madam
20 Chair.

21 PANEL CHAIRPERSON: Thank you. We'll
22 be back at quarter to 11:00, please.

23

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

25 --- Upon resuming at 10:47 a.m.

1 PANEL CHAIRPERSON: Thank you. Mr.
2 Guerra...?

3

4 CLOSING COMMENTS BY MPI:

5 MR. ANTHONY GUERRA: Thank you, Madam
6 Chair. And I'll just state for the record I'm here
7 with my colleague, Mr. Steve Scarfone, this morning.

8 And just a few housekeeping -- or I
9 guess one (1) housekeeping issue to address before we
10 begin, and that is we have two (2) exhibits to read
11 into the record.

12 MPI Exhibit number 91 is the response
13 to Undertaking number 30 updated to November 4th. And
14 MPI Exhibit number 92 is the closing submission.

15

16 --- EXHIBIT NO. MPI-91: Response to Undertaking
17 number 30 updated to November 4th.

18

19 --- EXHIBIT NO. MPI-92: Closing submission

20

21 MR. ANTHONY GUERRA: And, Ms.
22 Schubert, I believe you'll receive that shortly, and
23 so feel free to put it up on the screen. And we'll
24 follow through as we -- as we go.

25 For the benefit of the members, I'd

1 just like to mention that, as mentioned by our new
2 President and CEO, Satvir Jatana, this Rate
3 Application for MPI is really about focusing on
4 rebuilding the company while MPI seeks to maintain
5 affordable rates for Manitobans.

6 The need for rebuilding follows a
7 period of significant --

8 BOARD MEMBER GABOR: Sorry, Mr. Guerra
9 --

10 MR. ANTHONY GUERRA: Yeah.

11 BOARD MEMBER GABOR: -- can you move
12 the mic just a little closer, please.

13 MR. ANTHONY GUERRA: Too many things
14 on my desk here.

15 The need for rebuilding follows --
16 sorry, is that better, yeah -- follows a period of
17 significant challenges. We had a ten (10) week strike
18 in 2023 involving seventeen hundred (1,700) unionized
19 staff, the first in MPI's history.

20 The strike then coincided with the
21 largest hail event ever in MPI's history, and that led
22 to service backlogs that have now since been resolved.
23 But additionally, MPI faced considerable turnover in
24 management, members of its Board of Directors,
25 multiple changes in leadership roles throughout both

1 2023 and into 2024.

2 MPI also faced challenges in -- in
3 respect of the issuance of two (2) government
4 directives in 2023, one of which required MPI to
5 undergo an organizational review, which was conducted
6 by Ernst & Young, and resulted in a report being
7 published in January of 2024.

8 The organization also remains under a
9 second government directive that imposes additional
10 restrictions rather upon its ability to purchase goods
11 and services otherwise than through the -- than
12 through public procurement.

13 Externally, MPI -- or sorry,
14 externally, Manitobans rather face -- continue to face
15 economic pressures and uncertainty. The possibility
16 of a recession remains real. And the reason why I say
17 that is because we heard evidence from Mr. Bunston in
18 this year's rate Application that the yield curve
19 still remains inverted and that a recession has always
20 occurred in Canada as a result of an inverted yield
21 curve.

22 Now, there is some suggestion that this
23 could be the first time in history that doesn't
24 happen, but for Manitobans, there are certainly some
25 reason to remain cautiously optimistic about the

1 future.

2 And for many, some would argue that the
3 world is becoming increasingly unaffordable, and that
4 is their top concern.

5 So, while inflation is perhaps down,
6 it's still increasing, and interest rates are falling,
7 they're still high, this does not equate to lower
8 prices for essentials. It simply means that the cost
9 of those essentials is not increasing as fast as it
10 once was.

11 So, in response to these challenges,
12 both internal and external, MPI, under its new
13 leadership, initiated a corporate reorganization in
14 May to reduce management by 23 percent, restoring
15 levels to those of 2021.

16 MPI also implemented a corporate
17 stability strategy to address key issues, such as
18 restoring trust and engagement with employees and
19 stakeholders, meeting customer expectations, and
20 strengthening enterprise technology.

21 Further, MPI I developed a new multi-
22 year strategy, incorporating feedback from across the
23 organization to guide future progress. This strategy
24 developed over a period of six (6) months focuses on
25 eight (8) key objectives through five (5) cross-

1 functional pillars.

2 The PUB heard that the strategy is a
3 living breathing document upon which MPI will now seek
4 feedback and improve as necessary before implementing
5 in the next fiscal year.

6 The PUB was also uniquely positioned to
7 hear evidence from its new -- from MPI's new Director
8 of Strategy, Ms. Hildahl, about how she successfully
9 gathered from MPI employees a candid assessment of
10 MPI's current state, otherwise known as the
11 situational analysis, to inform the plan going
12 forward, the development of what was called the
13 strategic narrative.

14 She then testified that this was
15 critical to achieving the objective of the multi-year
16 strategy.

17 Ms. Hildahl testified that she was --
18 excuse me -- that her evidence was accurately
19 capturing the current state of the organization, which
20 she said was a -- was an essential component of any
21 corporate strategy, and that was missing from the
22 predecessor strategy which was largely an aspirational
23 plan without any real direction.

24 And perhaps most importantly to this
25 Rate Application, MPI took measures to address the

1 concerns of Manitobans and ensure that -- excuse me --
2 that rates remain affordable.

3 And therefore, MPI presents in this
4 Rate Application a request for approval of an overall
5 rate of 3 percent, a rate that remains in line with
6 inflation and what MPI believes are the expectations
7 of Manitobans.

8 I'll turn it over to my colleague now
9 to address the Rate Application.

10 MR. STEVE SCARFONE: Thank you, Mr.
11 Guerra. Madam Chair and Panel members, we're not
12 going to jump back and forth too much.

13 Just to give you a bit of a roadmap, I
14 will deal, as Mr. Guerra said, with the Rate
15 Application, then turn it back to Mr. Guerra. And
16 then we'll deal in turn with a number of the issues
17 that we want to address here today.

18 But I want to confirm that Ms. Schubert
19 now has the exhibit. Okay, great. And -- because
20 I'll be making reference to just a few of the pages
21 that form part of our closing submission.

22 Let me begin firstly, though, with the
23 Rate Application itself, which begins with MPI's Basic
24 revenue requirement.

25 As this Board knows, the primary

1 revenue streams include motor vehicle premiums, driver
2 premiums, service and transaction fees, and investment
3 income.

4 The total Basic revenue for 2023/'24
5 was \$1.2 billion, which surpassed the budgeted amount
6 for that same year. And MPIC projects total Basic
7 revenue to be just slightly higher than that, at 1.217
8 billion than -- and that's higher -- \$4 million higher
9 than was forecast in last year's General Rate
10 Application.

11 In 2025/'26 MPIC anticipates generating
12 a 1.26 billion in total revenue, And that assumes the
13 3 percent overall rate increased in Basic vehicle
14 premiums.

15 And if you look before you on the
16 screen, you'll see before you, Panel members, the
17 projected operating costs for Basic for both 2025/'26
18 and 2026/'27. And those are the two (2) years that
19 are affected, of course, by this General Rate
20 Application.

21 And those numbers before you're based
22 on the update from October 15th, 2024, with the 3
23 percent requested rate indication.

24 So, just highlighting a few of the
25 numbers therein, you'll see the insurance revenue for

1 both years consistently at about \$1.26 billion, and
2 following that, \$1.3 billion.

3 Noteworthy is the net investment
4 income, which is forecasted to be substantially higher
5 than we've seen in recent years. And I'll touch upon
6 this later in that portion of the submission that
7 deals with our investments.

8 But the -- the effect of the strategy
9 with a large allocation to fixed income assets in the
10 Basic claims portfolio means that that net investment
11 income really is tied to interest rates, as we've
12 seen.

13 So, when interest rates change, so too
14 does the net investment income for Basic given the
15 large allocation, 90 percent to bonds.

16 And then moving down that chart,
17 noteworthy as well is the net loss that is projected
18 in both the years that are before this Board for
19 consideration, a loss to Basic of 18 -- \$18 million in
20 2025/'26 and a loss of \$9.6 million in 2026/'27. And
21 that's largely the result of the discounted rate
22 indication that is before this Board in the rate
23 Application this year but, also we say, and we'll
24 discuss this later, addressed with the forecasted
25 transfers from the Extension line of business.

1 But I -- I do appreciate my learned
2 friend's comments this morning about the breakeven
3 mandate of the Basic line of business.

4 Motor vehicle premiums. I won't spend
5 too much time on -- on this, Madam Chair, but in
6 fiscal year 2023/'24, the Corporation earned motor
7 vehicle premium revenue of \$1.13 billion and for the
8 current fiscal year has budgeted that amount to be,
9 again, \$1.13 billion.

10 Looking ahead to the current rating
11 period, MPI forecasts earned motor vehicle premium
12 revenue of 1.16 billion. And that therein assumes,
13 again, the 3 percent overall rate increase that the
14 corporation has requested is approved by this Board.

15 Forecasted motor vehicle premiums are
16 based largely, as this Board knows, on two (2) main
17 factors, the expected growth in the number of
18 vehicles, which we refer to as the volume factor, and
19 the anticipated upgrade of vehicles in the fleet,
20 which MPI refers to as the upgrade factor.

21 For this GRA, MPI uses a volume factor
22 of 1.35 percent for the rating year, and this is an
23 increase from last year's, General Rate Application,
24 which PI attributes to a higher than expected growth
25 last year, potentially due to population increases in

1 the province, recovery from the pandemic, and the
2 resolution, at least in part, of the supply chain
3 issues that we've seen in recent years.

4 Regarding the upgrade factor, MPIC
5 forecasts a total upgrade of 3.12 percent for 2025/'26
6 and a smaller amount of 2.37 for the following year.
7 The actual upgrade for the fiscal year 2023/'24 was
8 2.46 percent, and these are based -- these forecasts
9 are based on higher than expected vehicle upgrading
10 that was observed last year and expected under the DSR
11 scale movements as modeled by MPIC.

12 MPI elaborates on its request to
13 temporarily suspend the transition of DSR vehicle
14 premium discounts to their actuarially indicated rates
15 as ordered by this Board.

16 The pause on the DSR improvements has
17 not affected the anticipated upgrade factor that I
18 just spoke of. And then, as my friend also alluded to
19 this morning, there was -- or there is before this
20 Board a proposed expansion of the Canadian loss
21 experience automobile rating rate groups from 41 to
22 42, and this is expected to generate an additional
23 \$7.5 million in revenue.

24 And, of course, this change serves to
25 lower the overall rate indication from its AAP

1 indicated rate.

2 And I would just point out at this
3 stage that these management actions, and one (1) of
4 which is the addition of a rating group to the
5 Canadian loss experience automobile rating system,
6 this is not uncommon.

7 This Board will be familiar with other
8 management actions that the Corporation has taken
9 years past to lower the rate indication where it's
10 necessary, And this is another example of -- of that.

11 So, this particular change served to
12 lower the rate indication by approximately half a
13 percent.

14 At the time of filing, and that was in
15 July of 2024, the Corporation requested as this Board
16 knows, a 3 percent overall rate increase instead of
17 the 6.15 percent rate increase that was developed in
18 accordance with accepted actuarial practice. And
19 again, that 6.15 percent was in July of 2024.

20 This decision is expected to result in
21 a decrease in earned motor vehicle premium revenue by
22 19 million for 2025/'26 and 39 million for 2026/'27,
23 and thereby resulting in the net loss that we saw
24 earlier in the chart for both those years.

25 Now, this is the important part, Madam

1 Chair, in this GRA. The Board heard from President
2 and Chief Executive Officer Satvir Jatana, who
3 explained in some detail the rationale that was behind
4 the decision to request a lower rate than the AAP
5 indicated overall rate indication.

6 The primary driver was MPI's mission to
7 deliver affordable rates to its customers, full stop.
8 That was the main reason behind the discounted rate
9 indication. But Ms. Jatana also highlighted several
10 factors that influenced this decision, including
11 recent high inflationary environment and, also
12 noteworthy for this Board, five (5) consecutive years
13 of rate decreases, including last year, when this
14 Board ordered a 5 percent decrease from the near zero
15 percent rate ask that the Corporation had advanced to
16 this Board.

17 There was also the uncertainties
18 following the strike. There was the large hailstorm
19 in August of 2023 and the resulting backlog that
20 complicated the assessment of future claim severity.

21 Additionally, Ms. Satvir -- Ms. Jatana
22 -- sorry -- noted the ongoing corporate restructuring
23 and the efforts to adjust MPIC's operating costs. But
24 Ms. Jatana also emphasized this, Madam Chair, that the
25 starting point for her consideration in discounting

1 the AAP rate was, in fact, the AP rate; that's where
2 she started, at 6.15 percent.

3 And while she acknowledged the
4 importance of the work of Carol Low and the other
5 actuaries at MPI, her commitment to serving the best
6 interests of Manitobans was paramount, and so, the
7 overall rate was discounted to 3 percent.

8 So, the decision to deviate from AAP
9 was made, we say, with careful consideration of many
10 factors, particularly in light of PUB Order 162/'16
11 which was brought to this Board's attention and cross-
12 examination, which mandates that MPIC advance its rate
13 proposals based on AAP. And this started with the
14 2018 General Rate Application.

15 It's noteworthy as well that since that
16 time, since 2017, MPI has consistently applied for PUB
17 approval of its AAP determined rates, with the
18 exception of the 2024 a last year when the government
19 directed that MPI apply for no change.

20 MPI also notes that the PUB's authority
21 to mandate specific Rate Applications has not been
22 confirmed by the Court of appeal. And what I mean by
23 that, Madam Chair, the Corporation is of the view that
24 is not obligated to advance or request an AAP rate --
25 rate indication.

1 It has to put before this Board by way
2 of minimum filing requirements the AAP rate
3 indication, but it's free, in our view, to apply for
4 something other than the AAP rate indication, which in
5 fact the Corporation has done this year.

6 And, of course, the Board has before it
7 all the necessary information, all the financial
8 documents to support the AAP rate and the proformas
9 that go along with that for its consideration, but
10 it's not bound by those, in our view, as well. It can
11 depart from that, as the Board has in the past five
12 (5) Rate Applications.

13 Lastly, we'd note that since that order
14 was made in 2016, 162/'16, this Board has only
15 approved MPI's AAP rates in two (2) of eight (8)
16 years. In those other six (6), this Board opted to
17 approve a lower rate than the AAP.

18 And last year, in the 2024 GRA, in
19 Order 145/'23, this Board asserted its discretion to
20 prefer methodologies that balance MPI's needs with
21 those of its ratepayers rather than strictly adhering
22 to MPI's forecasts determined in accordance with AAP.

23 So, this year, MPI submits Ms. Jatana
24 adopted a similar approach aiming to align with this
25 Board's historical preferences while -- while

1 maintaining affordable rates.

2 The current 3 percent rate -- rate
3 request reflects this balance, we say. And it is, as
4 the Application states, the closest the Corporation
5 could get to the AAP rate while still fulfilling its
6 mission of providing exceptional coverage at
7 affordable rates.

8 And as I've stated, it's very important
9 to remember that the Corporation has furnished before
10 this Board comprehensive AAP ratemaking information.
11 The initial filing on July 5 included all the required
12 details in support of the 6.15 and the October 15
13 update provided further financial documents reflecting
14 an updated AAP of 6.77. MPI also updated the 3
15 percent rate request with the October filing.

16 So, there is before this Board a
17 plethora of information from which it can decide on
18 the appropriate rate for Manitobans.

19 Turning to driver premiums. The
20 insurance premiums for licenced drivers are determined
21 by the position on the DSR scale. Currently, the base
22 rate for drivers with a DSR rating of zero is forty-
23 five dollars (\$45). And those with higher DSR levels
24 receive discounts, as we know, and those with lower
25 DSR levels faced surcharges ranging between two

1 hundred dollars (\$200) and three thousand dollars
2 (\$3,000) if you're at the bottom of that scale.

3 MPIC, in this Rate Application, has
4 proposed a ten dollar (\$10) increase to the base
5 insurance premium. And if approved, this would raise
6 that base premium from forty-five dollars (\$45) to
7 fifty-five (\$55) with corresponding increases across
8 all DSR levels.

9 With this proposed increase in driver
10 premiums, the basic rate indication calculated based
11 on AAP would have been 7.56 percent, and that's
12 footnoted there for the Board's benefit.

13 In addition to increasing the driver
14 premiums by ten dollars (\$10), MPIC has proposed no
15 changes to the discounts available on the DSR scale,
16 including the new DSR level proposed of plus 19; that
17 particular level would maintain the same discount as
18 DSR level plus 18.

19 In the 2023 fiscal year, the revenue
20 from driver premiums was 50 -- \$59 million, which was
21 short of the budgeted amount. And this shortfall, MPI
22 says, was attributed to more drivers moving up he DSR
23 scale, resulting in lower premiums for the Corporation

24 For the current fiscal year, MPIC has
25 budgeted \$60 million in revenue, which is \$3.7 million

1 less than the forecasted 63.7 from last year.

2 Despite a slight increase in the number
3 of licenced drivers, the higher DSR movements are
4 expected to limit revenue growth in this fiscal year.

5 As it concerns the ten dollar (\$10)
6 increase, MPI justifies this by explaining that the
7 higher driver premiums reduce the need for motor
8 vehicle insurance premiums, leading to a lower overall
9 rate indication.

10 And, again, this serves as another
11 example of the action that management can take as it
12 often does to lower the overall rate indication.

13 Without the increase, the overall rate
14 would rise from 6.15 percent to 6.95 percent for the
15 July AAP filing, and for the October update from 6.77
16 percent to 7.57 percent.

17 This increase is seen by MPIC as the
18 maximum justifiable in the current economic climate
19 and the best option to balance its long-term financial
20 sustainability with its objective, again, of
21 maintaining stable rates, providing affordable rates
22 to its customers.

23 MPI recognizes that the ten dollar
24 (\$10) increase would not align with the AAP and would
25 impact DSR levels differently. Drivers at lower DSR

1 levels would see a smaller percentage increase in
2 their premiums. And MPI highlighted that driver
3 premiums have remained unchanged for twenty-seven (27)
4 years.

5 So, this ten dollar (\$10) suggestion
6 that's been made to this Board is the first such
7 change in twenty-seven (27) years.

8 MPIC and Ms. Low emphasized the
9 importance of the Personal Injury Protection Plan
10 which provides insurance coverage to all Manitobans
11 regardless of whether they pay motor vehicle or driver
12 premiums. This was advanced as yet another
13 justification for an increase in the nature that we've
14 asked before this Board of ten (\$10).

15 On investment income, and I'm going to
16 touch upon this later, but the investment income
17 provides an opportunity for MPI to reduce the revenue
18 needed from its insurance premiums.

19 In the fiscal year, 2023/'24, MPI
20 allocated \$92 million in investment income to Basic,
21 falling short at the 126 forecasted in the 2024 GRA.
22 This shortfall, again, was due to rising interest
23 rates, which led to higher than expected losses on the
24 fixed income portfolio.

25 These losses are partially offset by

1 higher interest rates for short-term bonds and
2 unrealized gains from equities. The impact of high
3 interest rates was mitigated by a decrease in the
4 present value of the claims liabilities.

5 And I'll speak more about the ALM study
6 and its -- the matching success that the Corporation
7 has found under that study.

8 For the current fiscal year, MPI
9 forecast and allocation of 177 million in investment
10 income, which is an increase of 41 million from the
11 forecast of 136. This increase is primarily driven by
12 changes in interest rates once again.

13 Looking ahead, MPIC forecasts 130
14 million in investment income for Basic and 134 million
15 the following year, 2026/'27. These figures represent
16 decreases of approximately 5 million and \$6 million
17 from the forecast this Board heard last year. Again,
18 these lower forecasts are mainly due to revised
19 interest rate assumptions.

20 And it's tempting for this Board, and -
21 - and perhaps many others, to look at the performance
22 of the investment portfolio and the returns that the
23 Basic claims portfolio brings in the reduction of the
24 rate indication and the additional revenue that those
25 returns bring.

1 But Mr. Bunston has appeared before
2 this Board many times. And the first thing he always
3 states is that is not the primary objective,
4 particularly of the Basic claims portfolio. It's not
5 to chase the return, but rather to back the
6 liabilities. And he'll say that again and again.

7 And so, we'll emphasize that later in
8 our investment section. But it's important for this
9 Board to remember that while strong returns are
10 desired and beating the benchmarks equally desired,
11 the main objective is to have money to pay the claims.
12 And that will always remain the objective,
13 particularly of the Basic claims portfolio.

14 And that's why this Board will never
15 see the addition of growth assets to the Basic claim
16 portfolio as it does with the RSR and the employer
17 future benefits portfolio.

18 Similarly, MPI continues to make use of
19 the naive forecasting methodology. It has no
20 intention to depart from that methodology. It
21 assumes, of course, that the current interest rates
22 will remain unchanged over the forecast period and has
23 proven to be more accurate over the long-term and
24 helps promote rate stability.

25 Service fees and other revenues, of

1 course, form part of the revenue that MPI collects on
2 an annual basis. No changes are requested of this
3 Board with respect to those.

4 And then on the financial presentation,
5 I'll just deal mainly with the transition from IFRS 4
6 to IFRS 17 which occurred on April 1st, 2023. This,
7 as we've seen, has resulted in a more aggregated
8 financial position -- or presentation for MPI. And
9 we're now faced with the challenge of not having a
10 standalone audited financial statement for the Basic
11 line of business.

12 You saw in the evidence and in response
13 to some of the Information Requests that audited
14 version is now a consolidated presentation of both the
15 Extension line of business and the Basic line of
16 business, which means that MPI now includes unaudited
17 notes in its corporate audited financial statement to
18 provide financial details for each line of business,
19 including the Basic line of business.

20 On the Extension side, for Extension
21 operations in compliance with the recent PUB Order and
22 the minimum filing requirements, MPIC has included
23 several exhibits in this Application related to the
24 Extension line of business.

25 MPI has responded to twenty-five (25)

1 Information Requests, providing detailed information
2 on Extension, including its actual and forecasted
3 profit margin, projected underwriting margin, and net
4 income margin.

5 And as this Board is aware, initially
6 the Corporation was reluctant to provide this Board
7 with that information. The Board then ordered it be
8 produced. And the Corporation complied with that
9 Order.

10 And so, in the 2025 GRA owing to the
11 discounted overall rate indication, MPIC has proposed
12 a 2 percent annual increase in Extension rates for the
13 forecasting period.

14 I will comment just briefly on My
15 Friend's comments from this morning where he indicated
16 that if those Extension transfers do not occur, that a
17 capital build would be required and would be before
18 this Board with that request.

19 That is not necessarily the case. The
20 evidence of Ms. Low, was that, because the forecast
21 does not include any rate indications into the future,
22 it could be that given -- given MPI's requests for
23 future rate increases, that could thereby avoid a
24 capital build even in the absence of -- of the
25 Extension transfers into the RSR.

1 So, I just wanted to make that point,
2 that Ms. Low had said there was a lot of factors that
3 go into whether this Board would apply -- or this MPI
4 would apply to this Board for a capital build. And --
5 and that, of course, is one (1) of them, that the rate
6 indication in future years is not baked into the
7 forecasts.

8 While the Extension rates for 2025 are
9 yet to be finalized, the anticipated rate adjustment
10 is projected to generate total insurance revenue of
11 246 million in 2025/'26 and 261 million in 2026/'27.

12 And there before you for your review at
13 a later time is a summary of the Extension --
14 Extension operating results for these fiscal years
15 based on MPI's rate update filed October 15, 2024.

16 I will just note as well that any
17 increases to the Extension products inline with 2
18 percent that's before this Board is subject to the
19 approval of the Board of Directors, which has -- has
20 yet to occur.

21 You'll see there before you at 232 that
22 the Corporation projects transferring \$31 million in
23 the current year and \$47 million in 2025/'26 and \$54
24 million in 2026/'27, a total of 290 million over the
25 forecast period.

1 These are designed to prevent the MCT
2 ratio of the RSR from dropping below 100 percent, as
3 is required under section 18 of the statute.

4 This Board will be aware, and it was
5 raised from -- by Mr. Gabor at this Hearing, that MPIC
6 has in the past utilized excess Extension's capital to
7 support other lines of business, transferring 325
8 million to Basic and 251 million to the DVA line of
9 business.

10 The MPI Board of Directors oversees the
11 use of excess Extension capital above the 200 percent
12 MCT threshold with the authority to allocate it to any
13 line of business or retain it in the Extension
14 reserve.

15 And it should be noted, in section 18
16 there is no requirement for the Corporation to
17 transfer moneys from the Extension line of business
18 into the Basic RSR. That requirement is found in the
19 capital Management Plan.

20 Notwithstanding MPI's General Rate
21 Application, this here indicates that it plans to
22 transfer from Extension to Basic over the next five
23 (5) years to maintain the RSR's MCT ratio at or above
24 the legislated target of 100 percent.

25 There is no evidence before this Board

1 of MPI's intention to use excess -- excess Extension
2 capital for purposes other than the Basic line of
3 business.

4 I'll just touch upon this briefly
5 because I already alluded to it, the vehicle
6 classification system changes. MPI proposes, as I've
7 said, expanding the range of rate groups under the
8 clear system from 41 to 42. And this will generate
9 additional revenue of \$7.5 million.

10 And I'm going to send it back over to
11 Mr. Guerra now to speak to some further evidence
12 regarding rate indications.

13 MR. ANTHONY GUERRA: Thank you. Mr.
14 Scarfone. We spoke about the rationale for not
15 applying for approval of the actuarially indicated
16 rate; however, I would like to speak here about just
17 what that -- that looks like in terms of the -- the 3
18 percent rate request.

19 First of all, I would just begin by
20 acknowledging that this Board isn't obligated to
21 approve a rate indication at all, that is in
22 accordance with AAP rate making.

23 And historically, what we've seen from
24 this Board is that it is not required to and does not
25 always approve the rate applied for by MPI regardless

1 of whether or not it is determined in accordance with
2 AAP ratemaking.

3 The average annual impact of the 3
4 percent overall rate request on each of the major
5 classes was canvassed by my friend earlier this
6 morning. What I would just highlight though is -- is
7 the actual dollar increases that would be projected
8 for each of those -- each of those major classes.

9 So, on average, a private passenger
10 vehicle insured would -- would be paying forty-six
11 dollars (\$46) more per year for their insurance. Of
12 course, that's based on 3 percent.

13 And we know, based upon the AAP rate,
14 that that amount would be significantly higher for
15 commercial major class; that's twenty-one dollars
16 (\$21) per year public -- sorry -- that's twenty-one
17 dollar (\$21) decrease. For public, it would be an
18 eighty-four dollar (\$84) increase, motorcycles a
19 twenty-seven dollar (\$27) decrease, trailers a four
20 dollar (\$4) increase, and for off-road vehicles a one
21 dollar (\$1) decrease.

22 This year, although MPI has applied for
23 a rate that is not based on the AAP rate indication,
24 there was extensive evidence that was presented to
25 this Board regarding the AAP rate indication which

1 explores the six (6) different aspects ratemaking, so
2 the new money yield rather, the claims cost forecast,
3 the claims expense forecast, the expense forecast, the
4 distribution of costs of fleet rebates, large loss
5 loading and credibility weighting.

6 So, I'm going to talk about each of
7 these topics in a little bit of detail now.

8 Turning to the new money yield for the
9 2025/'26 rating year, so the upcoming rating year,
10 MPI's discounts claim costs using the new money yield
11 reflect the time value of money. This involves
12 discounting ultimate claim payments as of March 31st,
13 2026, using a single naive investment yield.

14 In compliance with the Order received
15 in two (2) Rate Applications ago, so the 2023 Rate
16 Application, MPI calculated the new money yield by
17 weighting all asset classes in the Basic claims
18 portfolio based on the expected cashflows, duration of
19 seven point five (7.5) years as of March 31st, 2024.

20 The oldest derived from a blend of the
21 MUSH bond portfolio and the TD Asset Management
22 Commercial mortgage fund. A higher new money yield
23 results in lower required premiums for certain claims
24 costs and expenses.

25 So, for instance, the new initial new

1 money yield that was used in the 2025 GRA was a 4.61
2 percent, leading to an average required rate of nine
3 hundred and sixty-eight dollars and twenty-eight
4 (\$968.28) cents for the 2025/'26 year.

5 However, PUB Order 145/'23 from last
6 year's Rate Application, directed MPI to use a new
7 money yield of 4.87 percent, which reduced the average
8 rate required to nine hundred and sixty-five dollars
9 and eighty-seven (\$965.87) cents.

10 And this 0.26 percent decrease in the
11 new money yield translated to an additional \$3.2
12 million in premiums based upon the one million three
13 hundred and twenty-one (1,000,321) projected vehicles
14 in the fleet.

15 So, for September of 2024, the updated
16 new money yield calculation to August 30th, 2024,
17 resulted in a further decrease in the new money yield
18 to 4.25 after investment expenses. And, as my friend
19 mentioned, an alternative scenario was considered --
20 or rather a couple of alternative scenarios were
21 considered, first, including using the 2023/'24 yields
22 for various bonds and funds, which produced a new
23 money yield of 4.245 percent.

24 And additionally, MPI recalculated the
25 October update using the OSFI, or Office of -- Office

1 of Superintendent of Financial Institution's
2 investment yield formula, which resulted in an average
3 yield of 4.82 percent with amortization and 4.59
4 percent without amortization. These yields led to a
5 reduction in the October AAP rate indication by 0.99
6 percent and 0.6 percent, respectively.

7 While the OSFI methodology reduces the
8 overall rate indication, as we've seen, MPI notes that
9 it's based upon a projection rather than target
10 weights for investment asset classes. Using actual
11 weights increases the yield by 0.7 percent, but this
12 allocation is subject to rebalancing under the
13 investment policy statement, potentially resulting in
14 lower actual yields.

15 So MPI submits that the OSFI
16 methodology, although it's attractive, may not be as
17 accurate as the new money yield, and so just urges
18 some caution here in terms of considering which
19 approach to be used for this rate Application.

20 On the issue of claims forecasts, MPI
21 has expanded its claims forecasting messaging,
22 emphasizing that forecasts are best estimates at a
23 specific point in time, and they are inherently
24 uncertain.

25 In this Rate Application, the PUB heard

1 that forecasting claims costs has been particularly
2 challenging due to the COVID-19 pandemic
3 uncertainties, that we are still facing a backlog from
4 last year's strike and significant hail activity from
5 last year, a high inflation environment impacting
6 claim severity, and the rising costs of new and used
7 vehicles, and glass claims that exceed the Basic
8 deductible.

9 All of these have posed significant
10 challenges for MPI's actuaries. I know being an MPI
11 lawyer can be difficult sometimes, but being an MPI
12 actuary these days has to be one of the most difficult
13 jobs there is

14 Despite these challenges, though, their
15 -- their team regularly monitors the claims forecasts,
16 and since the filing of the Rate Application in July,
17 the actuarial team has noted that they've worked to
18 resolve some of these uncertainties.

19 They've benefited from the additional
20 time that was afforded to them and the additional
21 information that they've been able to obtain through
22 working with the business to understand some of what
23 they were unable to see when their initial claims
24 forecasts were prepared.

25 MPI prepared and updated the claims

1 forecast, which Jatana testified minimized the gap
2 between MPI's request and the AAP, but unfortunately
3 not able to include that information in the October
4 update.

5 MPI compared its Basic ultimate claims
6 calculations in the 2025 GRA with last year's results,
7 and that showed an 8.4 percent increase in the
8 ultimate total losses for the 2025/'06 year and a 10.5
9 percent increase for 2026/'27, which reflects a 2.3
10 percent rise in projected ultimate loss -- ultimate
11 total losses.

12 For the 2025 GRA, the submission was on
13 adjustments to MPI's forecasting methodology. MPI
14 adopted accident year weights approved by the PUB in
15 Order 145/'23, alternative trending models for
16 collision and third-party loss use severity, and
17 introduced loss cost trending models using the
18 Manitoba consumer price index for some PIPP coverages
19 -- and by 'PIPP', I mean the Personal Injury
20 Protection Plan.

21 The MPI work-from-home adjustment was
22 also reviewed, and MPI applied a plus 0.74 percent
23 work-from-home adjustment based on commuting survey
24 data, which Oliver Wyman found to be reasonable.

25 Accident year weighting was another key

1 topic. MPI continued with the methodology from Order
2 145/'23 from last year's Rate Application and applied
3 equal weighting to the accident years 2019/2020 to
4 2023/'24.

5 And Oliver Wyman had no material issues
6 with the selected weights, but noted the need for
7 clarity when a methodology should be specific to a
8 rating year versus used as the basis for future rate
9 applications. I think we all agree that some clarity
10 there would be beneficial for everybody to outline and
11 understand the expectations of the parties going
12 forward.

13 MPI and Oliver Wyman disagreed on the
14 fitting of a scaler into the Accident Benefits, Other
15 non-index severity model. MPI used a loss cost trend
16 instead of a -- instead of, rather, a frequency and
17 severity model, believing this approach is better for
18 coverages with low frequencies but high severities,
19 unusual events, and situations where there is limited
20 trending data available. This minimizes the judgment
21 needed to select best fit models in the opinion of
22 MPI.

23 The other significant difference
24 between MPI and Oliver Wyman this year was the use of
25 consistent time periods for future frequency and

1 severity trends, with Oliver Wyman recommending using
2 the same time periods for both models unless there are
3 compelling reasons otherwise.

4 And this applied to the accident
5 benefits, weekly indemnity coverage where MPI used a
6 frequency model based on accident years 2010 to 2023
7 and severity model based on 2012 to '23; the Accident
8 Benefit, Other indexed coverage where MPI used a
9 frequency model based on accident years 2010 to 2023;
10 and a severity model based on 2012 to '23.

11 And so MPI in these cases believes
12 there are compelling reasons to use different time
13 periods and detailed its rationale for doing so in the
14 claims forecasting chapter of the GRA.

15 If the PUB, having reviewed that
16 material and considering the information from Oliver
17 Wyman, doesn't find these reasons compelling, MPI
18 would submit in that case it should -- The PUB should
19 confirm in its order that it doesn't find the reasons
20 compelling and clarify whether compelling reasons must
21 exist to support different time periods for frequency
22 and severity models.

23 And I say that because, for MPI's
24 actuaries, they rely heavily on the directions that
25 they receive from the PUB. And so, by default here,

1 if there needs to be some very detailed explanation
2 for -- for departing from a default, right, if the
3 default is you must use the same time periods for
4 severity and frequency selections, then we have to
5 make sure we understand that because that's going to
6 have an impact on the -- the work that needs to be
7 done and the information that will be included in the
8 GRA filings in the future.

9 Moving over to the claims expense
10 forecast. There's some discussion this year again on
11 the unallocated loss adjustment expenses or ULAE,
12 which represents the costs of operating the claims
13 department that can't be attributed to individual
14 claims.

15 The ULAE ratio is calculated as the
16 ratio of expected ULAE to paid direct claims, and in
17 March of 2024, the external appointed actuary set the
18 ULAE paid to direct an agency claim base ratio at 9
19 percent, which results in a ULAE ratio of 18 percent
20 when applied twice

21 This was based on a two (2) year
22 volume weighted average, a fiscal year paid ULAE to
23 paid loss, also known as maintenance expenses. These
24 costs are included in the proformas filed by MPI in
25 the GRA. MPI supplementary GRA filing forecasted

1 maintenance expenses at 142 million for '25/'26 and
2 141 million for '26/'27, and these were slightly
3 adjusted in the October update to 142 million and 141
4 million, respectively.

5 In response to a PUB inquiry, MPI
6 extended the March 2024 unpaid ULAE ratio into the
7 forecasting years, which resulted in a selected unpaid
8 ULAE ratio of 13.86 for 2025/'26 and 13.8 for '26/'27.
9 The adjustment increases net income by 17.6 million
10 for '25/'26 and 2.5 million for '26/'27, respectively.

11 Over the five year forecast, this
12 alternative methodology projected -- as projected
13 rather -- to generate approximately \$67 million in
14 additional net income increased the equity as also
15 indicated by My Friend this morning.

16 On the issue of expense -- the expense
17 forecast rather -- in the 2023 GRA, the PUB directed
18 MPI to defer costs for systems that do not benefit
19 current ratepayers. Excluding these costs from the
20 rate indication initiative expenses for ongoing
21 projects averaged 27.2 million for 2024/'25 rating and
22 26.1 million forecasted for '25/'26.

23 The PUB noted that, without deferring
24 these costs, the rate indication would have been 2.4
25 percent -- 2.41 percent higher last year. The PUB

1 instructed MPI to defer these expenses into a
2 regulatory deferral account for rate-setting purposes
3 to be recovered when Project NOVA is fully
4 operational.

5 However, MPI didn't record this
6 accounting in its financial statements. Last year,
7 MPI, supported by Deloitte, claimed it could not apply
8 IFRS-14 standard required to set up the deferral
9 account, leading to a misalignment between PUB's
10 approved rates and MPI's financial statements.

11 The basis for this claim was MPI's lack
12 of prior accounting for regulatory deferral accounts
13 balances under Canadian generally accepted accounting
14 principles. The PUB also noted MPI did not reflect
15 the resulting higher net income or established a
16 regulatory asset in its forecasts.

17 MPI anticipates deferring and
18 recovering approximately \$108 million in '26/'27. The
19 PUB, not satisfied with MPI's determination of its
20 eligibility to apply IFRS-14, directed MPI to file an
21 updated opinion from Deloitte.

22 In this Rate Application, Deloitte
23 confirmed that MPI's prior accounting treatment did
24 not change their opinion on IFS-14 eligibility and
25 found MPI ineligible to adopt the January 2021

1 International Accounting Standards Board, or IASB,
2 exposure draft.

3 MPI noted that insurance contracts
4 would be out of scope based on a tentative IASB
5 decision excluding MPI from this new standard.
6 Despite this, MPI can -- is committed still to working
7 with the PUB on an alternative solution and continued
8 to exclude all initiative Basic expenses from its
9 Basic policy pricing in the 2025 GRA.

10 MPI reported that budgeted initiative
11 expenses for '24/'25 were 18.4 million, 7.7 million
12 lower than the forecast from the 2024 GRA. For the
13 upcoming '25/'26 year, initiative expenses are
14 forecast to be 18.5 million, which is down from 8.1
15 million from the 2024 GRA.

16 MPI plans to defer an additional 30.8
17 million in initiative expenses for the upcoming rating
18 year. Recognizing that these expenses would increase
19 an AAP rate indication by approximately 1.39 percent,
20 MPI's proformas show the regulatory deferral account
21 balanced increasing from 10.7 million last year to
22 29.1 million this year, and from 47.6 million to 60
23 million during the upcoming rating period.

24 In response to a PUB request on
25 recovering defer -- deferred integration costs, MPI

1 stated it has no plans to address regulatory deferral
2 accounts in the 2025/'26 fiscal year. However, it
3 acknowledges that there -- there needs to be a process
4 in place to manage these accounts in the future. So
5 MPI seeks guidance from the PUB on how to recover
6 deferred expenses in this or subsequent GRAs and
7 proposed the following process in this GRA.

8 One, once the MCT ratio of the RSR
9 reaches or is forecasted to reach a hundred percent
10 within the GRA outlook period, MPI will request a
11 declaration from the PUB that the regulatory asset has
12 no value.

13 (b) If the PUB agrees to that, it will
14 declare that the asset -- the asset valueless and
15 direct MPI not to recover it through rates. And if
16 that happens, upon receiving -- receiving the order
17 rather, MPI will write off the regulatory asset as
18 unrecoverable.

19 MPI believes that this is a way to be
20 able to address the situation and it's committed to
21 managing expense ratios for forecasts and -- sorry,
22 rather forecasts a 2.9 percent decrease in allocated
23 Basic operating expenses compared to -- to the
24 situation in last year's Rate Application where it
25 forecasted total Basic expenses of \$348 million.

1 This year, the forecast for the next
2 rating year is 344 million, a decline of 181 -- sorry,
3 1.18 percent. Total Basic operating expenses as a
4 percentage of net premiums earned was 20.5 percent
5 with a forecasted decrease to 20.1 percent in the next
6 rating year and 18.6 percent in the 2026/'27 years.

7 There are six (6) major cost categories
8 for delivering Basic insurance to Manitobans. They
9 are the incurred claims, maintenance expenses, aqisit
10 -- acquisition expenses rather, operating expenses,
11 commissions, and premium taxes.

12 Basic allocated corporate expenses,
13 which include maintenance acquisition and operating
14 expenses, are budgeted at 248.8 million for 2024/'25,
15 representing a 62.9 percent of all corporate expenses.
16 This allocation is forecasted to decline to 247.1
17 million in '25/'26 and 249 -- 245.9 million in
18 '26/'27, with the percentage of allocated corporate
19 operating expenses to Basic remaining steady.

20 Basic direct expenses comprising of
21 commissions and premium taxes are budgeted at 86.4
22 million for '24/'25. These expenses are forecasted to
23 increase to 95.6 in '25/'26 and 99.2 million in
24 '26/'27.

25 Commissions paid to brokers for selling

1 Basic insurance products are -- are forecasted to be
2 50.9 million this year, increasing to 56.1 million in
3 '25/'26 and 58.1 million in '26/'27. The agreement
4 with the Insurance Brokers Manitoba has been extended
5 until March 31st, 2028.

6 Commission expenses -- sorry,
7 commission expenses are expected to rise by 1.7
8 percent primarily due to the deferral of online
9 renewals. Premium taxes paid on net premiums
10 collected are budgeted at 35.4 million for '24/'25
11 with forecasts of 39.5 million for '25/'26 and 41
12 million for '27/'27, and outlined -- outlined there
13 rather for the benefit of the Board, the operating
14 expenses forecast by MPI in both the current and
15 upcoming years.

16 There was some interest this year
17 because of last year's historic hail events on the
18 catastrophic -- or catastrophe rather reinsurance
19 program which MPI renewed for April 1st, 2024,
20 maintaining the same structure, which is a \$400
21 million upper coverage limit, a \$50 million aggregate
22 deductible, and a \$2 million per-occurrence
23 deductible.

24 However, due to market changes in 2023
25 due to loss activity, premiums increased by 25 percent

1 for 2024/'25. MPI was unable to secure full coverage
2 on the first and third layers. Premiums are budgeted
3 at 17.4 million for '24/'25 with forecasts of 18.6
4 million for '25/'26 and 19.5 million for '26/'27.

5 MPI also maintains a casualty
6 reinsurance program to cover serious bodily injury
7 claims under the PIPP Program, and premiums for this
8 program are significantly lower at 1.3 million
9 annually for '24/'25 in the next 3 years.

10 Compared to last year's Rate
11 Application, total reinsurance premiums are forecasted
12 to be 1.9 million higher for '24/'25 and 2.5 million
13 higher for '25/'26 and 3 million higher for '26/'27,
14 primarily due to the increased catastrophe program
15 premiums.

16 In '23/'24, MPI experienced six (6)
17 major storms exceeding the \$2 million per occurrence
18 deductible. The largest storm in August 2023,
19 considered a one in twenty (20) year event ,is
20 estimated to cost 118 million, with MPI expected to
21 recover 94 million under its '23/'24 insurance treaty.
22 Total hail and catastrophe losses for '23/'24 are
23 estimated at 147 million.

24 Moving on to the fleet rebate
25 allocation. So, two (2) years ago, the PUB directed

1 MPI to analyze and propose modifications for its fleet
2 program to better reflect cost causation.

3 And at that time, unable to find a
4 permanent solution, MPI proposed an interim solution
5 last year to distribute those rebates across 3 major
6 classes, proportionately.

7 This proposal, however, had the
8 effective of increasing the rate indication for the
9 commercial and public classes by over 10 percent, and
10 MPI couldn't determine the actual fleet rebates by
11 major class. And therefore, the PUB found the
12 analysis insufficient and directed MPI to revert to
13 the 2023 GRA approach for the 2024 and to file a
14 revised program in this Rate Application.

15 So, in this Rate Application, MPI
16 proposed a solution to address the fleet cost
17 causation by applying a DSR off balance factor
18 exclusively to vehicles eligible for DSR discounts,
19 ensuring that only those benefiting from discounts
20 bear the costs.

21 For fleet policies, MPI proposed
22 replacing the current practice of including the
23 expected costs of fleet rebates and surcharges in the
24 base premium with a separate targeted loading applied
25 only to fleet premiums.

1 And so, the summarized -- the proposal
2 summarized as follows: This is testimony directly
3 from this Rate Application. To reflect the cost/
4 causation, MPI is proposing to determine the required
5 rate, assuming there are no programs -- no programs as
6 that -- that's the DSR program, and that's the fleet
7 program in place -- and then adjusting those two (2)
8 programs according -- accordingly based upon -- based
9 on the discounts provided and the rebates, net rebates
10 for the fleet, so off balancing it so each program is
11 funding their own -- their own expenses basically.

12 This approach aims to create a more
13 equitable, transparent, and financially sustainable
14 system. However, MPI's current Legacy systems can't -
15 - can't support the implementation of these
16 modifications, and so MPI plans to implement the
17 proposed program rather with the new Duck Creek system
18 and will provide an implementation timeline update
19 with the 2026 GRA.

20 For the 2025/'26 year, MPI seeks no
21 changes therefore to the fleet rebates and surcharges,
22 maintaining the average fleet rebate per unit for
23 private passenger, public, and commercial at twenty-
24 one point eight dollars (\$21.80), consistent with the
25 PUB approved methodology from two (2) years ago.

1 On the issue of serious large loss
2 loading two (2) years ago rather, the PUB issued a
3 directive regarding that large loss loading. MPI
4 applied both methodologies presented in Order 4/'23 in
5 its own methodology and applied the large loss
6 loading.

7 New relatives were determined based on
8 a credibility average of the raw and current
9 relatives. MPI has confirmed that the credibility
10 weighted serious loss loading for passenger Vehicle-
11 for-Hire and taxi passenger Vehicle-for-Hire as per
12 directive 11.3 from last year's rate application
13 complies with 4/'23.

14 Credibility weighting received a little
15 more attention this year, and so MPI assigns a minimum
16 credibility of 10 percent to ensure that new insurance
17 uses with minimal units partially reflect their
18 historical experience. This standard is applied
19 across all insurance uses to maintain stability and
20 consistency, preventing annual fluctuations in raw
21 relatives.

22 Last year, the Taxi Coalition argued
23 that a 10 percent credibility weighting was
24 insufficiently responsive and urged this Board to
25 direct MPI to either increase the standard or analyze

1 its appropriateness and report back in this Rate
2 Application. The PUB agreed, and in Order 154/'23
3 directed MPI to report on whether the 10 percent
4 minimum credibility remains appropriate or should be
5 adjusted.

6 In this Rate Application, MPI conducted
7 the required analysis. It acknowledges the pros and
8 cons of selecting a higher or lower credibility. A
9 higher minimum credibility can increase volatility in
10 relativity changes while a lower one may make
11 relatives -- relativities rather less responsive to
12 genuine trends.

13 However, MPI has also noted that recent
14 data, while it could also indicate emerging trends, it
15 could also be simply noise. We don't know that. We
16 will only know that once the history is actually
17 developed.

18 So ultimately, MPI concluded that the
19 10 percent minimum credibility strikes a suitable
20 balance between these competing factors of being
21 responsive to trends and promoting rate stability.

22 The rate stabilization reserve and
23 capital management, we spoke a little bit about that.

24 Oh, I'm sorry. I should be changing
25 over to you now.

1 MR. STEVE SCARFONE: And that's
2 totally fine. Thank you, Mr. Guerra. Perhaps what I
3 should do is update the Board with respect to our
4 roadmap here this morning.

5 So, if we can get through what I call
6 the financial content of the presentation, Madam
7 Chair, that would mean I would now address the rate
8 stabilization reserve and the Capital Management Plan
9 and then propose perhaps that we break for lunch,
10 following which MPI would come back to speak to some
11 of the other issues like vehicle -- Vehicle for Hire,
12 the DSR, Nova investments, road safety, et cetera.

13 PANEL CHAIRPERSON: Thank you, Mr.
14 Scarfone. I think that's a good idea.

15 MR. STEVE SCARFONE: As it concerns
16 the Rate Stabilization Reserve and MPI's Capital
17 Management Plan, Basic's retained earnings decreased
18 to \$483 million, which equated to an MCT that fell
19 below the statutory requirement of a hundred percent
20 MCT.

21 And so that, as this Board knows,
22 requires that the Corporation take some action to
23 return the MCT to a hundred percent within the
24 statutory timeframe.

25 In this year's General Rate

1 Application, MPIC did not present to this Board a
2 revised version of its Capital Management Plan for
3 consideration. My recollection is it says it there,
4 but even the year prior, this Board rejected the
5 version of the CMP that was put before it largely as
6 we understood it over concerns regarding the transfer
7 of funds to lines of business other than the Basic
8 RSR.

9 And this board raised concerns it had
10 with respect to the absence of a funding arrangement
11 with the government of Manitoba for the DBA line of
12 business, along with the discretionary nature of the
13 transfers that the Corporation says its board of
14 directors has when extension capital exceeds 200
15 percent MCT.

16 So notwithstanding that this Board
17 hasn't approved the Capital Management Plan in the
18 past couple of years, the Corporation still of course
19 has to manage its capital, notwithstanding this
20 Board's disapproval of the plan.

21 And so, what you'll see is that there
22 have in fact been transfers made to the RSR from the
23 Extension line of business in both of those years in
24 which the PUB did not approve the plan.

25 Last year it was a small amount

1 totaling I believe just -- I don't have the number
2 here, but it was about \$2.7 million. And then the
3 year prior, there was another transfer that was made
4 into the RSR from the Extension line of business.

5 So, to allay the concerns that this
6 Board has brought to the Corporation's attention,
7 particularly as it concerns the DVA line of business,
8 the Corporation can say that it is actively addressing
9 the long-term financial health of the DVA line of
10 business.

11 You heard evidence from the Chief
12 Financial Officer, Mr. Kolaski, that there are ongoing
13 discussions with the Government of Manitoba to secure
14 a funding arrangement. And he's doing that by
15 ensuring that in its budget -- budget presentations to
16 the Treasury Board, there will therein include
17 assumptions that the government will fully fund the
18 DVA line of business in each budget year.

19 In this particular GRA, a Mr. Kolaski
20 testified that the amount owed by government for the
21 administration of the DVA program in the 2025/'26
22 fiscal year is forecasted to be \$59 million. MPI has
23 sought full recovery of that amount and has already
24 advised government that the request for funding will
25 be forthcoming, including the nature and magnitude of

1 the request.

2 So, if the government is agreeable to
3 that, MPIC would see -- would see the return or the
4 reimbursement of that \$59 million, which of course is
5 monies that are owed to the Extension line of
6 business.

7 Another factor this Board should
8 consider is -- as it concerns its DVA concerns is the
9 DVA line of business is currently in a surplus
10 position, and is forecast remain in a surplus position
11 until the fiscal year '26/'27. And this is owing to
12 the Extension transfers made in fiscal years, 2020/'21
13 and 2021/'22, totaling \$117 million. Those of course
14 were the subject of much discussion in previous GRAs,
15 that \$117 million.

16 Accordingly, MPIC does not need to
17 consider a transfer of excess Extension capital to
18 this line of business at this time.

19 Also, important to -- to note, Madam
20 Chair and Panel members, the evidence, uncontroverted
21 before this Board in this hearing and in previous
22 hearings, is that, barring unforeseen need, the
23 corporation has no intention but to transfer excess
24 Extension monies into the Basic line of business and
25 will continue to do so as indicated in its proformas.

1 So, in this GRA, as we've heard, MPIC
2 forecasts approximately \$290 million of such transfers
3 into the RSR from Extension through the fore --
4 through the forecast period. This will ensure the RSR
5 is brought to its statutory target of 100 percent MCT
6 within the allowable timeframe.

7 It should be noted that the update that
8 was provided to the 6.15 percent AAP -- so that update
9 brought the AAP to 6.77 percent -- that update
10 maintained the 2 percent increase to the price of the
11 Extension products. So that increase this Board will
12 note was not in the 6.15 percent AAP rate indication.

13 That increase only showed up when MPIC
14 discounted 6.15 to 3 percent. And then, when the
15 Corporation updated 6.15 percent to 6.77 percent, it
16 maintained the projected 2 percent increase to the
17 products in the Extension line of business.

18 And this, this Board will note ,results
19 in the dramatic increase to the RSR balance when
20 compared against the MCT levels of Basic for the 6.15
21 percent that was filed on July 5.

22 If an increase to the Extension
23 premiums in the range of 2 percent is approved by the
24 MPIC board of directors with annual capital transfers
25 to the RSR also approved, this would bring more

1 capital into the Basic line of business than it
2 requires by 2027/'28 and 2028/'29.

3 So, all of this to say is that the rate
4 request that was discounted from 6.77 percent to 3
5 percent will require from Extension approximately \$76
6 million over the next two (2) years, 30.5 million and
7 46.6 million. And that, again, is to ensure the
8 statutory target of 100 percent MCT for Basic is met
9 as contemplated under the CMP and the legislation.

10 MPI also notes that, while it cannot
11 confirm at this time whether its special risk
12 Extension line of business will require capital --
13 special risk Extension being the commercial trucking
14 line of business -- the evidence before this Board is
15 that MPIC is not looking to support special risk
16 Extension through extension transfers between 2024 and
17 2029 and as forecasts do not anticipate any such
18 transfers.

19 And lastly -- and I mentioned this
20 briefly already -- absent the Capital Management Plan
21 and the forecasted transfers from Extension to Basic
22 to address the premium deficiencies that are forecast
23 in '25/'26, the MCT target for the RSR could still be
24 achieved through changes to the Basic rates as the
25 financial forecast assumes no changes -- that is, no

1 increases by way of overall rate indications.

2 So, it doesn't necessarily mean that if
3 those transfers don't occur, that a capital build will
4 be required to get MCT back to a hundred percent for
5 Basic.

6

7 (BRIEF PAUSE)

8

9 MR. STEVE SCARFONE: On the financial
10 condition testing, you'll have it there before you,
11 but I'll just say that the base scenario that was
12 filed July 18th includes a 3 percent rate change, one
13 that's requested before this Board: the 10 percent
14 increase in driver premiums, a maximum group rate
15 increase to 41, and a 2 percent annual increase in
16 Extension rates.

17 So, the base scenario assumes all of
18 these things in deciding whether it passes the
19 financial condition test. For 2024/'25 to '28/'29,
20 the MCT ratios are projected to remain above the
21 minimum required level of 38 percent and close to the
22 internal target of 100 percent.

23 There are in that financial condition
24 tests, a number of other various adverse scenarios
25 that are described in detail. I won't do that largely

1 because I don't understand them, but I -- I do -- I
2 will say that, at the end of the financial condition
3 testing segment of the closing presentation, MPIC
4 finds that its financial condition is satisfactory,
5 and the conclusion of the FCT supports this statement.

6 The relief sought in the 2025 GRA
7 aligns with the findings and recommendations of the
8 FCT report, mainly as it concerns to the anticipated
9 corrective management actions. And that would include
10 the -- the transfers that we see forecasted from the
11 Extension line of business into the RSR.

12 And that will end what I've called the
13 financial content of the presentation, Madam Chair,
14 and up next on the roadmap is Vehicles-for-Hire. So,
15 as I suggested, I think this might be a logical time
16 to take a break.

17 PANEL CHAIRPERSON: Thank you, Mr.
18 Scarfone. It's almost noon, so we'll break now until
19 1:00 this afternoon, please.

20
21 --- Upon recessing at 11:59 a.m.

22 --- Upon resuming at 1:03 p.m.

23

24 PANEL CHAIRPERSON: Good afternoon,
25 everyone. I think that, Mr. Scarfone, you are

1 proceeding now with Vehicles for Hire. Or is that Mr.
2 Guerra?

3 MR. STEVE SCARFONE: No, that's me,
4 Madam Chair.

5 PANEL CHAIRPERSON: Okay.

6 MR. STEVE SCARFONE: So, I will do
7 that. Although just before I depart completely from
8 the financial content of the closing, I -- I was
9 reminded that because the Capital Management Plan and
10 -- and the issue with the DVA funding is an issue that
11 we know is important to this Board, I forgot to remind
12 the Board that the version of the Capital Management
13 Plan that this Board didn't like last year, you heard
14 evidence from Mr. Kolaski that it's never been before
15 the new Board of Directors.

16 And so, the version that wasn't
17 approved by this Board last year contains that
18 discretion, if you can call it that, that the Board of
19 Directors has before fiscal year-end.

20 While the new Board of Directors, you
21 know, has to look at that particular version of the
22 CMP and decide for itself whether it wants to maintain
23 that -- that discretion, that unfettered discretion,
24 to transfer moneys to other areas of the business if
25 an unforeseen need was to arise.

1 And -- and so, while we've said in the
2 closing that we don't ever foresee a day when the
3 Corporation is presenting a Capital Management Plan
4 that has our Board of Directors with no ability to
5 service other lines of business, I just wanted to
6 mention that Mr. Kolaski did make that point, that it
7 would be put before the new Board for their input.

8 And so, I'll leave it at that and move
9 on to Vehicles for Hire, which kind of dovetails from
10 those last comments because last year, this Board also
11 didn't approve the framework that was before -- for
12 the Vehicle for Hire customers, and that was largely a
13 framework that looked to replace the existing time ban
14 models.

15 Those would have been decommissioned
16 under the framework and a new blanket policy would've
17 been in place for -- for those customers.

18 But the Board -- this Board
19 understandably lacked the necessary data to -- to
20 validate MPI's calculation of how it was going to
21 price that product, and -- and that was, in our view,
22 entirely understandable.

23 As this Board is well aware, some
24 difficulties arose with one (1) of the transportation
25 network companies that wasn't prepared to share its

1 data in this public forum, and that essentially put
2 the brakes on that -- that framework that was proposed
3 last year.

4 We've said that if the ride sharing
5 companies, perhaps Uber or even another TNC, was to
6 re-engage with MPI, the concept of a blanket policy
7 for the ride sharing companies may be reconsidered.
8 But for now, it would appear that the existing time
9 ban model will remain in place for all Vehicle for
10 Hire customers.

11 As it concerns the Intervener that --
12 that does take some interest in these matters, the
13 Taxi Coalition, MPIC, as the materials have stated, is
14 in ongoing discussions to develop a product tailored
15 to the taxi business model. This could include a
16 blanket policy specific to -- to taxis, but it would
17 also require some kilometre data from the taxi
18 industry.

19 That data is not currently shared with
20 MPI. So, we have before us the same issue with
21 respect to pricing a particular product without -- in
22 the absence of data to formulate that particular
23 rating variable.

24 We say in the closing that MPIC is
25 committed to its stakeholders, will continue these

1 ongoing discussions with the Taxi Coalition.

2 And to this end, MPIC has suggested a
3 technical conference in July of 2025 not unlike
4 perhaps the Vehicle for Hire technical conference held
5 in 2021; perhaps this time, though, it would be
6 restricted only to the taxi industry.

7 If that happens, MPI would share the
8 results and the analysis of the telematics project
9 that's currently underway. That initiative has a
10 bunch of devices installed in the -- in the cars to
11 record data on driving behavior, to help inform claims
12 frequency, and deal with the loss ratio for the
13 customer, and, to a lesser extent, to determine the
14 viability of a potential part-time model for taxicabs.

15 But now MPI understands that the taxi
16 industry, perhaps with the pandemic in the rearview
17 mirror, is no longer interested in a part-time model
18 with all drivers making use of all four (4) time bans.

19 So, that appears to be an issue that
20 will no longer be explored. The technical conference
21 would update the taxi industry on various insurance
22 models available for the Vehicles for Hire, including
23 perhaps a blanket model specific for the taxis
24 distinct from a TNC blanket policy, but those are
25 still in preliminary phases of development.

1 At this stage, as the material's
2 indicated, the Corporation requires further input from
3 the Taxi Coalition on transition to a dispatcher
4 purchased policy for Vehicle for Hire coverage.

5 MR. ANTHONY GUERRA: Okay, Mr.
6 Scarfone, if I can just add a couple of --

7 MS. STEVE SCARFONE: Sure.

8 MR. ANTHONY GUERRA: -- points here on
9 the -- on the issue of the -- the technical
10 conference, so a couple things.

11 So, first of all, the evidence is that
12 the telematics results and the results of further
13 discussions with the Taxi Coalition on the taxi
14 blanket policy are -- are still in flight and may not
15 be ready for a technical conference by that time.

16 So, while our intention is to certainly
17 host one, or to participate in one if that's the -- if
18 that's what is desired, the -- the reality is it would
19 have to be subject to the availability of us to be
20 able to present the information that would be
21 necessary to have a fulsome technical conference.

22 The other thing is, although we do
23 believe it would be limited to issues that would be
24 most important to the tax industry, we certainly don't
25 want to be seen as asking that a technical conference

1 be restricted to participants from the taxi industry
2 because, as we know, there are many different
3 stakeholders that have interests in -- in the
4 industry, and so it would just be subject to the -- to
5 those two (2) provisos.

6 MR. STEVE SCARFONE: Thank you, Mr.
7 Guerra. So, moving on now to the Driver Safety
8 Rating. Thank you, Ms. Schubert.

9 You've already heard that part of the
10 relief sought in this Application by the Corporation
11 are changes to the DSR scale in the form of adding
12 another level consistent with previous years.

13 Doing so would keep MPI on track to
14 reach DSR level plus 20 following the 2026 General
15 Rate Application. However, it should be noted the
16 Corporation is asking this Board that DSR 19 offer the
17 same vehicle premium discounts as DSR 18, which would
18 keep it consistent with the other relief sought in
19 terms of the pause on the movement towards actuarial
20 indicated rates for those vehicle premium discounts.

21 And so, not unlike with respect to the
22 discounted overall AAP, this principle of
23 affordability, we say, underlines this rate
24 Application and applies to this request, as well; that
25 is to hold in abeyance the movement of the DSR vehicle

1 premium discounts.

2 If the PUB orders the AAP determined
3 rate of 6.15 percent, the base premium at DSR level
4 zero would increase by 12.6 percent to off-balance the
5 discount adjustments; that is without the pause under
6 Order 145/'23, which has the Corporation moving
7 towards those actuarial rates.

8 Similarly, if the discount adjustments
9 are not held in abeyance and the PUB approves the
10 requested 3 percent overall rate increase, the base
11 premium would still rise by 9.3 percent. And that is
12 further to an Information Request that was responded
13 to that the CMMG sent to us in Round 1.

14 The surcharge at each demerit level on
15 the DSL -- DSR scale would increase affecting the
16 affordability of driver's licences for those
17 customers; that is if the pause is not agreed to by
18 this Board.

19 So, MPI argues that complying with the
20 Order from last year, 145/2 -- or two (2) years ago,
21 145/'23, regarding the discount adjustments would
22 counter -- would effectively counter the discounted
23 overall rate indication and hinder MPI's goal of
24 maintaining affordable rates as per its mission
25 statement and the evidence of Ms. Jatana.

1 Therein, at 6.11 you'll see that
2 there's reference to a combined methodology for DSR
3 level relativities. The minimum bias procedure
4 isolate, the effect of DSR levels on loss costs by
5 adjusting the correlations with other rating
6 variables, such as territory, insurance use, and rate
7 group.

8 This method organizes reported losses
9 and earned units by various factors, ensuring that the
10 effect of the DSR levels is accurately reflected in
11 the loss costs.

12 It provides a detailed and adjusted
13 view of how DSR levels impact loss costs and is used
14 throughout MPI's ratemaking methodology.

15 This fitted approach ensures a smooth
16 decreasing relativity line as the DSR level increases
17 from minus 20 at the bottom of the scale to the
18 proposed plus 20 at the top of the scale.

19 MPI uses regression analysis to fit the
20 curves to the DSR level relativities obtained from the
21 minimum bias procedure, aiming for the best possible
22 goodness of fit to the observed data measured by the
23 'R' squared variable.

24 This approach helps in calculating the
25 average loss costs and premiums for each DSR level,

1 ensuring a smooth transition and accurate
2 representation of the data.

3 And MPI brings this detail to the
4 Board's attention in response to the CAC's expert
5 witness who testified that the various levels don't
6 necessarily reflect risk, meaning someone that moves
7 towards the top of the scale might attract a different
8 risk than someone who is moving further down the scale
9 on the demerit side. And so, we say that the fitted
10 approach that MPI makes use of addresses this concern.

11 By combining these two (2) methods, MPI
12 ensures that the DSR discounts are both actuarial
13 sound and practically applicable. And the minimum
14 bias procedure provides the foundational data by
15 isolating the impact of DSR levels while a fitted
16 approach refines these results to ensure they are
17 practical and consistent across all DSR levels. And
18 this, MPI says, leads to a fair and balanced premium
19 calculations for the customer.

20 The DSR plays a role in MPI's insurance
21 system, of course. And under the registered owner
22 model, rates are determined based on several factors
23 that serve as proxies for overall risk. Those include
24 vehicle characteristics, intended use of the vehicle,
25 the territory in which the vehicle is being primarily

1 driven, and the Driver Safety Rating of the registered
2 owner, which captures claims history and driving
3 record and plays a crucial role in this regard.

4 Very briefly on the generalized linear
5 model, MPI has a journey -- an ongoing journey towards
6 implementing GLMs that began in the 2023 GRA, where
7 MPI submitted an initial Implementation Plan.

8 MPI then provided an update on this
9 plan last year. And for this year, we presented a
10 side-by-side comparison of the minimum bias procedure
11 and GLM derived rates for major class 1, that is
12 passenger vehicles, trucks, and motor homes, seeking
13 approval for transitioning to GLM in the 2026 General
14 Rate Application.

15 I won't go through it there, but an
16 analysis was performed to compare the two (2)
17 methodologies for major class 1. The primary
18 objective of MPI in introducing the GLMs is to
19 maintain stability and minimize dislocation while
20 enhancing the accuracy and transparency of the
21 ratemaking process.

22 MPI admits that the GLMs provide a more
23 statistically robust framework compared to the minimum
24 bias procedure, enhancing predictive accuracy, and
25 providing clear insights into factors affecting

1 premium determination.

2 And you'll see there before you the
3 transition plan where MPI plans to implement GLM
4 derived rates for major class 1 in next year's GRA --
5 GRA, as I mentioned, followed by a broader integration
6 across all major classes in the year thereafter.

7 So, the Basic insurance model was
8 another issue that was before this Board. You heard a
9 panel speak to the issues that are currently -- that
10 the Corporation is currently grappling with -- with
11 movement towards a driver model, something other than
12 the registered owner model.

13 So, BIM, as we call it, the basic
14 insurance model, is primarily concerned with that
15 existing registered owner model and movement toward
16 another model that better captures risk on the road.

17 As you heard from that Panel, the three
18 (3) potential future models include the primary driver
19 model, the listed driver, or the combined driver, each
20 of which is expected to reflect risk more accurately.

21 And in response to a comment made by
22 Board Chair Gabor, we inserted herein that MPI has in
23 fact, previously acknowledged in these proceedings
24 that the registered owner model allows customers on
25 the merit side of the DSR scale to register a vehicle

1 notwithstanding they may not be primarily driving that
2 vehicle.

3 And, of course, that would impact
4 whether MPI is accurately capturing the risk for that
5 particular vehicle.

6 And while that may be true, the
7 corollary to this of course is also true, and that is
8 that there are many vehicle owners who are primarily
9 driving that vehicle that also register that vehicle.

10 And so that we say would capture the
11 risk 100 percent in those situations where nobody else
12 is driving the vehicle except the registered owner of
13 that vehicle.

14 The difficulty MPI now has though given
15 the limitations of its legislation is determining
16 which of its customers are driving the registered
17 vehicle.

18 MPIC is of the view that it does not
19 currently have the legislative authority to reach out
20 to those registered owners and compel them to provide
21 us with the names of the people that are driving their
22 vehicle. That is the fundamental issue on moving
23 towards a new model.

24 Without this information, MPI is unable
25 to fully understand the financial implications of that

1 new driver model, including where its customers would
2 fall on the DSR scale and the degree of rate
3 dislocation for impacted customers.

4 And you may recall the evidence of Ms.
5 Campos where she indicated that 85 percent of MPI's
6 customers are claims free. So, while we have data,
7 it's data on only 15 percent of the customer base.

8 And so, we need to be able to have a
9 mechanism in place that would allow us to reach out to
10 the customer and get information from them to -- to
11 have us learn who's driving the motor vehicles that
12 are being registered.

13 So, in order to collect this data to
14 conduct the financial analysis and make an informed
15 decision on which model will be recommended to this
16 Board, MPI requires that changes be made to the
17 regulation under the MPIC Act.

18 So, the schedule of tasks under the
19 Project Plan was updated to include what the Board
20 heard about a public consultation that was performed
21 by Leger. And the report was circulated to the PUB
22 and the Interveners in advance of this Hearing.

23 The connection between the recently
24 completed public consultation and obtaining governance
25 approval to collect the driver information was

1 explained by Ms. Campos in that quote that's before
2 you.

3 I will -- I won't read the quote to
4 you, but the essence of that line of questioning was
5 that the Corporation thought, recognizing of course
6 that obtaining the authority to collect that data is
7 critical to the success of this transition to a new
8 model, the government would want to be satisfied that
9 the customers were onboard with the transition -- with
10 the proposed transition.

11 And so, the evidence of Ms. Campos was
12 -- and you'll see there that I asked if the results of
13 the Leger study -- the Leger study would help inform
14 the government in that regard, and she agreed. As she
15 said, I think it adds additional information for
16 government on what the public sentiment is. And our
17 hope is that it will, of course, encourage and
18 continued to encourage the conversation with
19 government to be able to provide us the authority for
20 the regulatory changes.

21 And so, while the consultation set the
22 plan back, if you will, by about twelve (12) months,
23 we think that the information that was obtained in
24 that report by Leger is going to be an important piece
25 to gaining that approval from the government of

1 Manitoba to provide the regulatory change, to collect
2 the data, and to move forward with the financial
3 analysis.

4 And you also heard from Ms. Campos that
5 the next step in the plan is already underway, and
6 that is the regulation changes. The report from Leger
7 was recently shared with government. And MPIC is
8 currently in discussion with government about approval
9 for regulations for the data collection.

10 MPI now estimates that the pricing
11 analysis from that data would occur near the end of
12 2026. The Corporation aims to have a recommendation
13 for a new driver model to the PUB in the 2028 General
14 Rate Application.

15 And I'll ask Mr. Guerra to carry on
16 with the Basic program costs.

17 MR. ANTHONY GUERRA: Thank you, Mr.
18 Scarfone. So, the costs paid or forecasted to be paid
19 under coverages provided under the Basic program are
20 the Basic claims incurred, which is comprised of
21 following categories.

22 We have physical damage, collision,
23 Comprehensive, property damage, and PIPP accident
24 benefits other, and public liability.

25 Because of changes in IFRS 17

1 accounting standard, the statement of operation no
2 longer presents the claims incurred line item as -- in
3 its proformas. And so, going forward, what this Board
4 will see is that the incurred claims will be included
5 within the insurance service expense, which for the
6 2023/2024 fiscal year actual was 1.27 billion.

7 This reflects an overall increase of
8 132.9 million, or 11.6 percent, from the amounts
9 estimated in last year's Rate Application. The
10 overall change was largely a combination of the
11 increase of 32.8 million due to the impact of claims
12 reserves of interest rate increases and 170 million in
13 Comprehensive claims, 72.4 million collision claims
14 offset by a decrease of 6.1 million in other claims
15 incurred.

16 The projected insured service expense
17 for 2024/'25 is 1.13 billion and reflects an overall
18 decrease of 46.8 million from the 1.18 billion
19 estimated in the 2024 GRA.

20 The change is primarily due to a
21 combination of a decrease in attributable claims under
22 IFR 17 changes and lower collision claims, a \$15.2
23 million decrease in other incurred claims, which was
24 offset by \$50 million higher expected claims costs.

25 The projected insurance service expense

1 for 2025/'26 is 1.22 billion, which is 3.6 million
2 higher than the amount estimated last year. And the
3 overall change in that situation is due to increase in
4 collision and Comprehensive claims costs, which is
5 offset by a decrease in expenses attributable to
6 claims under IFRS 17 changes.

7 For '26/'27, the insure -- the
8 projected insurance service expense is 1.28 billion,
9 which reflects an increase of 39.2 million from the
10 amounts that were presented last year. And, again,
11 this change is largely due to increase in collision
12 and Comprehensive, which is offset by decreases in
13 expenses attributable to IFRS 17 changes and other
14 incurred claims.

15 The increase in claims costs. So, this
16 Board this year, the evidence that was before the
17 Board suggests that there are multiple factors that we
18 see resulting in increase in claims costs in the 2025
19 GRA.

20 Significant driver is the rising
21 severity of physical damage claims. The increase is
22 largely due to growing complexity of vehicle
23 technology, which makes repairs more expensive. And
24 just again to recall a visual, you'll recall my
25 friend, Mr. Bowering, presented a slide on the -- the

1 Ratemaking Panel, I believe it was, that outlined the
2 unique parts that are now available for different
3 makes of vehicles.

4 So, a Honda Accord from ten (10) years
5 ago no longer resembles a Honda Accord from -- from
6 now, and the bumpers even themselves are -- are much
7 more complex.

8 In addition to that, the cost for parts
9 and -- and labour have risen, which is further driving
10 up expenses associated with vehicle repairs and total
11 losses. And what we're seeing is the increased
12 prevalence of the advanced driver assistant systems,
13 or ADAS, which results in higher repair costs.

14 So, those driver assistant systems that
15 should make it less likely that you'll be in a
16 collision also makes it more costly to repair your
17 vehicle when you are in a collision.

18 These systems require specialized parts
19 and labour for calibration and repairs, which
20 ultimately adds to overall claims expenses.

21 And there's also been a notable rise in
22 glass claims rather with more claims exceeding the
23 Basic deductible, and this is probably due to higher
24 costs associated calibrating the advanced systems even
25 within the glass.

1 There are special safety systems that
2 need to be calibrated. And additionally, fluctuations
3 in the value of used vehicles have impacted total loss
4 claims, which has necessitated adjustments to our
5 forecasts.

6 The issue of EV, or electric vehicles,
7 was discussed this year as well. The evidence has
8 been that so far, the impact has been minimal on
9 claims costs. So, the PUB heard that in our fleet EVs
10 represent below 1 percent of the total fleet and the
11 current count for registered vehicles in Manitoba is
12 three thousand three hundred and sixty-four (3,364)
13 and eighteen thousand three hundred and eight (18,308)
14 for hybrid vehicles.

15 And so, while this number is expected
16 to rise, the adoption rates are noted not to be as
17 high in Manitoba, at least as of yet.

18 Another topic that was obviously
19 discussed at some length this year was inflation.
20 Because it plays a crucial role in escalating claims
21 costs, the general rise in prices has affected the
22 cost of vehicle repairs, parts, labour, and this adds
23 to the financial burden on MPI.

24 In response to an undertaking, MPI
25 provided at forecast for 2024/'25 period and beyond

1 for weekly indemnity accident benefits using updated
2 lower inflation rates from the October updates.
3 You'll find that at MPI Exhibit number 33.

4 MPI compared the forecast of Manitoba
5 inflation as of March 31st, 2024, used in the 2025 GRA
6 July submission with the forecast from the August
7 31st, 2024, October update.

8 And the changes forecasted in Manitoba
9 inflation for 2024 accident year between the two (2)
10 dates were largely due to lower gas prices. However,
11 it is noted that these lower gas prices might not
12 impact future wage or medical inflation, potentially
13 resulting in future severity trends for weekly
14 indemnity and accident benefits other index. That
15 could be understated for next year if that inflation
16 is not accurately captured.

17 Further, providing the updated claims
18 forecast for weekly indemnity and accident benefits
19 other indexed, MPI's response included detailed
20 calculations for the average required premium for the
21 rating year 2025/'26, and that would result in a 6.5
22 percent rate increase instead of the AAP rate of 6.77
23 percent.

24 The integrated cost allocation
25 methodology was discussed this year. And the evidence

1 is that it has not -- has not changed, but I would --
2 I would prefer that we use the language 'has not
3 materially changed' from the Deloitte allocation
4 methodology approved in PUB Order 157/'12.

5 And so, as we explained in response to
6 various PUB Information Requests we received, the
7 primary allocator associated with service centre
8 related allocations was changed to address the need to
9 split expenses between acquisition, maintenance, and
10 operating as required under IFS 17.

11 Under the old allocation, so IFRS 4,
12 the split between insurance and noninsurance related
13 full-time equivalents for service centre operations
14 was 74.56 percent.

15 And 25.44 percent study of the service
16 centre tasks was updated for IFRS 17 and showed that -
17 - showed an 8.46 percent increase to noninsurance
18 related activities and tasks, so from 25.44 percent to
19 33.90 percent.

20 The transition to IFRS 17 did not
21 change the cost categories under the integrated cost
22 allocation methodology and no accounting units were
23 added or deleted, although some units were assigned to
24 different categories.

25 The remaining purification process was

1 unchanged. In addition, as asserted in a response to
2 a PUB Information Request on the screen, the manner in
3 which MPI determines whether costs are insurance or
4 noninsurance related has not changed; Only the
5 allocator changed as described as above.

6 So, as described by our Director of
7 Finance and Accounting, Ms. Dorothy Scott, and
8 explained above in section 2.2 of our presentation,
9 Basic and Extension are considered one (1) portfolio
10 under -- or under IFRS 17 and, therefore, audited
11 together, which means Basic cannot be separated for
12 external audit.

13 While the split of actual costs between
14 the four (4) lines of business is audited at fiscal
15 year-end by MPI's, external auditors, Basic operations
16 as a whole is now presented in an unaudited form.

17 As part of MPI's organizational review
18 in 2023, Ernst & Young reviewed the integrated cost
19 allocation methodology but didn't indicate the
20 requirement for any changes.

21 Some alternative methods were proposed
22 but were not incorporated into the ICAM that was
23 presented in the 2020 GRA.

24 And a new schematic under IFRS 17
25 didn't change the methodology in the cost allocation

1 flow chart from the 2024 GRA. So, as seen in PUB
2 Information Request 1 -- MPI 187, levels 'A' to 'E'
3 from the 2024 GRA were replaced by steps 1 to 5 and
4 levels 'B', 'C', and 'D' have been compressed into
5 step 5, but a comparison of the two (2) tables shows
6 that the same final allocation occurs by line of
7 business.

8 So, at the end of the day, the primary
9 change was to process. And the schematic is required
10 to be modified in order to accommodate the transition
11 to the new accounting standard.

12 Maintenance expenses for the rating
13 year '25/'26 decrease from forecasted in the 2024 GRA
14 to 142.1 million. The updated for -- updated forecast
15 for maintenance expenses slightly increases that from
16 142.107 to 142.122, and this is as a result of changes
17 to claims incurred.

18 Operating expenses. Those were 95.5
19 million for 2324, budgeted to be 96.1 million for
20 '24/'25. In the upcoming rating year, operating
21 expenses are forecasted to be 95.5 million for '25/'26
22 and 94.9 million for '26/'27.

23 Consistent with the Order from two (2)
24 years ago, MPI continues to defer initiative expenses.
25 The total amount of these expenses for the 2024 rating

1 year was 26.3 million. For '25 -- for the '25 GRA,
2 the deferred amount is an average of 15.4 million.

3 Salaries and benefits were reviewed
4 again. In the 2024 GRA, MPI budgeted Basic total
5 compensation for the '23/'24 fiscal year at 145,
6 rather 0.7 million. Actual were lower, at 133.8
7 million. And the incur -- current fiscal year,
8 rather, the total Basic compensation in 2024 was 142.1
9 million, now 141.2 million for the 2025 GRA.

10 And for the upcoming rating period,
11 it's now forecasted to be 146.5 -- sorry, 140.6
12 million for '25/'26 and 145.3 million for '26/'27.

13 In each case, the forecast represents a
14 decline from the '24 GRA. MPI reports that due to the
15 impacts of the strike, salary expenses for '23/'24
16 were 16.3 million lower than forecasted in 2024 GRA.

17 For the '24/'25 fiscal year, MPI
18 reports that salary expenses are 4.9 million higher
19 compared to the -- excuse me -- compared to the '24
20 GRA. And due to the results of the economic increases
21 related to the new collective bargaining agreement,
22 for the upcoming winning year, salary expenses are
23 expected to be similar to the 2024 GRA.

24 In the '23/'24 fiscal year, MPI had an
25 actual staff compliment of seventeen hundred and

1 forty-eight (1,748), approximately three hundred (300)
2 less than budget, which is attributable to the impacts
3 of the labour interruption.

4 For '24/'25, corporate staffing is
5 budgeted at twenty-one twenty-two (2,122), less than
6 the twenty-one fifty-six (2,156) forecasted in '24
7 GRA.

8 For the '25/'26 year, MPI budgets a
9 toll corporate staffing compliment of two thousand
10 eighty-eight (2,088). Of this, MPI budgets thirteen
11 fifty (1,350) to Basic.

12 MPI also presented the results of its
13 recent corporate restructuring exercise which reduced
14 management positions from a hundred and seventy-four
15 (174) in 2023 to a hundred and forty-two (142) in May
16 of 2024. And in July, MPI reported a hundred and
17 twenty-seven (127) filled management positions,
18 reducing its management -- excuse me -- reducing its
19 management compliment rather, MPI also increased its
20 spans of control.

21 In consultation with the IT division,
22 the long-term vision is established for data
23 processing, which represents costs associated with the
24 maintenance and licensing of computer hardware,
25 software, and system Applications.

1 So, in '25/'26, the data processing
2 forecast is 41.947 million and 42.7 million for
3 '26/'27. These are approximately 20 -- 2.5 million
4 and 2.9 million higher than the forecast for the '24
5 GRA and primarily related to the use of external
6 labour and includes licensing costs which increases as
7 MPI shifts to more cloud-based services.

8 The views as previously shown in MPI's
9 statement of operations under IFRS 4, claims expense,
10 operating expense, road safety expense, and regulatory
11 expense are no longer available, so we are unable to
12 comment specifically on those as might have been
13 reported previously.

14 But I can advise that MPI's budget for
15 the 2025 GRA was developed using a top-down approach.
16 MPI has not -- excuse me -- at the time, MPI had not
17 finalized its Corporate Strategic Plan, and so it was
18 form -- formed using that Plan, but also explained the
19 rationale for using the top-down approach for the
20 creation of the 2025 GRA budget was essentially
21 because of the current instability or the stability
22 situation that we were wanting to obtain.

23 So, this is a quote from Mr. Kolaski,
24 and I -- I won't read it verbatim, but it does provide
25 the rationale that was used by MPI to create the 2025

1 GA budget and the use of the top-down approach.

2 With the presentation of the multiyear
3 Corporate Strategic Plan, MPI confirms that it will
4 now be factored into the development of the operating
5 forecasts and future GRAs.

6 Another topic of GRA -- excuse me --
7 another topic in this GRA was the budget timeline and
8 alignment with the estimates package submitted to
9 treasury Board secretariat.

10 The current process is not aligned and
11 results in a disconnect between the budgets prepared
12 for and presented to the PUB and the budgets prepared
13 for and presented to TBS.

14 MPI has indicated that it creates -- or
15 it -- this situation creates real issues for it and
16 has raised concerns in this GRA that a clear process
17 that reduces its administrative burden enhances -- or
18 ensures consistency and ultimately proves accuracy of
19 results is desired.

20 And so, Mr. Kolaski has indicated in
21 his evidence before this Board that he desires -- and
22 -- and we support a dialogue with this Board on ways
23 in which we can work to ensure alignment between the
24 budgetary processes for both PUB and TBS. And
25 certainly, we hope that that dialogue continues.

1 We've already addressed the issue of
2 broker commissions and premium taxes above, so I'm not
3 going to go into much more detail about that. But in
4 terms of information technology, our friend mentioned
5 that an IT summit was held in May of this year in
6 which information was shared with the PUB and
7 consultants regarding the new divisional overview, It
8 staffing, external labour, IT benchmarking, and the
9 strategy business capability models, lean portfolio
10 management, and Agile delivery.

11 Also talked about NOVA, but that will
12 be addressed further in the NOVA Panel -- or the NOVA
13 section of this closing.

14 In terms of the divisional changes, we
15 saw a lot of new faces this year before the PUB, and
16 it's gone through some significant divisional and
17 personnel changes in recent years.

18 The appendix to PUB Information Request
19 119, rather, details the new divisional structure for
20 the information and technology division. Mr. Roy Hart
21 is now our new chief information technology officer.
22 Shawn Campbell is our director of cybersecurity and
23 Enterprise architecture, Chad Muir, Director of
24 strategic sourcing and vendor management, Jennifer St.
25 Laurent, our director of major program delivery, Lynn

1 Onofreychuk, our manager of project accounting and
2 value assurance, and Ryan Kolaski, our chief financial
3 officer made up the panel for IT, IT Benchmarking and
4 Value Assurance.

5 The objective of this division is
6 twofold; first, support the business and ensure good
7 guidance and, sorry, second, to ensure good guidance
8 around cybersecurity infrastructure rather and the
9 overall operation of IT.

10 And we talked a little bit about the --
11 THE level of support here. So, 70 percent goes to
12 supporting the business and 30 percent goes to
13 supporting the -- the health of the IT function
14 itself.

15 As to the strategy for the 2024/'25
16 period and the five (5) year roadmap, Ms. St. Laurent
17 provided evidence regarding the shift in its approach
18 to project management and acknowledged that there was
19 tremendous value in using a hybrid approach. This
20 hybrid approach will contain elements of Waterfall
21 methodology and metrics and Agile delivery, using
22 important elements of the different methodologies for
23 the work done in IT.

24 By using this approach, IT will be able
25 to tailor delivery based on maximizing the benefits of

1 each method within the context of particular
2 initiatives.

3 This Panel also heard that MPI's IT
4 roadmap is in its early stages of development and has
5 not been presented yet to its Board of Directors for
6 discussion. It will play an important role in
7 defining the direction of the IT strategy.

8 It continues to be driven by the
9 corporate strategy primarily, and, secondarily, by the
10 binding contracts which measure such -- sorry --
11 binding contracts such -- and such measures with
12 respect to technology that operate and are maintained
13 by MPI.

14 Mr. Campbell advised that it will be a
15 multistep process to develop the strategy,
16 understanding the long and short-term objectives
17 rather of MPI and devising Enterprise architecture
18 roadmaps to fit with the objectives rather of the
19 Corporation.

20 This is a critical component in
21 maintaining MPI's cybersecurity, which includes
22 safekeeping Manitobans' information.

23 On the issue of IT benchmarking, we
24 heard from Gartner again this year. The information
25 and technology benchmark report for the 2223 fiscal

1 year was discussed in this year's Rate Application.

2 The Gartner report development process
3 included a benchmarking of IT spending and staffing,
4 discovery into the maturity of MPI's IT service
5 management processes, interviews with IT, BT
6 management and -- sorry, that should be IT and -- and
7 business transformation management and validation of
8 results with MPI.

9 And that's why there's a disconnect
10 between the period in which the report is first
11 generated and the time that the PUB receives it. We
12 heard evidence that that process does take some time.
13 There needs to be a provision of financial
14 information, which sometimes takes a while for it to
15 be ready and available to the -- the third party, in
16 this case, Gartner. And then, also, that meeting
17 process with interviews also does take some time.

18 So, we did go through the -- the level
19 of time that it has historically taken for this
20 information to be before the Board. And -- and I
21 would also note in this case that the evidence was
22 that MPI has increased the level of the benchmarking
23 report, which has added obviously to the complexity
24 and the amount of time that is required to prepare it.

25 The Gartner report indicates that MPI

1 should obtain a high maturity level score in areas of
2 security and risk management. MPI is committed to
3 maintaining a strong defense against cybersecurity tax
4 -- attacks rather and holds -- because it holds
5 critical information from Manitobans and rightfully
6 takes pride in protecting that information seriously.

7 So, there's a quote there. I'm not
8 going to spend too much time talking about it. But
9 all that is to say is that MPI does and continues to
10 take cybersecurity threats very seriously.

11 In addition to outlining the areas of
12 success in IT benchmarking, the Gartner report
13 provides indications where MPI can improve. And MPI
14 acknowledges the most recent benchmarking indicates a
15 decrease in maturity from the previous report in the
16 areas of infrastructure and operations, Enterprise
17 architecture and operations and applications.

18 Part of the strategy roadmap the Board
19 heard is that MPI will place emphasis on play -- on
20 maintaining its strengths and prior -- prioritizing
21 the areas of concern.

22 And in regards to the five (5) year
23 agreement with Gartner, MPI has concluded that
24 agreement, but its -- its position that while the
25 process remains valuable, benchmarking should be --

1 should be limited perhaps to two (2), three (3) years
2 so that MPI can come back and -- and show that it has
3 made progress in between reporting times because often
4 it takes longer than one (1) year for us to be able to
5 move the needle in the right direction.

6 On Project NOVA. The update on this
7 year is that the budget -- sorry -- that this year is
8 not a budget related, but rather it's an operational
9 update.

10 So, MPI has presented no changes to the
11 2022 re-baseline budget for NOVA of 290 million,
12 obviously including the contingency in that case. The
13 focus this year rather was on Released 1 and 2, both
14 of which have been launched, and Release 3, which
15 required an extension of the discovery process by
16 approximately ten (10) weeks and will complete towards
17 the end of this -- this calendar year.

18 MPI witnesses, including the Vice-
19 president and Chief Information Officer, Mr. Hart,
20 were candid about the launch of at Release 1. And I
21 hope that this Board has seen a shift in tone and
22 approach from MPI leadership in terms of its -- its
23 messaging and its views on -- on NOVA. And Mr. Hart
24 admitted that the release was -- was not successful.

25 The number of enhancements he said was

1 larger than he would've expected. But he also
2 explained that the Remediation Plan for R1 is underway
3 and that we will see continued migration of SRE
4 policies into Duck Creek platform as soon as possible.

5 There occurred a pause in the
6 remediation work because of an upgrade required to the
7 Duck Creek software, which he mentioned was
8 successfully completed at the end of last month.

9 And the upgrade will now allow for the
10 resolution of thirty (30) core defects and upgoing --
11 and ongoing upgrades to help avoid service disruption.

12 Following the implementation of core
13 defect resolution, MPI will shift focus to the
14 interrupted policy migration. So, we heard that five
15 thousand (5,000) -- roughly five thousand (5,000) SRE
16 policies have been migrated, and there's about seven
17 thousand (7,000) left to be migrated, so that work
18 should be able to commence fairly soon.

19 The second major release for NOVA R2
20 went live in June of this year. Release 2, the
21 registration platform, serves the commercial customers
22 enrolled in the International Registration Plan, or
23 IRP.

24 While a small portion of Release 2 was
25 deferred to R3, the online functionality is now

1 included within the same portal work required for the
2 broader customer base for Release 3.

3 So, I believe we heard from Mr. Dessler
4 on that point, that it -- it made sense -- or maybe it
5 was Mr. Hart quoting Mr. Dessler, that it made sense
6 to defer the scope because of the inclusion of that
7 work in the same portal of -- of services that would
8 be provided under Release 3 in any event.

9 Mr. Hart testified that Release 2 was
10 very successful with minimal challenges. It's fully
11 operational now with approximately thirty-seven
12 hundred (3,700) successful transactions. And now that
13 the warranty period has elapsed, MPI can now begin the
14 process of decommissioning or shutting down the -- the
15 Legacy IRP system.

16 With the launch of R2, all the core
17 technology that is required for Project NOVA, in that
18 case, we have Duck Creek, we have Celtic, and we have
19 -- what's the third one -- Dynamics. In any event,
20 all the core technology is now stood up, and -- and
21 MPI can begin to focus on augmenting that technology
22 or -- or configuring the technology for use for
23 Release 3 and Release 4.

24 Release 3 remains in the discovery
25 phase until the end of 2024, as MPI mentioned, and MPI

1 has engaged Accenture as the solutions management
2 vendor to lead discovery and the overall delivery of
3 Release 3.

4 The product of Release 3 discovery
5 process is referred to as the Integrated Project Plan
6 and is expected to commence once the requisite
7 approval from the MPI board of directors is obtained.
8 Given the expected completion date for the discovery
9 phase of Release 3, MPI will be again updating
10 stakeholders, including the PUB, and proposes that
11 this be completed by way of a special sitting in early
12 2025.

13 So, we can have a chat about -- about
14 that, but that is the recommendation of -- of MPI at
15 this point, is that a special sitting of this Board be
16 held in early 2025 to receive an information update on
17 the status of Release 3.

18 What is known at this time about
19 Release 3 is that it will be comprised of seven (7)
20 sub-releases organized by impact to customer with core
21 development completed in advance of the provision of
22 online service delivery to MPI customers.

23 Although little was said about Release
24 4, which is our claims release, that was for good
25 reason because MPI does not plan to embark upon

1 Release 4 discovery until it is confident with the
2 approach that it will take for Release 3.

3 The new governance vendor MNP has been
4 in place since September of 2023. And while MNP has
5 provided -- provided the reports from the previous
6 vendor, PwC, Mr. Qureshi testified that they relied
7 upon the findings and recommendations of PwC very
8 little, opting instead to gather their own evidence
9 and conduct their own analysis.

10 MNP did not make use of the opinions of
11 management of PwC in identifying risks for NOVA and
12 providing critical advice for acting upon those risks
13 -- mitigation and resolution, for example. MNP
14 instead established a clean slate, according to his
15 evidence.

16 During the eleven (11) month that
17 intervened between PwC and MNP engagements, MPI
18 employed a measured approach for Project NOVA,
19 focusing only on the final implementation stages of
20 SRE, the Release 1, and continuing to develop the
21 functionality testing for Release 2, IRP.

22 When governance -- when the governance
23 vendor MNP was onboarded, the work for Release 3
24 discovery began, and that's when MPI began managing
25 risk under the continuous audit of its new governance

1 vendor.

2 Project NOVA will have an impact across
3 the organization. The allocation of NOVA costs is not
4 fixed, but in this GRA, the allocation of expenses
5 remained essentially unchanged, with the ongoing
6 discovery of Release 3.

7 In the 2023 GRA, the allocation
8 methodology had 20.5 percent of the cost of NOVA
9 assigned to Basic, about 46 million, and if you
10 recall, MPI estimated in 2022 that nearly one half of
11 the cost of NOVA would be allocated to the DVA
12 business.

13 Last year, Basic's share of the NOVA
14 expenses increased to 31 percent or 72.4 million and
15 remains as indicated the same, given the status of
16 Release 3 discovery ongoing.

17 The discount rate for Project NOVA
18 remains at 7.5 percent owing to the risks that have
19 been mitigated by MPI concerning the net present
20 value, or NPV.

21 Mr. Hart did not necessarily endorse an
22 earlier stated position of -- of MPI at these
23 proceedings, that it has no application to the
24 program, like Project NOVA. But instead, he testified
25 that NPV is one measure that can be used for the

1 program.

2 He added the NPV for NOVA is not a
3 terribly useful measure when replacing large systems
4 like NOVA because it omits a significant amount of
5 risk and does not capture those factors associated
6 with maintaining Legacy systems that are -- are no
7 longer maintainable.

8 There's a renewed sense of optimism
9 regarding Project NOVA, not only with respect to the
10 launch of the first two (2) releases. The recent
11 reorganization -- or organizational change in
12 management, increased end user representation and
13 program governments (sic), but also critical roles now
14 firmly established, including the vice president and
15 chief information technology officer and the director
16 of major program delivery.

17 Another quote here is in terms of how
18 that governance has changed, and I'll -- I'll leave it
19 for the Board to review that. Mr. Hart, though,
20 testified that his intention is -- as he moves forward
21 with Project NOVA is that past opinions and attitudes
22 of others, while not discounted, are in the past.

23 His view, with the current executive
24 now in place and with support from the new chief
25 executive officer, is that MPI is now better

1 positioned to deliver on a program like Project NOVA
2 perhaps than ever before.

3 On the issue of value assurance, the
4 panel testified that, along with it and it
5 benchmarking, there have been some slight changes made
6 to the team. And now that team is under the -- under
7 the finance division where it shares a connection with
8 project accounting.

9 Previously that team was aligned to
10 large scale transformation, and now it is more level
11 set to the expected pace and capability of the
12 organization. So, it's a smaller team consisting of
13 approximately three (3) FTEs focused on supporting the
14 business case process, metrics, insights ,and benefit
15 realization projects with budgets of more than five
16 hundred thousand dollars (\$500,000).

17 The capital master summary, or CMS,
18 provides a high-level overview of all capital
19 expenditures within MPI and serves as a key financial
20 document that outlines the planned and actual capital
21 investments. And the 2022/'23 year, MPI shifted from
22 the use of annual capital budgets to the
23 implementation of a scaled Agile framework That
24 includes the use of funding envelopes or focus areas.

25 The budget of 24.4 million was

1 allocated to focus areas in '23/'24, but due to the
2 labor interruption, leadership changes, and shift
3 priorities was only 6 million was -- sorry, only 6
4 million was spent, which meant an underspend of 8.5
5 million.

6 During last year's Rate Application,
7 MPI advised that the process used to develop and
8 manage funding envelopes was not meeting its needs,
9 acknowledging a need for realignment to support the
10 strategy and portfolio management.

11 So, the value assurance team now uses
12 three (3) portfolios of work: strategic portfolio,
13 managed work portfolio, and the renewal and
14 maintenance portfolio. And MPI has shifted away from
15 the use of funding envelopes, as previously indicated.

16 The total budget for '24/'25 is now 14
17 million, which includes a 4.7 million carryover from
18 '23/'24. Sixteen (16) projects are continuing from
19 the '23/'24 and '24/'25 fiscal years. The \$14 million
20 budget breaks down to 7.6 million for strategic, 6
21 million for renewal maintenance, and three hundred and
22 seventy-five thousand (375,000) for managed work.

23 In 2024 in March, the Strategy to
24 Execution pipeline was introduced with an intake
25 function responsible for funneling, categorizing,

1 segmenting, and prioritizing work and ensuring all
2 initiatives are monitored until completion.

3 All initiatives are gathered into a
4 single integrated corporate portfolio or ICP, and this
5 ICP contains all ongoing planned projects. For
6 '25/'26, MPI has a total budget of 14,000, 8 million
7 for renewal and maintenance, 1 million for managed
8 work, and 5 million for strategic.

9 Mr. Kolaski testified that 14 million
10 was high based on historical spend and that the
11 request for Treasury Board approval will decrease that
12 to 9 million, which will allow MPI to refocus and
13 ensure that it can execute NOVA, given the scale,
14 scope, and complexity of that project.

15 So, the number of projects identified
16 as software service -- software as a service rather or
17 SaaS, is increasing, which has an impact on the
18 financial accounting as SaaS costs must be recorded in
19 the period incurred. So, SaaS costs are treated as an
20 operating expense rather than as a capital expenditure
21 decreasing capital assets on the balance sheet.

22 And as per the value assurance team,
23 the costs are now -- costs are now period costs as
24 opposed to capitalized and deferred, and that s
25 reflected as such in the 2024 to 2027 fiscal years.

1 Benchmarking. We talked a little bit
2 this year on the -- the problems that MPI has been
3 experiencing with comparing premiums. So,
4 benchmarking across jurisdictions is still a
5 challenge. In 2024, MPI relied on thirty (30)
6 profiles designed by EY for the Canadian private
7 passenger vehicle insurance rate comparisons.

8 The diversity of these insurance
9 products, benefit levels, access, tort versus non-tort
10 fault models introduces significant subjectivity into
11 the data and analysis. Additional challenges include
12 the lack of -- of publicly available quotes, limited
13 access to direct-to-consumer and direct-to-broker
14 online quoting services, and difficulties in obtaining
15 a credible sample size of carriers for percentile-
16 based comparisons.

17 And early this year, MPI contacted the
18 Insurance Bureau of Canada and the Canadian Auto
19 Insurance Rate Regulators to obtain auto insurance
20 premium information for benchmarking.

21 Data was received only from IBC, which
22 calculates the average price paid by dividing total
23 PPV premiums, price per vehicle premium -- or revenue
24 by the number of insured price per vehicles. This
25 comparison is based strictly on premiums without

1 information on coverage or benefits in those
2 jurisdictions.

3 So MPI ployed -- employed rather three
4 (3) approaches to premium rate comparisons this year.
5 First, it compared the IBC average written premiums
6 for private passenger vehicles. Second it compared
7 private passenger vehicle average growth, premium
8 growth, from Stats Canada. And third, it updated the
9 2022 rate comparison report.

10 Each approach had issues, and those
11 were identified by Ms. Low's team. The first approach
12 reflects affordability but does not account for
13 product differences between provinces, and also other
14 -- other public auto insurers didn't participate in
15 that exercise.

16 The second approach, while valid, is
17 based on fixed profiles that must be assumed to
18 reflect Manitoba profiles.

19 And the third approach, also profile
20 based, uses high-level assumptions that may become
21 outdated and lack credibility over time.

22 As a result, MPI says that it's no
23 longer able to meet the minimum filing requirement to
24 provide the cross-Canada rate comparisons due to the
25 vast volume of data required and the lack of access to

1 private premium tables.

2 So MPI is seeking PUB consideration to
3 move away from this minimum filing requirement to a
4 premium rate -- excuse me -- related to the premium
5 rate comparison.

6 And so, what would replace that? Well,
7 MPI heard that one metric -- metric that MPI is
8 considering is the average premium as a percentage of
9 median income. And we talked about that in terms of
10 reference to the new multi-year corporate strategy and
11 a -- a key metric of that strategy.

12 And MPI produced evidence from the
13 Alberta Rate Board report, which showed the average
14 after-tax income spent on auto insurance in Manitoba
15 is 2.8 percent.

16 Crown benchmarking. So, since 2018,
17 2019, MPI has used the Crown Corporation benchmarking
18 exercise to compare its performance on key financial
19 measures with SGI and ICBC. There are differences,
20 however, in the operating cost structures, the capital
21 management and delivery systems from those crowns, and
22 that makes comparing us to them challenging.

23 Additionally, while MPI and ICBC
24 aligned their metrics to account for IFRS-17 changes,
25 that alignment wasn't achieved with SGI, and therefore

1 the results should be interpreted within that context.

2 MPI filed the results of the 2022/'23
3 Crown benchmarking exercise in this Rate Application,
4 and the results indicate that MPI generally ranks
5 somewhere in between SGI and ICBC.

6 Compared to the previous fiscal year,
7 there is a decline in many metrics, highlighting the
8 need for improvement. And MPI also provided
9 comparative benchmarks for the fiscal years of
10 2017/2018 to 2022/'23. Most notably, though, this
11 year, we discussed the customer service measures, and
12 MPI reinforced the importance of presenting the PUB
13 with -- sorry, emphasized the importance of -- of the
14 customer experience by presenting the results of the
15 Forrester Research Report from the 2023/'24 year.

16 So, the Forrester CX index score
17 declined slightly from 69.9 last year to 69 this year,
18 which placed MPI in the okay range. MPI aims for a
19 score of 80 or better and expects at least a 70. So
20 that's some context there.

21 The result is bittersweet for MPI. The
22 survey highlights several areas needing improvement,
23 such as overall satisfaction with physical damage and
24 injury claims, which were significantly lower than
25 last year and below MPI's good threshold range.

1 These results reflect the challenges of
2 the previous year, though, including historic hail
3 event and a ten (10) week strike. MPI has since taken
4 measures to improve customer service communication,
5 timeliness of the claims process, improved cycle
6 times, and the quality of the information provided to
7 customers.

8 On the upside, MPI's score is ahead of
9 the overall industry in Canada and on par with private
10 insurers, though it lags behind SGI. MPI also takes
11 some solace in the fact that the score only slightly
12 decreased despite the difficult circumstances from the
13 past year.

14 I'll turn it over to Mr. Scarfone now
15 to talk about investments.

16 MR. STEVE SCARFONE: Madam Chair, just
17 keeping the Board informed on the roadmap, we have
18 investments, road safety, Mr. Guerra's going to make a
19 few comments on the public presentations that were
20 heard at the outset of this hearing, and then we'll
21 conclude. So, I expect we'll be no more than about
22 thirty (30) minutes, if we want to keep moving
23 forward.

24 PANEL CHAIRPERSON: Yes, Mr. Scarfone.
25 Let's continue. And there will be Board questions I

1 expect. We'll see where we're at when you're finished
2 in terms of a break for the afternoon, okay?

3 MR. STEVE SCARFONE: Okay. Thank you.
4 So as Mr. Guerra said, I'm going to now deal with the
5 investments part of this submission dealing firstly
6 with the objectives.

7 The Basic line of business, as this
8 Board knows, has three (3) portfolios: the Basic
9 claims portfolio -- that's the big one, the RSR
10 portfolio -- the rate stabilization reserve, and
11 employee future benefits, the EFB portfolio.

12 Those have been segregated now since
13 the 2017 asset liability management study. Important
14 to note that the investment objectives of these three
15 (3) portfolios have not changed.

16 The Basic claims portfolio is there to
17 ensure funds are available to pay the claims and to
18 hedge risks associated with the liabilities, and those
19 liabilities -- the risk to those liabilities, of
20 course, is interest rate changes and to a lesser
21 extent inflation, and so hence we have the Asset
22 Liability Management Program in place.

23 So, although it's been set out in this
24 Application and you heard it again from witnesses at
25 this oral hearing, it bears repeating here again:

1 investment returns, particularly for the Basic claims
2 portfolio, while important from a revenue perspective,
3 are not the primary objective of that portfolio.

4 As it concerns investments generally,
5 as I said this morning, there is a tendency to look
6 first at the performance of the investment fund. How
7 are you doing? And that I think is just the natural -
8 - a natural thing to do.

9 When, you know, we get our statement
10 every month we look at it, and how long till I can
11 retire? That's not the goal of the objective of MPIC.
12 The goal of that Basic claims portfolio is to back the
13 liabilities.

14 And -- and Mr. Bunston comes here every
15 year and tells this Board this, but still has to
16 defend the performance against the benchmarks. And
17 we're not faulting people for asking about returns,
18 but we remind the Board again about the hundreds of
19 millions of dollars that were lost when we guessed
20 wrong years ago on where interest rates were going.
21 And that gave rise to the asset liability management
22 study, and now we're matching appropriately, you heard
23 Mr. -- Mr. Bunston say.

24 So, there are members of this Board
25 that were here long ago when Dr. Wayne Simpson -- he

1 was a professor at the University of Manitoba and an
2 economist, and he came here and told this Board that
3 interest rates were going up. And of course, that
4 would've lowered the rate indication.

5 And he was advocating for use of SIRF,
6 the standard interest rate forecasting methodology,
7 and MPIC relied on that and interest rates dropped.
8 They in fact dropped to historic lows and the
9 Corporation lost, as I said, hundreds of millions of
10 dollars. And so that I think is -- is the genesis of
11 what's given rise to this primary objective of backing
12 liabilities.

13 Having said all that, we'll look at the
14 performance of the Basic claims portfolio. We see
15 that for the twelve (12) months ending March 31st,
16 2024, the annual total return was 2.1 percent, 0.9
17 percent lower than the benchmark, but Basic did
18 however rebound from a capital loss of 17.4 million in
19 2022/'23, showing investment income of 91.8 million in
20 2023/'24.

21 And that particular return will
22 include, as I've said, those three (3) portfolios:
23 Basic claims -- that is the big one, RSR, and
24 approximately 70 percent of the employee future
25 benefit portfolio is allocated to the Basic line of

1 business.

2 The RSR portfolio for that same period
3 -- again, March 31st, 2023, to March 31st, 2024 --
4 underperformed the benchmark by 4 percent, showing
5 returns of 5 percent.

6 And now Mr. Bunston will say, well,
7 this portfolio doesn't have specific backing
8 obligations, so you'll see there that it has different
9 assets in the Basic claims portfolio. There's no
10 growth assets in the Basic claims portfolio. There's
11 -- there's fixed income and some real estate, as we've
12 heard.

13 In the RSR, we do have some growth
14 assets. They comprise 55 percent of the portfolio.
15 And while Mr. Bunston would say, well, that portfolio
16 has no specific backing obligations, I think the --
17 the word there to focus on is 'specific' because in
18 fact, the RSR was used to pay the large hail claim
19 loss from August of 2023. We heard evidence about
20 that.

21 So, while it may not have specific
22 backing obligations, those are certainly claims that
23 were advanced by our customers that needed to be paid.
24 And they were unforeseen forecasting costs that were
25 paid by the RSR.

1 The remaining allocation in that
2 portfolio is 45 percent fixed income. The employee
3 futures benefit portfolio, the third portfolio under
4 the Basic line of business, designed to ensure that
5 the pension and other obligations are paid as they
6 become due, this -- this portfolio also underperformed
7 the benchmark by 3.7 percent and earned returns of 6.1
8 percent.

9 Much like the RSR portfolio, the
10 portfolio was comprised of fixed income, 33 percent
11 public equities, and alternative assets. And again,
12 those returns, Madam Chair, are higher as one might
13 expect than those in the Basic claims portfolio
14 because they do again contain those growth assets.

15 And interesting to note that there was
16 and there has been in the past some suggestion that,
17 when looking at the returns that the RSR and the EFB
18 portfolios sometimes realize, well, let's put some
19 growth assets into the Basic claims portfolio and
20 let's get those returned a little bit higher.

21 And I recall that -- that suggestion
22 one year was made by the motorcyclist group, and Mr.
23 Johnstone's response to that was, well, that's fine
24 except when the equity market turns and the Basic
25 claims portfolio sustains big losses, who's paying

1 that; the motorcyclists? No. All of Basic. All the
2 customers in Basic will be responsible for covering
3 those losses.

4 And so, bear that in mind when looking
5 to investment performance as against the portfolios
6 that do contain those growth assets.

7 The Basic line of business had
8 investment income, as I said, of 98.1 million in
9 2023/'24, which was a strong recovery from the two
10 (2)previous years.

11 Broken down by portfolio, the
12 investment income for the Basic claims portfolio was
13 \$88.7 million, 9.0 million for the RSR, 6 million for
14 other corporate, and the Basic portion of the EFB
15 portfolio sustained a loss of \$12 million for a
16 combined gain of \$91.8 million.

17 This year, the Board heard that
18 following recommendations from Mercer, MPI changed the
19 infrastructure benchmark from CPI plus five to CPI
20 plus four, now use mean reversion assumptions for its
21 bond spreads, and forecasts equity based on historical
22 returns beginning in 1991 rather than 1956.

23 Those were the big changes. What
24 didn't change is MPIC again making use of the naive
25 forecasting methodology for interest rates, as it

1 remains in -- in Mr. Bunston's view and others, the
2 best indicator of where interest rates will be
3 throughout the rating year.

4 And that goes back to trying to predict
5 where interest rates are going. If we predict they go
6 up and they go down, we're in trouble. We would
7 rather not make that guess and just leave them steady
8 throughout the forecast period.

9 Mr. Bunston testified that, although
10 the consensus bank forecasts have been closer to the
11 actual interest rates in the short term, over the long
12 term, the naive forecast has been closer to actual
13 interest rates and remains the least biased of the
14 forecasts.

15 MPI therefore prefers stability in its
16 forecasting methodology, overtaking a position on the
17 future -- future direction of interest rates and is
18 recommending to this Board again that it approve the
19 continued use of the naive forecasting methodology
20 going forward.

21 So, turning now to the asset liability
22 management strategy, which helps meet that primary
23 objective of the Basic claims portfolio, Mr. Bunston's
24 evidence was that the strategy continues to be very
25 effective. Last year, MPI reported that the net

1 income -- the net impact, sorry -- was within \$1
2 million of budget for fixed income assets totaling
3 \$2.8 billion.

4 This year, the net impact of changes in
5 interest rates -- and that would be from March 31,
6 2023, to March 31st, 2024 -- was 11.4 million, which
7 may seem like a lot, but Mr. Bunston said that's well
8 below what he calls a tracking error, tracking error
9 that says so long as it's below the acceptable \$20
10 million threshold on the fixed income assets of \$1.8
11 billion, he's happy.

12 And the tracking error from March 31,
13 2024, to August 31st, 2024 -- so now we're dealing
14 with that timeframe that the update encompasses -- it
15 measures the net impact of changes at interest rate.
16 That was \$1.7 million -- again, well below the \$20
17 million acceptable limit.

18 So, with the asset liability management
19 study, there was a movement away from a hundred
20 percent fixed income in the Basic claims portfolio.
21 You heard Mr. Bunston say that they've added some real
22 estate assets into that portfolio.

23 So, the concept of moment matching that
24 was introduced a couple of years ago was no longer
25 appropriate because the market value of the fixed

1 income assets did not match the present value of the
2 liabilities.

3 So, in its place, Mr. Bunston
4 introduced this year the concept of the hedge ratio,
5 which is the dollar duration of assets divided by the
6 dollar duration of the liabilities. And in order to
7 effectively hedge the interest rate sensitivity of the
8 liabilities, the duration of the assets had to be
9 increased to ensure the ratio was close to a hundred
10 percent.

11 Concerning the 2022 ALM study, the
12 evidence was from Mr. Bunston that that now is fully
13 implemented as of March 2024, and consistent with past
14 practice, MPI will allow a full market cycle to occur
15 to assess the effectiveness of the strategy before
16 embarking on a new strategy in -- 2026 is the proposed
17 date for that.

18 Mr. Bunton had a slide that spoke to
19 lessons learned. One of the major takeaways from the
20 prior ALM study was that use of a real liability
21 benchmark as opposed to the nominal liability
22 benchmark that was used in the 2017 ALM study is
23 important in order to capture the impact of inflation
24 on claims liabilities.

25

1 (BRIEF PAUSE)

2

3 MR. STEVE SCARFONE: And there before
4 you is, again, some content on performance only to say
5 that MPI's corporate and provincial bonds returned 6.1
6 percent and 0.6 percent in 2023/'24 with no bond
7 write-downs. These investments of course are closely
8 tied to interest rates and -- and they live and die by
9 where the interest rates are going.

10 I'm not going to get into the asset
11 mixes, but I will say that the Basic claims portfolio
12 for the twelve (12) months ending March 31, 2024, did
13 outperform the benchmark by just 0.6 percent, while
14 the other portfolios -- that's RSR and EFB -- fell
15 short of benchmark returns by 1 percent and 0.7
16 percent, respectively.

17 Mr. Bunston testified that the
18 benchmarks are currently under review to ensure they
19 properly align with the investment strategies of the
20 managers. And the more recent performance of the
21 investment portfolio he said is encouraging largely
22 due to the effect of falling interest rates on the
23 bond portfolio.

24 Bond yields have decreased from March
25 31, 2024, to August 31st, 2024 -- again, that update

1 period -- which means an increase in price for both
2 corporate and provincial bonds.

3 In that same, period, all three (3)
4 portfolios have outperformed their benchmarks: 27
5 basis points for Basic, 90 basis points for RSR, and
6 155 basis points for the EFB portfolio. But if Mr.
7 Bunston was here, he would again tell you that doesn't
8 mean as much to him as the matching strategy and
9 whether it's working.

10 On the inflation hedging strategy, this
11 Board will remember last year MPI presented evidence
12 from representatives of Addenda on a proposed bond
13 overlay strategy designed to hedge inflation, a
14 strategy that found support with the board of
15 directors in place last year at this time.

16 On October 20th, 2023, a new board of
17 directors were announced by the Government of
18 Manitoba. So, questions were put to the Corporation,
19 understandably of course, about, Well, what happened
20 and why did you abandon this -- this strategy to hedge
21 inflation risk?

22 And, you know, responses included,
23 Well, it was costly, it was complex. But the short
24 answer as you might expect is a new board of
25 directors. So, one might imagine, Madam Chair, if

1 you're on that board of directors and you hear that --
2 that the Corporation's proposing to purchase \$1
3 billion of real return bonds, you're going to have
4 some questions. And some questions were asked and
5 they decided against the strategy.

6 That's the short answer, and that
7 doesn't mean that the Corporation doesn't intend to
8 hedge against inflation, should it rise again. And
9 you heard evidence that there will be discussions in
10 that regard.

11 Perhaps it involves the purchase of
12 more real return bonds, but there's been no real plan
13 formulated with respect to that as of yet. But they
14 haven't discounted the possibility of further hedging
15 against inflation should it rise again.

16 As I've said, the real return bonds do
17 represent the most effective assets available to hedge
18 against inflation. And we've heard that they're 100
19 percent sensitive to changes in inflation because both
20 the interest and principal payments are fully indexed
21 to changes in CPI.

22 MPI does have some real return bonds in
23 its portfolio. It purchased \$84 million worth in
24 December of 2022. In addition to this, Mr. Bunston
25 testified that other assets in the portfolio partially

1 hedge against inflation, and that would include the
2 real estate assets in the Basic claim portfolio.

3 The total hedge that Basic has is
4 currently 14 percent. Within the Basic line of
5 business, the assets again include real return bonds
6 and real estate, but also to a lesser extent equities
7 and infrastructure hedging against inflation.

8 The allocation to inflation-sensitive
9 assets is currently about 29 percent corporate ride as
10 of March 31st, 2024.

11 And lastly, you heard evidence from Mr.
12 Bunston that the Mercer firm has again been engaged
13 because when the Corporation departed from the -- the
14 hedging strategy for inflation, it fell away from the
15 projected purchase of the real return bonds, which
16 moved the portfolio off the efficient frontier.

17 And so now the Corporation has to again
18 meet with Mercer to decide how to get back onto the
19 frontier, which assets might be purchased, which
20 assets need to be rebalanced in order to achieve the
21 highest level of return at each level of risk.

22 Having said all that, Mr. Bunston
23 testified that inflation has steadily decreased since
24 September of 2023, currently below 2 percent and
25 forecast to be 2.5 percent in 2024/'25, which is

1 certainly a manageable level. And at the Bank of
2 Canada target.

3 And Mr. Guerra will now speak to road
4 safety and loss prevention.

5 MR. ANTHONY GUERRA: Thank you. Two
6 (2) years ago, MPI was directed to participate in a
7 stakeholder consultation technical conference, and
8 that occurred in the course of this Rate Application
9 hearing on June 10th and 11th.

10 Accordingly, MPI met with ten (10)
11 stakeholders, the PUB advisors, and the moderator of
12 that technical conference, Dr. Jennifer Hall, presided
13 and provided a report which was presented to the panel
14 as part of this Rate Application.

15 It was very clear from the panel
16 members who participated in this Rate Application that
17 road safety remains a top priority for MPI. And
18 although MPI is nearing the end of its three (3) year
19 road strategy, it is already looking to the next
20 phase, which will be to work on developing the next
21 strategy for implementation in 2026, which will
22 consider Canada's Road Safety Strategy from 2025.

23 The Vision Zero approach also continues
24 to inform the road strategy -- road safety strategy
25 rather -- and will guide development of the new

1 strategy for 2026 and beyond.

2 MPI emphasizes the stakeholder
3 engagement in the road safety process and maintains
4 strong relationships both within and outside of the
5 GRA process.

6 In terms of the budget, MPI is
7 budgeting for 15.1 million in road safety and loss
8 prevention programs. 2024/'25 fiscal year with an
9 annual budget of approximately 15 million until
10 2028/29, and that would be corporate wide.

11 The largest allocations in the road
12 safety budget are for Driver 'Z' programming at 5.6
13 million and road safety programs at 4.6 million,
14 followed by departmental expenses and road safety
15 campaigns at 1.8 million. MPI believes that the
16 budget is balanced and optimized to fill the mission
17 and mandate of the Corporation.

18 The PUB also heard that MPI and the
19 Coalition of Manitoba Motorcycle Groups are
20 collaborating on a motorcycle collision analysis study
21 with data collections start -- set to begin this
22 month. And although a road safety technical
23 conference isn't -- or, sorry, road safety is an
24 issue, it isn't expected to be a detailed issue in the
25 2026 GRA -- MPI remains committed to working with

1 stakeholders such as CMMG and others to ensure
2 visibility of the analysis results.

3 In terms of the issue of
4 infrastructure, we -- we did hear about whether or not
5 MPI should be considering investments in
6 infrastructure as part of its road safety strategy.

7 In response to that line of
8 questioning, MPI confirmed that such investments would
9 require a significant expansion of its mandate and
10 likely changes to its governing legislation.

11 I wanted to make a couple of comments
12 here on the public presentations because they were not
13 only numerous this year, but also, they -- they did
14 form the basis of some questioning throughout the GRA
15 process.

16 So, this year, five (5) -- five (5)
17 public presenters shared their experiences, including
18 two (2) individuals who spoke passionately about
19 dealing with concussions and traumatic brain injuries
20 from motor vehicle accidents under PIPP.

21 And so, in terms of how MPI approaches
22 these things, MPI dedicates significant resources to
23 PIPP, offering some of the best injury benefits in
24 Canada, such as IRI, or income replacement indemnity.

25 MPI continuously enhances its benefits

1 under the Manitoba -- Manitoba Public Incorporation
2 Act and its regulations. It has a case -- injury case
3 management division which is comprised of case
4 managers, internal review officers, and works closely
5 with medical specialists to ensure comprehensive
6 supports for claimants.

7 The Act provides a thorough process for
8 adjudicating injury claims. After exhausting remedies
9 rather at the case management level, including
10 internal reviews, claimants can appeal to the
11 Independent Automobile Injury Compensation Appeal
12 Commission, or AICAC, with an option to mediate before
13 proceeding.

14 AICAC hearings are conducted fairly
15 with rules of evidence, witness testimonies, cross-
16 examinations, and written decisions. Further appeals
17 can be made to the Manitoba Court of Appeal on legal
18 or jurisdictional grounds.

19 While MPI values public presentations
20 at the GRA hearing, it notes that these presentations
21 do not offer procedural fairness to MPI as MPI cannot
22 respond or question the presenters. The information
23 shared by the presenters is not evidence, it is not
24 given under oath, and it is not subject to cross-
25 examination.

1 And I would just point out that one of
2 the presentations in this particular Rate Application
3 was titled 'An MPI Bad Faith Claim Review Process',
4 and it also included slides that indicated to the PUB
5 that some questions should be resolved before any MPI
6 decision on rate changes.

7 And so, these are concerning for MPI
8 because what we don't want to see is a situation where
9 this Board is making factual findings perhaps about
10 bad faith and -- and the way in which MPI is handling
11 claims, perhaps commenting on things that are within
12 the jurisdiction of the Automobile Injury Compensation
13 Appeal Commission Board, and -- and other things that
14 -- that might be found without the proper evidentiary
15 foundation.

16 However, that said, MPI believes that
17 the PUB can and should make recommendations based upon
18 the -- the information received from the presenters.
19 And just for example, in the 2023 GRA, there was
20 presentations made by University of Manitoba Law
21 Students on the improvements to the -- the GRA
22 document.

23 MPI, just like this year, sat,
24 listened, gathered that information and also the
25 recommendations made by this Board and used it to

1 improve the public accessibility of its Rate
2 Application.

3 So, we're not opposed to participating
4 in that process and listening to the individuals who
5 come here. What I'm trying to say here is that we are
6 concerned about whether or not that information forms
7 the basis for a finding of fact or a direction as
8 opposed to a recommendation by this Board.

9 And certainly, we are concerned about
10 the -- the blending of this forum from other forums,
11 like the Manitoba Court of Appeal or the Automobile
12 Injury Compensation Appeal Commission, where those
13 specific issues about claims should be properly
14 addressed.

15 That said, MPI does remain committed to
16 considering and potentially adopting PUB
17 recommendations, always weighting the circumstances to
18 determine the best course of action.

19 So just a few comments to leave us this
20 year. MPI is applying for a 3 percent overall rate
21 indication, which aligns with the affordability theme
22 for this Application. While we recognize that this is
23 a deviation from AAP ratemaking and that's not ideal,
24 MPI believes it cannot justifiably request a rate
25 increase nearing or above 7 percent as inflationary

1 pressures have only recently begun to ease.

2 MPI has faced significant challenges,
3 including leadership turnover and management
4 reductions from government direct organizational
5 review, which garnered public attention and would be
6 difficult to reconcile with a substantial premium
7 increase.

8 Additionally, customers have endured an
9 unprecedented claims backlog from a strike following
10 the largest hailstorm in MPI'S history, and MPI is in
11 a rebuilding phase, stabilizing while advancing its
12 long-term strategy.

13 In this GRA, MPI leadership
14 demonstrates its commitment to ensuring that the
15 Corporation delivers on its mission and mandate for
16 all Manitobans.

17 Subject to any questions, those are our
18 closing arguments. Thank you.

19 PANEL CHAIRPERSON: Thank you very
20 much. Mr. Guerra, Mr. Scarfone.

21 It's 2:30 right now, so I think we'll
22 take the afternoon break and then come back with
23 Board questions for you. And then following that will
24 be Bike Winnipeg's closing submissions. Thank you.

25

1 --- Upon recessing at 2:29 p.m.

2 --- Upon resuming at 2:47 p.m.

3

4 PANEL CHAIRPERSON: Thank you. We'll
5 now proceed with Board questions. And Mr. Gabor...?

6 BOARD CHAIR GABOR: Thank you, Madam
7 Chair. Firstly, Mr. Guerra, not a question but more a
8 statement. I find the -- the proposal for a special
9 sitting to be interesting, and certainly we'll --
10 we'll consider it, especially in light -- in the delay
11 between the information we get at this hearing, the
12 fact that you have a Technology Committee, because of
13 your scheduling, a Board meeting and all those other
14 things.

15 So, you know, it's interesting to have
16 a proposal to meet sometime earlier so that the Board
17 and the Interveners can get an update, so.

18 Mr. Scarfone, I just want to sort of
19 clarify something. Twice you said, There's no
20 evidence MPI plans to use Extension reserve for
21 anything other than transfer to Basic.

22 And -- and then you more recently made
23 the comment that, This is a matter going to the new
24 Board. There needs to be some discussion as to what
25 they want to do with the CMP.

1 I just want to confirm that the
2 existing position -- or the current position of MPI
3 which was enunciated a few years ago by Mr. Giesbrecht
4 was that the MPI Board has complete control over
5 Extension and that even under the CMP, the transfer at
6 March 31st will only occur based on moneys in
7 Extension reserve -- or Extension as of March 31st.
8 And the Board can transfer the moneys out before March
9 31st for whatever purpose it deems appropriate.

10 MR. STEVE SCARFONE: That --

11 BOARD CHAIR GABOR: Am I correct?

12 MR. STEVE SCARFONE: That's correct.

13 If there's money in the Extension reserve that exceed
14 200 percent at fiscal year-end, it automatically gets
15 transferred. If there's no money there, it may be
16 because it was previously -- it was transferred prior
17 to that somewhere else.

18 BOARD CHAIR GABOR: Right. But it can
19 be transferred to DVA. It can be transferred to deal
20 with -- the Board has complete flexibility to deal
21 with it?

22 MR. STEVE SCARFONE: But -- but only -
23 - we -- we've made it clear though that it's for
24 unforeseen need. So, when those transfers were made
25 to the DVA line of business, you'll recall the

1 evidence the year prior was that we didn't foresee any
2 money going to anywhere but the RSR.

3 And then when the funding for DVA
4 didn't come through, there became that unforeseen need
5 to service that line of business.

6 BOARD CHAIR GABOR: Okay. Except that
7 the Board heard about the transfer to DVA after the
8 second transfer. That was the first time the Board
9 was informed that moneys had gone to DVA.

10 MR. STEVE SCARFONE: I recall that,
11 yes.

12 BOARD CHAIR GABOR: Okay. Thank you.
13 I just want to go back to AAP. I -- I'd like to go
14 back to the beginning, Kopstein report, okay. And I
15 don't know -- Mr. Guerra or Mr. Scarfone, Kopstein
16 report, I'm just looking at a document here. I don't
17 have it on the screen. You'll have to trust me.

18 Position paper number 3, ratemaking and
19 coverage premiums charged by MPIC, like those of any
20 insurer, must -- and the first bullet is:

21 "Reflect the actuarially determined
22 risks of any particular business."

23 Do you accept that?

24 MR. ANTHONY GUERRA: Yes.

25 BOARD CHAIR GABOR: And then

1 recommendation 3.12, which I believe is in evidence,
2 but I'm not sure, that effective not later than
3 insurance year 1991, MPIC developed an actuarially sound
4 and statistically driven rate making system, correct?

5 MR. ANTHONY GUERRA: Yes.

6 BOARD CHAIR GABOR: And then in your
7 submission at page 8 of 60, you had at the -- at the
8 bottom -- can you pull it up? Right. Right at the
9 bottom:

10 "In other words, the decision to
11 deviate from ratemaking was made
12 with careful consideration of many
13 factors, especially in light of PUB
14 Orders 160/2016, which mandated that
15 rate proposals be based on AAP
16 starting with the 2018 GRA."

17 Correct?

18 MR. ANTHONY GUERRA: Yes.

19 BOARD CHAIR GABOR: The -- the --
20 sorry -- the other point under the Kopstein report,
21 Recommendation 7.12, that the Corporation not budget
22 deliberately for losses in any year, correct?

23 MR. ANTHONY GUERRA: Yes.

24 BOARD CHAIR GABOR: Which is exactly
25 what you're doing now, saying the AAP is higher, but

1 you're going for 3 percent. So, here's my question.

2 The -- I guess the other thing is that
3 we have the Manitoba Court of Appeal decision agreeing
4 with the PUB on the definition of public interest and
5 wrote a decision where it confirmed that the -- the
6 PUB balances the interest of ratepayers with the
7 financial health of the utility, correct?

8 MR. ANTHONY GUERRA: Yes.

9 BOARD CHAIR GABOR: So, one of the
10 things we look at is we want to make sure that the
11 utility is sustainable. So, the question I have is,
12 it seems that what you're proposing -- and I
13 understand the reason you're proposing it, but what
14 you're proposing is to establish a new standard, the
15 standard is no longer actually accepted practice
16 because Kopstein doesn't say actually accepted
17 practice is the starting point. It says, actually
18 accepted practice is the rule.

19 The Order from '16 essentially says the
20 same thing. So, when you say, Well, AAP's the
21 starting point, but we're going to go over here for,
22 you know, whatever reasons, which is we want to -- we
23 want to have affordability, essentially, you're
24 creating a new standard, aren't you?

25 MR. ANTHONY GUERRA: Good question. I

1 don't think we would go that far. And -- and the
2 reason why I'll tell you that is because I think this
3 year is very unique. And we didn't hear from Ms.
4 Jatana that this is a practice that she or any CO, I
5 would imagine, would want to be employing year after
6 year because it is -- it is controversial, right.

7 I mean, we've -- we've seen newspaper
8 articles about this. We've seen other criticisms
9 about this. This is not something that -- you know, a
10 decision that -- that someone would make lightly.

11 That said, we haven't heard in this
12 entire process anybody coming to the table to say 6.77
13 percent, that is the appropriate rate for Manitobans.
14 That's the AAP rate. That is the rate that Ms. Jatana
15 had before her. It was 6.15 when she made the
16 decision. But at this point in time, at 6.77, there's
17 nobody here today saying 6.77 percent is an
18 appropriate rate for Manitobans.

19 And so, in that context, knowing full
20 well this is a unique year, the decision was made that
21 this was not the appropriate slave to that -- that AAP
22 rate, to come in here and say, By all measures,
23 although we have some reason to perhaps disagree with
24 it, we will not -- we will -- we will present it and
25 we will wholeheartedly back it.

1 In this situation, it was presented.
2 And I think that is appropriate to present it and to
3 debate it and to challenge it, as is always the case
4 here. Every time an AAP rate is presented, it's
5 always challenged, and that's a good thing. We're not
6 suggesting it shouldn't be challenged. And we had
7 this discussion a little bit last year as well. You
8 know, the -- the recommendation that we'd put forth is
9 that, unless somebody knows better, unless you're
10 going to say that the actuarial team is completely out
11 to lunch and doesn't -- and doesn't know what it's
12 doing here, then we shouldn't necessarily disrupt
13 their -- their forecasts.

14 And that -- that wasn't accepted, and
15 that's fine. We're -- we're not here suggesting that
16 that be the -- the case this year. What we're
17 suggesting though is that where it clearly appears
18 that the circumstances are such that an AAP number
19 from July, and even from October updated, is not a
20 true reflection of what the rate should be should the
21 CEO in that situation be required to apply for
22 something higher than what she believes is necessary
23 to satisfy the financial obligations of the
24 Corporation.

25 BOARD CHAIR GABOR: But the other, if

1 I can say unique circumstance this year, is that,
2 unlike previous years where the Board may not have
3 agreed on the AAP in that the Board said the AAP was a
4 different number, not that we should get away from the
5 AAP, it was just a difference in doing these multiple
6 calculations.

7 But this is a unique experience where
8 the position previously was, we need more money. And
9 CAC would come and say, Don't give them more money,
10 give them less money. And this year it's -- you're
11 saying, This is the AAP, but we want less money and
12 CAC is saying, no, they need more money. That's
13 unique, at least in -- in my time here.

14 So, there -- there are a lot of unique
15 things going, and I -- I understand it. But, I mean,
16 I just wanted to put it right -- right to you, and I
17 appreciate your answer.

18 The -- the other thing I want to put
19 is, within the system, if you wanted to, you could
20 charge whatever you want for Extension because
21 unilaterally -- you can make unilateral decisions on
22 Extension.

23 If you wanted to bump up Extension, you
24 could bump up Extension to whatever you want, get it
25 way over 200 percent transfer it to Basic and say to

1 the public, only 3 percent, except it's not 3 percent.
2 It's -- it's a lot higher because you've -- you've
3 included or added an Extension increase.

4 MR. ANTHONY GUERRA: Technically, I
5 think that is a correct statement; practically, I
6 would disagree with that because there are a couple of
7 lines of protection against that.

8 The first is, the Board of Directors
9 and management would have to apply for approval of
10 that from the Board of Directors.

11 Now, I -- I can't see a situation where
12 certainly this management would apply to its Board of
13 Directors for -- to approve a rate increase for
14 Extension. That would be, you know, significantly
15 higher than the need in this case considering all the
16 situation, that would be -- be considered but, let's
17 say, even the Board would be inclined to approve
18 that, you still have the shareholder at the end of the
19 day which is the government of Manitoba. And in --
20 in that situation, that decision would be communicated
21 to the Government and at that point I would presume
22 would be very concerned about the consequences of
23 increasing those rates on Extension to be able to say
24 that rates for Basic were -- were significantly lower.

25 So, I think practically that move,

1 although could technically happen, it wouldn't happen
2 in practice because of those two (2) lines.

3 BOARD CHAIR GABOR: I appreciate your
4 comments.

5 MR. STEVE SCARFONE: And I might just
6 add, there's even a third line of defence that, Mr.
7 Gabor, in that you can't discount the customer. So,
8 like with -- with any other product that's not
9 mandatory, he or she might say, well, I'm not
10 purchasing loss of uses in next year's policy. MPI's
11 made that too expensive.

12 And so, where you say that we could up
13 the price of the products to whatever we want and
14 those excess earnings will just flow into Basic not
15 necessarily cause if the customers aren't purchasing
16 the products to the same degree they were at the lower
17 prices, then that -- that Extension transfer doesn't
18 appear.

19 BOARD CHAIR GABOR: That's a separate
20 conversation, Mr. Scarfone, because I'm not sure that,
21 quite frankly, based on a lot of hearings the
22 customers actually know what the other options are and
23 they're going to get the renewal from you and maybe
24 the following year, they might say I'll -- I'll look
25 around.

1 But anyways, that's a different thing.

2 Anyways, I appreciate your comments.

3 MR. STEVE SCARFONE: Thank you.

4 PANEL CHAIRPERSON: Ms. Nemec...?

5 BOARD MEMBER NEMEC: Thank you. I
6 can't remember always who spoke to this. So, I'll ask
7 the question and -- and, hopefully, one of the two (2)
8 of you can respond.

9 I'm just going to -- talking about page
10 8 of your stack (sic) and it talks about rate group 41
11 and I believe it said that rate group 41 instead of
12 having an impact to the rate, basically, it was
13 adjusted so that the revenue increase but it didn't
14 impact the rate. It was a change in how you used to
15 handle it.

16 MR. ANTHONY GUERRA: Yes.

17 BOARD MEMBER NEMEC: And I thought I
18 asked the question earlier if that had ever happened
19 previously and I thought it was -- the answer was
20 'no'.

21 But I think you mentioned that there
22 has been changes before in the way you've handled
23 things so it doesn't impact the rate indications.

24 So, it was just -- I'm curious there
25 was -- maybe it was something different than the

1 changing in the groups, the grouping from -- from 35
2 to 40 or 41.

3 MR. ANTHONY GUERRA: Yes, good
4 question. So, there are two (2) instances I can
5 recall off the top of my head where adjustments would
6 be made to divvy up the pie rather than expand the
7 pie.

8 So, one of those instances is when you
9 include an additional rate group somebody's going to
10 pay an additional premium and so you offset it in
11 another place and so you're not expanding the pie in
12 that scenario.

13 The other scenario is when you adjust
14 the targets, the actual targets for the DSR, right.
15 So, as we move closer to actuarial targets on the DSR
16 that means people at the higher end of the range are
17 paying less and it's got to be made up somewhere,
18 otherwise, you are losing premium overall. So, that's
19 why the base rate goes up to adjust for that.

20 So, those are the two (2) instances
21 where if you don't correct and make it revenue
22 neutral, there'll be either a premium increase, which
23 is the case for us, requesting the expansion to rate
24 group 41 or, in the case of the DSR, where -- where
25 making the adjustment could decrease premiums.

1 BOARD MEMBER NEMEC: I'm sorry, did
2 you say that there would be a rate increase when --
3 when you added --

4 MR. ANTHONY GUERRA: Additional
5 revenue, I'm sorry, additional premium.

6 BOARD MEMBER NEMEC: Okay.

7 MR. ANTHONY GUERRA: Yes, that's a
8 little bit of a sloppy --

9 BOARD MEMBER NEMEC: Yes, that's the
10 opposite of what I've --

11 MR. ANTHONY GUERRA: Yes, of course.

12 BOARD MEMBER NEMEC: Okay, thank you.

13 And I'm not sure I asked this question before but I --
14 and I think somewhere in your notes it said a 10
15 percent increase in the -- in the driver premium but I
16 know you probably meant a \$10 increase and I'm not
17 sure if it was -- why \$10 was picked and that might
18 not be a fair question at this time.

19 Was it a calculated amount or just a --

20 MR. ANTHONY GUERRA: No, that's a good
21 question.

22 BOARD MEMBER NEMEC: No increase, but
23 \$10.

24 MR. ANTHONY GUERRA: Yes, no worries.
25 It was answered in an -- an Information Request. I

1 don't recall off the top of my head which one it was,
2 although I'm sure there are people in the room who
3 could, but what I will say, though, is that the
4 response we provided at that time was \$10 was the
5 largest increase that management and the Board could
6 approve and justify in the circumstances.

7 I would also note that the last time
8 there was an increase, it was from thirty-five dollars
9 (\$35) to forty-five dollars (\$45) so that was a ten
10 dollar (\$10) increase as well.

11 BOARD MEMBER NEMEC: Okay. So, some
12 consistency there.

13 MR. ANTHONY GUERRA: Correct.

14 BOARD MEMBER NEMEC: My next question
15 is on investments and I do appreciate the primary
16 objective of investments is to back liability. So,
17 preface my comments with that.

18 But -- and maybe this is going to page
19 54 of your presentation and, I guess, I look at the
20 benchmarks and I'm -- I'm wondering -- just always
21 think that there should be some kind of a basis to
22 determine whether the investments -- if there's a
23 successful management of the investments.

24 So, if that benchmark is wrong then you
25 can say we're not hitting our benchmark or the

1 benchmark -- we are not hitting our benchmark because
2 the benchmark is wrong. However, my question is: Are
3 they not the right benchmarks? I think Ellement was
4 hired to ensure there was a benchmarking process to
5 which to compare yourself.

6 So, there still has to be some kind of
7 a measure of success, whether it's your primary
8 objective; it certainly should be a secondary
9 objective.

10 MR. ANTHONY GUERRA: Yes, absolutely.
11 And that's a good question, as well.

12 Subject to any comments that you want
13 to make, Mr. Scarfone, I would suggest, in the case
14 where the objective is not to necessarily generate
15 returns but to offset against liabilities, there is
16 information in here about how MPI tracks that and --
17 and records a tracking -- tracking error, what was the
18 -- the title of the -- the metric. And that -- and
19 that reflects how closely the assets are managing
20 against the liabilities.

21 And so, I believe the -- the evidence
22 in this case was that the tracking error was within
23 the target range. And so, that's -- that's suggesting
24 that the -- the strategy is working. It -- it is
25 managing the assets with the liabilities.

1 And -- and so, that would be the
2 measure -- and I don't want to speak for Mr. Bunston,
3 but I think if he was here, he would say that would be
4 the measure of success to show that that is a
5 successful operation of that program.

6 BOARD MEMBER NEMEC: For matching.

7 MR. ANTHONY GUERRA: That's not to say
8 that the -- sorry -- not to say that the other way of
9 -- of measuring it through a true benchmark isn't also
10 helpful; it's just probably not the primary benchmark
11 that you would want to use.

12 BOARD MEMBER NEMEC: Right. And I
13 appreciate the primary of -- of matching, but I -- I
14 guess maybe here's a different way to ask the
15 question.

16 There's a Basic claim, RSR, and EFB
17 portfolio. So, each one of them has different
18 composition of investments. Would you -- and the RSR
19 portfolio underperformed by 4 percent from the
20 benchmark, so perhaps a type of a portfolio that would
21 be a little bit more industry -- non-industry specific
22 type of a benchmark.

23 So, would that be something that
24 management would look at and say that is important or
25 more valuable to compare against a benchmark versus

1 matching liabilities?

2 There's just -- there's a lot -- and
3 maybe just -- and I won't expect you to have all the
4 answers, but I think there's two (2) concepts here,
5 not just matching. There's also having -- when you
6 have to have a duration in bonds and you have to have
7 so many provincial bonds, it's having the right
8 benchmark to make sure that the investment is still
9 appropriate.

10 MR. ANTHONY GUERRA: Yeah. And I
11 think you're maybe talking about a shadow portfolio,
12 for example.

13 BOARD MEMBER NEMEC: Yeah.

14 MR. ANTHONY GUERRA: And that might be
15 another way to measure success in those circumstances.
16 So, I wouldn't conclude that in -- in those
17 circumstances rather that one (1) benchmark would be
18 the only benchmark, but I just would say that, again,
19 you would want to look at different ways of measuring
20 success, and -- and it may not be that it's one
21 benchmark that tells you --

22 BOARD MEMBER NEMEC: So, maybe the
23 benchmark needs more work, more substantial work.

24 MR. ANTHONY GUERRA: Fair to say.

25 BOARD MEMBER NEMEC: Thank you. Page

1 15 of your document, and I -- has to do with the
2 Extension transfers to Basic. And -- and then the
3 second paragraph it says:

4 "With these transfers and assuming
5 no rate action, a capital build for
6 Basic equal to 6.8 percent would be
7 necessary."

8 And I'm assuming that's 6.8 percent was
9 a calculation that you made for -- is that for
10 '27/'28? Is that for...?

11 MR. ANTHONY GUERRA: My understanding
12 is it would be for this fiscal year. So, we would
13 apply --

14 BOARD MEMBER NEMEC: For this --

15 MR. ANTHONY GUERRA: For this -- for
16 this Rate Application, It would be including a capital
17 build of 6.8 percent. So, if you're already applying
18 for a 3 percent or a 6.15 percent, and then on top of
19 that, you're adding a capital build of 6.8 percent,
20 you can see very quickly how that adds up.

21 And if you don't adjust the DSR scale,
22 for example, or if you don't adjust the rate groups,
23 for example, now you're in a situation where people
24 are -- are experiencing rate shock.

25 BOARD MEMBER NEMEC: Okay. So, the

1 issue as I see it, as I -- this Rate Application looks
2 at affordability and predictability for next year.
3 But my challenge is what about the affordability and
4 predictability for the following GRA and the -- and,
5 again, the following GRA. So --

6 MR. ANTHONY GUERRA: Yes.

7 BOARD MEMBER NEMEC: -- would it be 6
8 -- 8 percent next year, 10.5 percent the following
9 year? So, those rates compound -- those rate
10 increases compound.

11 Has that been the -- the number you
12 had, 6.8, has that been extended further?

13 MR. ANTHONY GUERRA: I -- I don't know
14 --

15 BOARD MEMBER NEMEC: (INDISCERNIBLE).

16 MR. ANTHONY GUERRA: -- off the top of
17 my head. I can tell you that I'm sure there's a lot
18 of people both listening to this right now and in the
19 room who are losing sleep about what the next
20 situation might look like because we care, right.

21 We -- we want to do right by
22 Manitobans. We want to make sure that we're balancing
23 the interest of the Corporation with the interest of
24 Manitobans. We do the same exercise that you guys do,
25 except for it's just behind the scenes.

1 And -- and so, yes, we are very
2 concerned, but we are also committed to making sure
3 that the right decision is made and that next year,
4 the Rate Application before this Panel is one that we
5 can stand behind.

6 BOARD MEMBER NEMEC: Page 22.

7 MR. STEVE SCARFONE: Ms. Nemec, I
8 might just add, that particular paragraph that you
9 made reference to is, of course, prefaced by without
10 the transfer so.

11 BOARD MEMBER NEMEC: Right.

12 MR. STEVE SCARFONE: -- if you're
13 talking beyond next year into the five (5) year
14 forecast, if you're still maintaining without the
15 Extension transfers, that's -- that's a big part of --
16 of the forecast, as you've seen in the -- in the
17 financial condition test, right.

18 We said that the forecast and the
19 financial condition of Basic relies on those Extension
20 transfers. So, without those transfers, it's a
21 different story, absolutely.

22 BOARD MEMBER NEMEC: M-hm. Thank you.

23 Page 22. And it talked at the very bottom the
24 deferred integration costs. And I think that's the
25 first time we've seen this proposal. Thank you.

1 I just had a recollection from last
2 year that I thought there was a proposal put forward
3 for those. And the only reason I remembered is the
4 deferred implementation costs I thought would be
5 amortized over five (5) years, but I thought MPI
6 suggested those be amortized over ten (10) years. And
7 I may be confused and thinking of a different --
8 something different, but that resonated with me.

9 Does --

10 MR. ANTHONY GUERRA: Yeah, no, you're
11 not -- you're not wrong. So, the previous evidence
12 was that non-NOVA initiatives amortized over five (5)
13 years, NOVA initiatives amortized over ten (10) years.

14 And this evidence actually comes from a
15 response to a Second Round Information Request. Mr.
16 Kolaski provided the response here, so it's not new
17 evidence. It --it was in evidence before; it just
18 wasn't raised and discussed in the context of the --

19 BOARD MEMBER NEMEC: Okay. So, it is
20 a bit of a change --

21 MR. ANTHONY GUERRA: It is a gre --
22 Mr. Kolaski is a very smart individual, a very
23 creative individual, and this is a -- a proposal that
24 he's put forth to try to address what I think we all
25 understand could be a very difficult problem

1 otherwise.

2 BOARD MEMBER NEMEC: Okay. I
3 appreciate that. Thank you. And I can't remember
4 where this -- I didn't document where this happened,
5 but it said the hailstorm was a once -- was a one (1)
6 in twenty (20) year event. And I always heard once in
7 a lifetime.

8 Is that an actuarial type of estimate,
9 that these things now happen in twenty (20) years and,
10 therefore, maybe they're part of an actuarial
11 calculation?

12 MR. ANTHONY GUERRA: Yeah, that's my -
13 - my understanding is -- is that information. And we
14 did cite the source for that. It --

15 BOARD MEMBER NEMEC: Okay.

16 MR. ANTHONY GUERRA: It was -- it was
17 -- I don't know if it's an actuarial term, but it is -
18 - is a professional designation --

19 BOARD MEMBER NEMEC: Okay.

20 MR. ANTHONY GUERRA: -- that makes
21 that determination. And so, the evidence is that it's
22 a once in a twenty (20) year event.

23 BOARD MEMBER NEMEC: Okay. And I'm
24 sorry, I have a couple more. Page 27, there is a
25 discussion of 4.1 overall financial strength. And it

1 said:

2 "The Basic line of the opening
3 retained earnings -- the start of
4 '23/'24, the Basic line of business
5 opening retained earnings was \$519.8
6 million."

7 MR. ANTHONY GUERRA: Correct.

8 BOARD MEMBER NEMEC: And I'm assuming
9 that that amount was adjusted for all the IFRS
10 changes.

11 MR. ANTHONY GUERRA: Yes.

12 BOARD MEMBER NEMEC: And I also
13 remember somewhere in here, if it's in this document,
14 but there was over a hundred million dollar adjustment
15 for IFRS 7 to the retained earnings.

16 And I'm wondering if that had an impact
17 on -- I don't know if there was adjustments in and out
18 or how that impacted the MCT.

19 So, I'm just wondering if that has put
20 the MCT more at -- in a challenge because of the IFRS
21 changes.

22 MR. ANTHONY GUERRA: So, I'm going
23 back to the last year now just to try to make sure
24 that I understand kind of how the evidence played out
25 last year.

1 But there was a discussion last year in
2 the Rate Application about kind of what was the MCT
3 ratio and there -- you know, was it in the range of
4 165 percent I think around this time last year.

5 And -- and it wasn't -- it wasn't
6 confirmed. It wasn't audited. And we knew that there
7 was going to be an impact from switching over from
8 IFRS 4 to IFRS 17.

9 And so, at the end of the day, I think
10 what we're seeing here is a very high level. And I'm
11 using my lawyer math when I'm looking at this
12 situation. But what I -- what I think you're seeing
13 here is -- is a combination of factors, including the
14 changeover from IFRS 4 to IFRS 17, and also the impact
15 of the -- the very unique year that we had last year
16 in terms of how claims were reported and estimated and
17 adjusted.

18 BOARD MEMBER NEMEC: Because you're
19 right. I think last year we heard that nothing's been
20 audited, we haven't finalized, so that impact wouldn't
21 be known. So --

22 MR. ANTHONY GUERRA: Correct.

23 BOARD MEMBER NEMEC: -- I think this
24 is the first year we saw that impact. And -- and I'm
25 just wondering, when you're looking at going forward

1 five (5) years and making sure you're at the -- a
2 hundred percent, did some of that get more challenging
3 because of IFRS 17 and your numbers changed, but you
4 may not have that.

5 MR. ANTHONY GUERRA: It sounds like
6 everything is getting more complicated under IFRS 17.

7 BOARD MEMBER NEMEC: Okay. That's --
8 that's fair. On page 29 on DVA -- at the very top it
9 says:

10 "DVA program in 2025/'26 fiscal year
11 is projected to be --"

12 I think it's, like, 59 million deficit.
13 I'm assuming that you --

14 MR. ANTHONY GUERRA: Yes.

15 BOARD MEMBER NEMEC: -- to the
16 government. So that will basically remove any
17 accumulated deficit, or it'll be very small -- or
18 accumulated surplus that would be left in the DVA
19 line.

20 So even if the six point eight (6.8)
21 that we talked about earlier of the rebuild that might
22 happen in '25/'26, if some reason you had to fund DVA
23 in '25 -- '27/'28, the rebuild would then probably
24 start in '27/'28 with those numbers?

25 MR. ANTHONY GUERRA: Yeah. So -- so

1 just on that, so the 59 million is the -- the amount
2 that MPI believes is owing to it by government to
3 administer the DVA program in the 2025/'26 fiscal
4 year.

5 The evidence is also, however, that
6 DVA, based on the current forecasts, would -- would
7 not have sufficient capital -- I believe it was in the
8 '26/'27 year -- which is why the request has been made
9 to government

10 And so, we have a situation where
11 government is aware that this request is coming, it's
12 being baked into the budget that's being presented to
13 Treasury Board, and we have not received at this point
14 any indication that that is not appropriate or that
15 won't be considered and ultimately honored.

16 So, it would require at this point
17 government saying, no, we are not going to fund DVA as
18 requested, and hopefully provide us with a response as
19 to why not, but -- but that would raise some concerns
20 obviously, and I think that we would be seeing that
21 reported in the next rate application.

22 BOARD MEMBER NEMEC: Okay. Thank you.
23 And my last question, Mr. Scarfone, you mentioned that
24 there is no expectation -- I think you said no
25 expectation to fund SRE with Extension profits. And

1 just when you said that, it just made me wonder is SRE
2 looking at -- and I'm assuming with continued NOVA
3 expenses, that there's a challenge to probably
4 increasing operating costs until it becomes to a
5 steady state perhaps.

6 Is there any -- is there a challenge
7 with SRE remaining at its 300 percent MCT in the
8 future? Is that projected? Is that where -- is that
9 why your comment came?

10 MR. STEVE SCARFONE: Well -- well, the
11 comment -- I'll let Anthony speak to this as well, but
12 the comment was specifically, Ms. Nemec, with --
13 concerning the evidence before the Board at this
14 hearing is that there's no forecast right now that
15 would see Extension monies being moved into the SRE
16 line of business. That -- that is essentially the
17 basis for that statement.

18 MR. ANTHONY GUERRA: Yeah. I mean,
19 just to add to that, again, the request to approve a 3
20 percent obviously does require some acceptance on --
21 on the part of this board that there will be transfers
22 from Extension to Basic.

23 And so, in the past, no one's going to
24 fault this Board for -- for questioning whether or not
25 that's actually going to happen, given that -- you

1 know, that -- that there were \$117 million in
2 transfers from Extension to DVA.

3 And so, one might say, you know, Where
4 is the credibility that we should be relying upon for
5 this year? And we would say, You don't have to find
6 MPI credible necessarily, but the facts are that --
7 that there is no other plan for transferring funds
8 from Extension to any other line of business. And we
9 talked about DVA, but we didn't want to leave SRE
10 unaddressed as well.

11 To your specific point, SRE is
12 currently not at its 300 percent MCT ratio, but that
13 doesn't mean that there is a plan in place to
14 capitalize SRE with Extension funds. And if that was
15 the case, it would be referenced in the forecasts.

16 BOARD MEMBER NEMEC: Excellent.
17 Thanks. Thank you very much. That's my questions.

18 MR. STEVE SCARFONE: Ms. Nemec, I do
19 have an answer to your question on the benchmarking
20 from Mr. Bunston, 'cause he's listening in.

21 He would direct this Board to section
22 8.0 of the investment policy statement where he says
23 the benchmarks are therein and based on public market
24 indices, where available. So that is his response to
25 that if -- if you're looking to see how those

1 benchmarks are arrived at, what they're comprised of.

2 PANEL CHAIRPERSON: Thank you very
3 much, Mr. Guerra and Mr. Scarfone.

4 Mr. Monnin...?

5

6 CLOSING COMMENTS BY MR. CHRISTIAN MONNIN:

7 MR. CHRISTIAN MONNIN: Thank you,
8 Madam Chair. I anticipate that my submissions today
9 will last about ten (10) to fifteen (15) minutes
10 maximum.

11 Bike Winnipeg has now been
12 participating -- pardon me -- in Manitoba Public
13 Insurance's General Rate Application for over ten (10)
14 years. And this continued participation is based on
15 concern regarding the efforts and results being made
16 on changing driver behaviour when they meet cyclists
17 and vulnerable road users.

18 From Bike Winnipeg's perspective, these
19 concerns manifest themselves primarily as programs
20 that do not meet MPI's own stated goals -- or goal
21 rather-- of reducing the number of fatalities and
22 serious collisions, and also manifests itself with a
23 relatively flat budget committed to road safety
24 initiatives.

25 For the purposes of these submissions

1 today, I intend to address three (3) key areas from
2 Bike Winnipeg's intervention: the issue of
3 stakeholder engagement, Manitoba Public Insurance's
4 road safety mission and meeting the -- the goals of
5 the mission, and third, the adequacy of the budget.

6 There are some other issues that Bike
7 Winnipeg had raised. However, rather than addressing
8 them in a more fulsome way in these submissions,
9 they'll be identified in some of the recommendations
10 that are being made at the tail end of -- my
11 submissions today.

12 Beginning on the issue of stakeholder
13 engagement, much of the road safety discussions are
14 now taking place within the context of the road safety
15 technical conference. And as previously noted, Bike
16 Winnipeg does not waiver from its prior position that
17 this forum remains a useful tool in the overall
18 toolbox as it relates to road safety issues, but also
19 as it relates to this Board.

20 Within that context and -- and within
21 the context of this Rate Application, Bike Winnipeg
22 has raised the issue whether stakeholder engagement
23 exercised by MPI was at a suitable -- suitable
24 standard.

25 On that particular issue Dr. Hall's

1 testimony on October 28th, it was stated that MPI is
2 preparing for its new road safety strategy for 2026
3 onward.

4 In that regard, Dr. Hall noted that
5 this interest by stakeholders and opportunities were
6 there in a broader public engagement, and MPI will be
7 develop -- in that regard, MPI will be developing an
8 approach to consultation, and that's in development
9 process.

10 Further, Mr. Sarginson, as part of the
11 road safety panel, also on October 28th, put forward
12 by MPI and speaking on this issue of stakeholder
13 engagement stressed -- and this is for the record at
14 page 1222 and 1223 of the transcript -- stressed:

15 "These engagement efforts and
16 partnerships are the Cornerstone of
17 MPI's approach in road safety and
18 the product of strong working
19 relationships developed over many
20 years with our network of
21 stakeholders."

22 In the context of Bike Winnipeg's IR1-
23 2, it was also put to the panel on October 28th in
24 particular MPI's opinion that its stakeholder
25 engagement over the course of the last two (2) years

1 was up to a suitable standard. When asked how MPI
2 measures its stakeholder engagements and how it
3 ensures that they're up to this suitable standard.

4 Mr. Sarginson's evidence at page 1329,
5 line 13 was that he didn't think that there's a metric
6 that MPI could point to specifically to say that
7 they've hit some targets or have a target range for
8 consultation.

9 It was suggested that, rather than
10 having a single measure or some data points that
11 support meeting a suitable standard, MPI really sort
12 of gauges themselves by the discussions that they have
13 or are having and whether they are interacting on a
14 regular basis and understand the priorities of the
15 stakeholders.

16 Still with Bike Winnipeg IR 1-3, MPI
17 acknowledged that when it comes to stakeholder
18 engagement, there continues to be room for
19 improvement.

20 However, when pushed on that point and
21 asked on October 28th what MPI viewed as needing
22 improvement with respect to stakeholder engagements,
23 the response was, frankly, that there was nothing
24 specific and that MPI rather relies on stakeholders to
25 bring forward their priorities or suggestions.

1 In short, Bike Winnipeg would
2 respectfully suggest the takeaway is that, while there
3 is always room for improvement, there is nothing that
4 comes to mind that needed to be improved.

5 In that regard, Bike Winnipeg has noted
6 that Manitoba Public Insurance does not have a public
7 engagement methodology, public engagement
8 professionals, or standards for public engagement. By
9 example, the City of Winnipeg has a public engagement
10 department with several staff, and with IAP2
11 qualifications, which stands for International
12 Association of Public Participation Practitioners, who
13 implement procedures designed to ensure effective
14 public participation in decision-making.

15 Bike Winnipeg also suggests that it
16 appears that the staff in the road safety department
17 are responsible for managing public engagement on
18 their own projects and reporting on their successes.
19 Respectfully, this is not a format or significant
20 public engagement.

21 Thirdly, while MPI is committed to
22 involving stakeholders in the development of the next
23 version of the Road Safety Plan -- and Bike Winnipeg
24 tends to participate fully in that -- what has come
25 through in this hearing is that, sitting here today,

1 it does not appear to be fleshed out, nor has the
2 schedule -- nor has the schedule been necessarily
3 achieved.

4 If I can move down to the issue of road
5 safety, the mission, Bike Winnipeg has been encouraged
6 by the statements made by the Corporation's, CEO as it
7 relates to road safety and -- and on what appears to
8 be a greater emphasis on safer roads as contained in
9 the new vision and mission statement of the
10 Corporation.

11 A takeaway from this hearing is,
12 although road safety is present in the vision and
13 statement of the Corporation, it is not part of the
14 core of the -- of the Corporation's core business,
15 rather viewed as an additional responsibility.

16 n response to Bike Winnipeg's IR-2-5,
17 it was -- MPI provided its goal for the road safety
18 strategy is to achieve a downward trend in fatalities
19 and serious injuries and below the Canadian average.

20 In sum, its target is to reduce
21 Manitoba's year-over-year casualty rate at a faster
22 pace than what was achieved nationally. Yet we find
23 at page 1218 of the transcript, during the road safety
24 panel's opening presentation, it was suggested that:

25 "MPI's mission and the road safety

1 strategy is to reduce fatalities,
2 injuries, and collisions -- "

3 And I'll pause here 'cause it's
4 significant from Bike Winnipeg's perspective:

5 " -- and the resulting cost to
6 Manitoba ratepayers using a data-
7 driven road safety strategy that
8 prioritizes evidence-based
9 initiatives."

10 What is absent in the responses to the
11 IR on what the mission is, is what we now find in the
12 evidence given before the panel is the resulting cost
13 to Manitoba ratepayers. And Bike Winnipeg would
14 suggest that this demonstrates that the lens of loss
15 prevention remains very much part of the road safety
16 programming -- a concern that was raised by Bike
17 Winnipeg during its opening submissions.

18 And Bike Winnipeg would suggest that
19 another concrete example of this scenario where the
20 lens of loss prevention is very much part of road
21 safety programming was highlighted again during the
22 evidence portion of the road safety panel.

23 And on page 1236 of the transcript,
24 here Mr. Doell I believe shared with the -- with the -
25 - at the hearing that the Corporation had received

1 funding for the expansion of the speed display program
2 in the sum of two hundred and thirty thousand dollars
3 (\$230,000), and in support of the First Nations
4 Pedestrian Safety Program in the sum of five hundred
5 and eighty dollars (\$580) from the federal government.

6 The evidence from Mr. Doell was that we
7 should be encouraged by the fact that MPI may be able
8 to get additional value to Manitoba by securing
9 funding sources. What isn't clear to Bike Winnipeg is
10 as follows.

11 It would be concerning if MPI was
12 willing only to expand two (2) of their programs if
13 they would receive extra federal funding, but not
14 willing to finance that expansion, despite these
15 programs being successful, if they did not receive
16 that funding.

17 Road safety must be about results as it
18 relates to the stated mission and MPI's self-
19 proclaimed ambition -- ambitious goal.

20 From Bike Winnipeg's perspective,
21 another gap in the road safety strategy remains the
22 issue of social costs. During cross-examination by My
23 Friend from the legal counsel for the Public Utilities
24 Board at page 1237 of the transcript, Ms. Campos on
25 behalf of MPI agreed that successful loss prevention

1 and road safety strategies can minimize economic and
2 social costs.

3 In addition, during her opening
4 presentation on October 28th, Ms. Campos, at page 1205
5 of the transcript provided that:

6 "MPI's road safety initiatives are
7 guided by deep understanding of the
8 human impact of motor vehicle
9 collisions. The devastating effects
10 of these collisions are experiences
11 -- are experienced by countless
12 individuals, families, and
13 communities throughout Manitoba.
14 Simply put, losing even one
15 Manitoban to a collision is one too
16 many."

17 However, in response to Bike Winnipeg
18 2-5, when asked if the annual social costs of motor
19 vehicle collisions will inform MPI's road safety
20 strategy, in response it's advised that while MPI has
21 not yet begun to develop its next road -- next road
22 safety strategy, it does not anticipate that its road
23 safety strategy will be informed by societal costs of
24 motor vehicle collisions.

25 In addition, in that IR, MPI responds

1 that focusing on societal costs might lead to
2 strategies that prioritize financial savings over
3 human lives.

4 And on that particular point, it's
5 respectfully suggested -- or submitted rather -- that
6 Bike Winnipeg struggles to see the difference between
7 strategies that might prioritize financial savings and
8 a mission that -- that aims to reduce fatalities,
9 injuries, and the resulting costs to -- to
10 ratepayers. They are one and the same from MPI's --
11 sorry, from Bike Winnipeg's perspective.

12 On the issue of the adequacy of the
13 budget, we've heard several times over the course of
14 this hearing that Manitoba's fatality rate exceeds the
15 national average. It's not in dispute.

16 What we saw in the materials and the
17 evidence is that serious collision trends, looking at
18 a ten (10) year timeline, the data shows that the
19 number of motor -- motor vehicle fatalities in
20 Manitoba has remained relatively stable. In sum, they
21 haven't gone down.

22 What we saw in the materials and the
23 evidence is the data is telling us also that in 2022,
24 the number of motor vehicle fatalities in Manitoba
25 jumped 23 percent from 2021, second highest in ten

1 (10) years.

2 During the evidence of the road safety
3 panel -- and this is at page 1358 -- it appears that
4 MTS attempts to -- sorry, MPI tends to suggest that,
5 regardless of what the high level numbers are -- are
6 stating categorically, that numbers are flat or
7 they're increasing on a year-over-year basis, that one
8 must look at the success of the programs and the
9 initiatives and take into account what those -- and
10 take into account those programs in a more granular
11 rather than the top end on what's happening on the
12 high level numbers.

13 Bike Winnipeg would suggest that this
14 is an unacceptable pivot from MPI's stated mission of
15 setting an ambitious target of downward trends and the
16 rate of fatalities and serious injuries that exceed
17 the national average. You must look at that top line.

18 On the issue of changing driver
19 behaviours and whether there's inadequate funding for
20 that, on the issue of road safety campaigns in
21 particular, MPI acknowledges in the Road Safety
22 Transportation -- sorry, the Road Safety Technical
23 Conference Report, page 20 of 40 and page 1359 of the
24 transcript, that behavioural change is very difficult
25 -- it's a very difficult thing to measure, that MPI

1 doesn't directly monitor it through its road safety
2 campaigns.

3 However, in an attempt to support
4 whether drive your behaviours are changing, MPI's
5 panel provided at page 1361 a response that would seem
6 to suggest a support for MPI's -- or, sorry, for Bike
7 Winnipeg's concerns.

8 And this will be a lengthier quote, and
9 I apologize for that, but from our perspective, it's a
10 significant one. And the quote is as follows:

11 "So, I mean, your question about
12 whether driver behaviours are
13 changing -- and I wouldn't say that
14 there's lots of evidence to say --
15 sorry -- and I would say that
16 there's lots of evidence to say that
17 they are changing.

18 But especially coming out of the
19 pandemic, we saw very serious and
20 dangerous driving behaviour on the
21 road. We saw the number of serious
22 offenses notices that are filed by
23 the police. So, this is when a
24 driver's charged with a listed
25 number of serious offenses in

1 legislation, they notify the
2 registrar immediately when those
3 charges are laid.

4 And what we saw -- what we've seen
5 over the last number of years is the
6 number of those serious offenses has
7 gone -- has increased quite
8 dramatically, which is very
9 concerning."

10 I think the point attempted to be made
11 here is that the response was provided in order to
12 support the suggestion, in light of this increasingly
13 bad behaviour, if the road safety initiatives is able
14 to hold steady the number of fatalities and serious
15 injuries, that some of MPI's efforts is evidence that
16 they're making a difference.

17 What this suggests is that the road
18 safety funding is not adequate to change behaviours.
19 It is at best set at an amount that aims to hold
20 steady the number of fatalities and serious injuries
21 in the face of what is apparently a recognized
22 dramatic increase of dangerous driver -- driving
23 behaviour.

24 And Bike Winnipeg would respectfully
25 submit that what we're seeing here is that MPI is not

1 meeting the challenge of understanding and dealing
2 with the trends in driver behaviour.

3 One such manner to pursue on this front
4 is better management of crash data. They do not have
5 a methodology to track behaviour from year to year,
6 other than the collision reports.

7 Again, on the issue of adequacy of
8 funding, what we've heard as part of the evidence is
9 that while there was a significant increase between 20
10 2023/2024 and 2024/2025, this was a result of MPI's
11 inability to spend the entire budgeted amount.

12 We also heard that its responses -- and
13 in response to questions from PUB counsel at page
14 1298, that the road safety spend has been consistently
15 below the budget for the last five (5) years.

16 Bike Winnipeg would respectfully submit
17 that it's not illogical for this Board to conclude
18 that one could find a correlation between a relatively
19 stable budget, which is admittedly being consistently
20 underspent, and what the data shows is at best
21 relatively stable fatalities and serious collisions.

22 We have a significant amount of -- of
23 history demonstrating a consistent spend, and we have
24 data showing that, at best, fatalities are flat. To
25 find a correlation between the two (2) is not a

1 significant leap of logic is what Bike Winnipeg is
2 trying to -- to submit.

3 Bike Winnipeg would also highlight an
4 exchange between My Friend Mr. Klassen and the road
5 safety panel at page 1298 where, under cross-
6 examination, MPI recognized that the upcoming road
7 safety strategy will present an opportunity to
8 consider whether the \$15 million budget currently
9 allocated to road safety and loss prevention is
10 appropriate.

11 In addition, during that same exchange
12 with Mr. Klassen and the panel, it was recognized that
13 reconsidering the scale of MPI's road safety and loss
14 prevention budget as part of the development of its
15 upcoming new strategy, MPI might consider such things
16 as whether the budget enables MPI to achieve the goals
17 of the strategy.

18 Now is the time to do so. We're
19 talking about a budget that's fixed up until '28/'29.
20 There is consultation occurring. By its own evidence,
21 MPI has acknowledged in that exchange with My Friend
22 Mr. Klassen that it is an appropriate time to assess
23 whether that budget is sufficient. It's not too late
24 to increase that budget, and it's not too -- too late
25 to act on it.

1 As far as recommendation -- and -- and
2 I -- I thank you for your patience members of the
3 Panel -- the following are the recommendations that
4 Bike Winnipeg would have flowing from this hearing is:

5 That MPI be directed to come forward
6 with a plan for the next three (3) year period that
7 will make Manitoba's roads meaningfully safer and
8 actually move the needle towards meeting its self-
9 proclaimed ambitious goals. It must be more than just
10 iterative change from current programs.

11 That MPI develop tools and data that
12 can measure behaviour on the road to track progress on
13 safer roads on an ongoing basis.

14 That MPI report back on improving the
15 timeliness and accuracy of collision data and its
16 progress in sharing that data with relevant
17 stakeholders.

18 Not addressed in my submissions but
19 addressed in the context of this -- this hearing, that
20 MPI confer with the government to determine MPI's
21 mandate with respect to achieving provincial net zero
22 greenhouse gas targets and what role MPI can play in
23 that regard.

24 And establish the capacity to set and
25 meet standards for public engagement, particularly

1 with respect to the develop -- development of the next
2 road safety plan, and in the interim develop a system
3 to report the progress against the commitments that
4 are made at the road safety technical conference and
5 which are found in the report.

6 Thank you, Madam Chair, members of the
7 Board. Those are my submissions for today, subject to
8 any questions you may have.

9 PANEL CHAIRPERSON: Thank you, Mr.
10 Monnin. Mr. Gabor...?

11 BOARD CHAIR GABOR: Mr. Monnin, the
12 first thing you said was changing behaviour, correct?

13 MR. CHRISTIAN MONNIN: Pardon me?

14 BOARD CHAIR GABOR: First thing you
15 said was changing behaviour. So, here's the question
16 I have, which is slightly off topic.

17 One of the things that bothers me, and
18 maybe you can take it back to Bike Winnipeg, is if we
19 want to change behaviour, how do we get people to wear
20 helmets when they're riding bicycles? Because I drive
21 to work every morning, and half the people riding
22 bicycles are not wearing helmets.

23 So, I -- I understand the
24 recommendations to MPI. I guess the concern I see
25 down the road is things improve, MPI has more money,

1 puts more money towards budgets, but the numbers don't
2 come down because the people involved in bicycle
3 accidents are injured because they're not wearing
4 helmets.

5 And I mean, I had not a -- I was going
6 to say running -- it wasn't running -- and he was -- I
7 was buying something and the woman was talking about
8 being an avid cyclist. And I said to her, Do you wear
9 a helmet?

10 She was sort of in her mid-forties and
11 she started grinning and shrugging, and she said,
12 well, she should, but she really doesn't and --
13 because it ruins her hair. And I told her what I
14 thought of the excuse and started admonishing her.

15 I'm just wondering, though, if you can
16 take it back, if -- if it sort of doesn't cut both
17 ways. There's -- there's certainly a need to change
18 driver behaviour, but at the same time, if cyclists
19 aren't going to wear helmets and take sort of minimal
20 precautions, I have a problem.

21 MR. CHRISTIAN MONNIN: Certainly, if I
22 may, Mr. Gabor, it's a fair question, and -- and I
23 think it would -- it would fall into the category one
24 can't suck and blow at the same time.

25 And -- and certainly the response I

1 would provide, however, is -- is the following
2 anecdotally. I -- you know, statistic -- I don't know
3 statistically how many folks do wear helmets or not,
4 but -- but enforcement of that is certainly something
5 that ought to be pursued.

6 And certainly, you can't -- you can't
7 not take the necessary steps to protect yourself and
8 then blame someone else for not doing anything.

9 But I would say the following is -- is
10 a helmet certainly is a good first step and should be
11 worn at all times. And I'm not a betting man, but if
12 I were, if I had to bet against a vehicle or someone
13 on a -- on a bike who was wearing a helmet and bubble
14 wrap for that matter, I think the vehicle would win at
15 all times.

16 And the point being there is -- is that
17 a helmet ought to be worn and any other protective
18 gear ought to be worn, but there's a great disparity
19 between the impact a vehicle can do on the human body
20 and versus what a bike can do to someone protected in
21 a vehicle.

22 And it might not be fair to say, but
23 the greater responsibility towards vulnerable road
24 users. after vulnerable road users take the right
25 steps to protect themselves, being responsible, are

1 those behind the wheel because I don't think it's an
2 overreach to say that a vehicle traveling over 30
3 kilometers an hour is not just a mode of
4 transportation, but it can be a weapon, and -- and
5 it's uncertain whether a helmet would -- would
6 protect.

7 I mean, certainly it's better than not
8 wearing a helmet, but it's -- it's -- the culture of -
9 - of those behind the wheel means that we would
10 respectfully submit, helmet or not, have to be more
11 alive to the damage that a vehicle can do to -- to the
12 human body.

13 PANEL CHAIRPERSON: I have one
14 question for you, Mr. Monnin, just if I could ask you
15 to elaborate a bit on the last comment that you made
16 with regards to your hope that MPI might consult with
17 government in relation to its role in reducing
18 greenhouse gas emissions.

19 I'm just not too sure what their role
20 would be or how that might be accomplished. So, if
21 you could elaborate, I'd appreciate it.

22 MR. CHRISTIAN MONNIN: Certainly,
23 Madam Chair. You may recall during cross-examination
24 of the strategic panel, the -- the question that were
25 put to the panel was whether there was any -- any

1 mandate or any involvement in -- in -- from MPI with
2 regards to the stated goals of reducing net zero.

3 And the response was that there --
4 there wasn't, and -- and certainly not blaming MPI's
5 response on that, but from the global perspective of
6 the province saying, here's -- here's some ambitious
7 targets that we want to hit net zero from 2050, I
8 believe, Bike Winnipeg's suggestion was if the road --
9 if there's more active transportation, that would mean
10 there would be less vehicles on the road.

11 And that was put to the panel, and from
12 a very general hypothetical perspective, that was
13 agreed to, that if you have safer roads where more
14 cyclists are on and less -- less vehicles with
15 emissions, that could lead to the stated goals from
16 the province with regards to -- to net zero emissions.

17 And so, from Bike Winnipeg's
18 perspective, simply having MPI confer with the
19 government to see how they can dovetail what they're
20 doing with the stated goals of the Government of
21 Manitoba for moving to net zero greenhouse gas targets
22 is what we think would be a good first step.

23 PANEL CHAIRPERSON: Thank you very
24 much for that. And thank you very much for your
25 closing remarks this afternoon.

1 With regard to tomorrow, I believe
2 we're going to start with CAC's closing and that will
3 be then followed by CMMG and the Taxi Coalition and
4 the reply then of MPI.

5 So that concludes this afternoon's
6 session. We'll see you tomorrow morning.

7

8 --- Upon adjourning at 3:46 p.m.

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11 Certificate of Transcript

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15 Wendy Woodworth, Ms.

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