



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re:

MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

2026/27 MPI GRA

Before Board Panel:

Irene Hamilton, K.C.- Panel Chairperson

Patrick Ireland - Board Member

Kim Sharman - Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

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

2

3 PANEL CHAIRPERSON: Good morning,
4 everyone. I'd just like to offer our apologies for
5 our system not working at the end of the day
6 yesterday. So, what we will do this morning is I will
7 ask Ms. Moore to backup her questions a couple just to
8 make sure that we have everything on the record. So,
9 please bear with us. Ms. Moore...?

10

11 CONTINUED MPI PANEL: ALM & INVESTMENT MANAGEMENT:

12

13 SATVIR JATANA, previously Sworn

14 CARA LOW, previously Affirmed

15 GLENN BUNSTON, previously Affirmed

16

17 MS. KARA MOORE: Before we begin, I
18 understand that MPI had a correction to the record
19 that they wanted to make.

20 MR. STEVE SCARFONE: Yes.

21 PANEL CHAIRPERSON: Mr. Scarfone...?

22 MR. STEVE SCARFONE: Yes. Thank you,
23 Madam Chairperson. Could we have a PUB 2-15 pulled
24 up, please. Thank you.

25 And so yesterday, I'm not sure if this

1 was captured on the record, it probably was, but we
2 need to correct a question that was put to the
3 witness, Mr. Bunston, by Ms. Moore with respect to the
4 real estate updates that were made in response to this
5 question. Mr. Bunston...?

6 MR. GLENN BUNSTON: Yes. So, I
7 checked with my team yesterday and confirmed that the
8 yields that were provided for real estate in response
9 to PUB 2-15 were based on the benchmark, which is the
10 MSCI quarterly property fund index.

11 MS. KARA MOORE: Thank you.

12 MR. STEVE SCARFONE: And I think just
13 to -- to be clear, yesterday, we indicated that it was
14 CPI plus 4, correct?

15 MS. KARA MOORE: Yes. That's my
16 recollection.

17 MR. STEVE SCARFONE: Thank you.

18

19 CONTINUED CROSS-EXAMINATION BY KARA MOORE:

20 MS. KARA MOORE: All right. So, I
21 would like to go back to MPI Exhibit 17, Appendix 1,
22 Attachment A, the actual yield tab. That's what we
23 are on. And so, the columns on this screen in this
24 table show the actual yield -- or the actual is the
25 one (1) year returns for real estate.

1 Is that correct?

2 MR. GLENN BUNSTON: Yes, that's right.

3 MS. KARA MOORE: And if we look at the
4 nine (9) years from March 2017, to March 2025, if I
5 add up the yields for each year, the total is 51.5
6 percent. You can take my word for that --

7 MR. GLENN BUNSTON: Is there --

8 MS. KARA MOORE: -- subject to check?

9 MR. GLENN BUNSTON: -- a total on the
10 far right?

11 MS. KARA MOORE: No, that's just my
12 addition of adding up the real estate yields for the
13 years.

14 MR. GLENN BUNSTON: Okay. I will take
15 that as correct.

16 MS. KARA MOORE: And so, that is an
17 average of 5.72 percent?

18 MR. GLENN BUNSTON: Again, sounds
19 correct.

20 MS. KARA MOORE: Okay. And this is
21 substantially higher than the ten (10) year average of
22 the QPF of 4.2 percent?

23 MR. GLENN BUNSTON: The ten (10) year
24 average for the QPF was 4.4, but, yes, that is higher
25 than the ten (10) year average for the QPF.

1 MS. KARA MOORE: Okay. But it's very
2 close to the -- if we go to MPI Exhibit 17, Figure 1,
3 on page 4.

4 So, if we look at this, that 5.72
5 percent is very close to the real estate yield of
6 5.73, which is based on the CPI plus 4 percent?

7 MR. GLENN BUNSTON: Yes, it's close to
8 the yield that is shown here -- here on line 5.

9 MS. KARA MOORE: Thank you. Yesterday
10 we discussed whether the figures at Exhibit 17 in the
11 rate update used the 1.57 percent rate indication, or
12 the 2.07 percent rate indication. And at that time,
13 you responded that you were trying to find out from
14 the finance team.

15 I'm wondering if you have an update in
16 that regard.

17 MS. CARA LOW: Our CFO confirmed that
18 they use the 1.57 percent in the rate update, and now
19 the 2.07 percent.

20 MS. KARA MOORE: Thank you. And I'm
21 now going to just go to my last area of questioning,
22 which is with respect to MPI's proposal to cancel the
23 fall rate update.

24 So, as you know, MPI has proposed that
25 it no longer provide a fall update for the GRA,

1 correct?

2 MS. CARA LOW: Correct.

3 MS. KARA MOORE: And so, when
4 predicting tomorrow's bond yields, it's better to use
5 today's bond yields as opposed to those from several
6 months ago, correct?

7 MS. CARA LOW: Again, we're not trying
8 to predict anything. It's not a forecast. We're
9 using the yields as of a specific date, whether it's
10 March 31st or August 31st. And yields go up and down.
11 And we're not experts in understanding whether they're
12 going to be up or down in twenty-four (24) months or
13 nineteen (19) months.

14 MS. KARA MOORE: Yes. But my question
15 is just generally. If we were predicting tomorrow's
16 bond yields, it's better to use today's as opposed to
17 several months ago.

18 However, when predicting next year's
19 bond yields, whether you use today's or the bond
20 yields from several months ago, there's going to be a
21 significant amount of error due to events that occur
22 in the future, correct?

23 MS. CARA LOW: Correct. And even, you
24 know, when we use March 31st, 2025, yields, we're
25 trying to predict what the yield's going to be two (2)

1 years from now, March 31st, '27, plus subsequent
2 years, because it takes years to pay all these claims,
3 so it'll be going on for twenty (20), thirty (30)
4 years.

5 MS. KARA MOORE: Understood. And if
6 we're still on Exhibit 17, if we could look at page 14
7 of the PDF. This is RU Appendix 1.

8 So, just reviewing this, the ALM and
9 Investment Management Division conducted a nine (9)
10 year historical analysis of the accuracy of MPI's
11 March forecast compared to its August forecast,
12 correct?

13 MS. CARA LOW: Correct.

14 MS. KARA MOORE: And based on the
15 year's reviewed, the March forecast had smaller
16 variance to the actual yields in the claim portfolio
17 than the August forecast?

18 MS. CARA LOW: Correct.

19 MS. KARA MOORE: And specifically, six
20 (6) of the nine (9) years in that sample had smaller
21 variants based on the March forecast?

22 MS. CARA LOW: Correct. Yes.

23 MS. KARA MOORE: And given the fact
24 that before 2019 there was only a single investment
25 portfolio and not a claims investment portfolio, some

1 assumptions were required to reflect the current
2 portfolio?

3 MS. CARA LOW: Correct. It was back
4 testing as we went back and assumed that the current
5 investment mix would have been in place back up to
6 nine (9) years ago.

7 MS. KARA MOORE: And if we could go
8 back to PUB-MPI-2-15. If we could just scroll up to
9 the question, please.

10 So, MPI was asked to provide yields for
11 its asset classes for a longer duration and based on
12 data limitations provided for 17 data points. And if
13 we can scroll down to the response on page 3, second
14 paragraph. MPI writes that:

15 "Of the 17 data points, the March
16 forecast was closer to the actual
17 yields in nine (9) cases while the
18 August forecast performed better
19 in eight (8)."

20 Correct?

21 MS. CARA LOW: Correct.

22 MS. KARA MOORE: MPI's conclusion was
23 that neither forecast consistently outperformed the
24 other?

25 MS. CARA LOW: Correct. Yes.

1 MS. KARA MOORE: Would it be fair to
2 therefore conclude from that that due to the time from
3 forecast to actual performance, random fluctuations
4 appear to have overpowered any improvement in
5 predictive power due to greater recency of the August
6 forecast?

7 MS. CARA LOW: The August yields are
8 not more predictive than the March yields when you're
9 trying to forecast out. And again, we're not
10 forecasting, but we're using it as a proxy for
11 forecast twenty-four (24) months in advance. It's not
12 more predictive.

13 MS. KARA MOORE: If we could now look
14 at MPI Exhibit 28. So, this is PUB-MPI pre-ask 4,
15 Figure 1. And this figure shows the updated history
16 of MPI General Rate Applications from 2016 to 2025.

17 You see that?

18 MS. CARA LOW: I see that.

19 MS. KARA MOORE: And with respect to
20 whether the PUB reflected the more recent interest
21 rate forecast in its order, and I'm looking at the
22 second column from the right on this table starting in
23 the 2019 GRA and consistently to 2025, the PUB
24 indicated that the ordered rates -- interest rate was
25 based on the naive interest rate forecast taken into

1 account the actual interest rate at September or
2 August of that year.

3 Do you see that?

4 MS. CARA LOW: I see that.

5 MS. KARA MOORE: So, for the last six
6 (6) GRAs, the PUB has consistently used the more
7 recent interest rates in its order, correct?

8 MS. CARA LOW: Our understanding is
9 that PUB did take it into account. That's all we
10 know.

11 MS. KARA MOORE: Thank you. And I
12 just have one (1) clarification that I wanted to make
13 from yesterday. If we could pull up yesterday's
14 transcript, and page 417 at line 18 -- or 17 through
15 21. So, if you could just review that. So, it says
16 here:

17 "MPI's investments have now grown
18 to 3.7 billion and it's no longer
19 just fixed income as it was upon a
20 time."

21 You see that?

22 MS. CARA LOW: I see that. And so,
23 our understanding is that what -- what you may have
24 meant -- and I don't want to put words in your mouth,
25 so I'll -- I'll put it to you and you can confirm or

1 clarify -- is that the Basic claims portfolio is no
2 longer just fixed income as you now have real estate
3 or commercial mortgages in the mix?

4 MS. CARA LOW: Confirmed, yes.

5 MS. KARA MOORE: Those are all my
6 questions. Thank you.

7 PANEL CHAIRPERSON: Thank you, Ms.
8 Moore. Mr. Klassen...?

9 MR. CHRIS KLASSEN: Good morning,
10 Madam Chair, members of the panel. Thank you. Good
11 morning to MPI and witnesses. For the transcript, my
12 name is Chris Klassen. I'm here for the Consumers
13 Coalition, and I'll have questions this morning for
14 MPI's ALM and Investments Panel.

15

16 CROSS-EXAMINATION BY MR. CHRIS KLASSEN:

17 MR. CHRIS KLASSEN: Ms. Low, Mr.
18 Bunston, you're both welcome to answer any of the
19 questions. I do expect that, Mr. Bunston, you'll be
20 best placed to answer, but I do have at least one (1)
21 specifically from Ms. Low.

22 Mr. Bunston, you'll confirm that MPI
23 has stated in the past that maximizing returns is not
24 the primary objective of MPI's investment portfolios,
25 correct?

1 MR. GLENN BUNSTON: Yes, that's
2 correct. There's many strategies we could take to
3 maximize returns, but those would involve taking a
4 significant amount of risk, which is not consistent
5 with our investment objectives.

6 MR. CHRIS KLASSEN: Understood. Thank
7 you. You'll agree, sir, that higher returns in the
8 investment portfolio can relieve upward pressure on
9 rates paid by MPI's customers?

10 MR. GLENN BUNSTON: Yes, I'd agree
11 with that.

12 MR. CHRIS KLASSEN: You'll agree, sir,
13 that MPI's investment policy statement does set out
14 MPI's investment objectives?

15 MR. GLENN BUNSTON: Yes, it does.

16 MR. CHRIS KLASSEN: And one such
17 objective is to ensure that MPI has the funds needed
18 to pay its liabilities when they come due, correct?

19 MR. GLENN BUNSTON: That's correct,
20 yes.

21 MR. CHRIS KLASSEN: And one way that
22 MPI accomplishes this is through the application of
23 its operational asset liability management policy,
24 correct?

25 MR. GLENN BUNSTON: Yes. The policy

1 sets out how the Corporation goes about mitigating
2 interest rate risk primarily.

3 MR. CHRIS KLASSEN: Exactly. So, and
4 -- and that policy provides a process for ensuring
5 that any impacts that interest rate changes might have
6 on the liabilities are offset by similar impacts or
7 perhaps offsetting impacts on the assets, correct?

8 MR. GLENN BUNSTON: Yes, that's right.

9 MR. CHRIS KLASSEN: And it does so by
10 employing a hedge ratio that ensures the dollar
11 duration of the assets equals the dollar duration of
12 the liabilities, correct?

13 MR. GLENN BUNSTON: Yes, that's
14 correct.

15 MR. CHRIS KLASSEN: We'll spend a few
16 moments to try to understand the liability side of
17 that equation first. And I'll ask Ms. Schubert to
18 bring us to investment Attachment A at page 20 of 22.

19 And you'll confirm, Mr. Bunston, on the
20 screen in front of us is investment Attachment A from
21 the current 2026 General Rate Application?

22 MR. GLENN BUNSTON: Yes, that's
23 correct.

24 MR. CHRIS KLASSEN: And this presents
25 the liability benchmark prepared by Mercer as part of

1 its recent work for MPI, correct?

2 MR. GLENN BUNSTON: Yes, it does.

3 MR. CHRIS KLASSEN: And you'll also
4 confirm that this liability benchmark portfolio is a
5 reproduction of the liability benchmark produced as
6 part of the 2022 asset liability study?

7 MR. GLENN BUNSTON: Yes, that's right.

8 MR. CHRIS KLASSEN: And so that we're
9 on the same page about what we're looking at, you'll
10 confirm that a liability benchmark portfolio is a
11 hypothetical asset mix designed to be a proxy for
12 MPI's claims liabilities, correct?

13 MR. GLENN BUNSTON: Yes, that's right.

14 MR. CHRIS KLASSEN: And you'll confirm
15 on the screen in front of us we see that Mercer's
16 proposed liability proxy includes a substantial
17 allocation of -- of real return bonds, correct?

18 MR. GLENN BUNSTON: Yes. We asked
19 Mercer to develop a real liability benchmark. And
20 that's why it includes significant allocation to real
21 return bonds driven by the fact that the significant
22 portion of the liabilities are indexed to inflation.

23 MR. CHRIS KLASSEN: And the reason for
24 that, you'll agree, sir, is that a number of MPI's
25 claims liabilities and, in particular, long-term

1 personal injury related claims, are highly inflation
2 sensitive, correct?

3 MR. GLENN BUNSTON: Yes, that's right.

4 MR. CHRIS KLASSEN: And looking to the
5 asset side of the hedge ratio equation in MPI's Basic
6 claims portfolio -- portfolio -- excuse me, you'll
7 confirm that MPI has a much smaller allocation of real
8 return bonds?

9 MR. GLENN BUNSTON: Yes. The
10 allocation is approximately 4 percent.

11 MR. CHRIS KLASSEN: And you'll agree,
12 sir, that this means that MPI is hedging against
13 liabilities by investing a large allocation to nominal
14 bonds with a relatively small allocation to real
15 return bonds, correct?

16 MR. GLENN BUNSTON: Yes. There's a
17 small allocation to real return bonds. But we also
18 have real estate in the portfolio, which does provide
19 some inflation hedging characteristics.

20 MR. CHRIS KLASSEN: Some inflation
21 hedging characteristics. Thank you.

22 Would you agree, sir, that -- that
23 these attributes of MPI's Basic claims portfolio make
24 the interest rate hedging strategy less effective
25 where inflation is volatile or where it differs from

1 expectations?

2 MR. GLENN BUNSTON: I would agree.
3 Nominal interest rates are a combination of real
4 interest rates and -- and realized inflation. And so,
5 to the extent that realized inflation varies from
6 expectations, then the strategy would be less
7 effective since nominal bonds do not hedge unexpected
8 changes in inflation.

9 MR. CHRIS KLASSEN: Thank you very
10 much. Ms. Schubert, could we go to Coalition MPI
11 Information Request from Round 2, Number 22,
12 Attachment A.

13 Mr. Bunston, you'll confirm that these
14 are -- that this -- this table presents Mercer's
15 capital market assumptions as of July 31st of 2025?

16 MR. GLENN BUNSTON: Yes, that's
17 correct.

18 MR. CHRIS KLASSEN: And on the left
19 side of the table, we have four (4) -- five (5)
20 columns that are on white backgrounds.

21 And those present asset classes, median
22 returns, and volatility in returns, correct?

23 MR. GLENN BUNSTON: Correct.

24 MR. CHRIS KLASSEN: And to the right,
25 the -- the colour coded side of the table presents the

1 correlations between the different asset classes that
2 are presented on the left, correct?

3 MR. GLENN BUNSTON: Yes, that's right.

4 MR. CHRIS KLASSEN: And the -- the
5 numbering scheme on the coloured columns on the right
6 corresponds with the numbering scheme at the far left
7 of the table identifying the asset classes, correct?

8 MR. GLENN BUNSTON: Yes, that's right.

9 MR. CHRIS KLASSEN: And so, if we look
10 at row number 3, real return bonds, and we follow it
11 over to column number 3, we see that column number 3
12 also represents real return bonds, which makes sense
13 because of the black 1.00 in that square, right?

14 MR. GLENN BUNSTON: That's correct.

15 MR. CHRIS KLASSEN: And that means
16 that real return bonds are perfectly correlated with
17 real return bonds, correct?

18 MR. GLENN BUNSTON: That's right.

19 MR. CHRIS KLASSEN: And if we follow
20 that column down from row number 3 to row number 19,
21 infrastructure, we see the correlation between
22 infrastructure and real return bonds is comparatively
23 lower, 0.21, correct?

24 MR. GLENN BUNSTON: That's correct,
25 yeah.

1 MR. CHRIS KLASSEN: And one (1) row
2 down from that to core real estate, we'll see an even
3 lower negative 0.06, correct?

4 MR. GLENN BUNSTON: That's correct,
5 yes.

6 MR. CHRIS KLASSEN: Thank you. We'll
7 move away from this on the screen before us, but
8 thanks for walking through that with me, Mr. Bunston.

9 Still on the duration matching policy
10 though, you'll agree, sir, that when MPI increases
11 allocation in the Basic claims policy portfolio to
12 nonfixed income assets, you'll agree then that it also
13 has to increase the duration of fixed income assets in
14 the portfolio, correct?

15 MR. GLENN BUNSTON: Yes, That's right.

16 MR. CHRIS KLASSEN: Would you agree
17 that increasing the duration of the basic claims
18 portfolio of the fixed income class assets in the
19 basic claims portfolio increases the susceptibility of
20 that portfolio to inflation risk?

21

22 (BRIEF PAUSE)

23

24 MR. GLENN BUNSTON: Could you repeat
25 the question, please?

1 MR. CHRIS KLASSEN: Certainly. The
2 question to you, Mr. Bunston, was whether you agree
3 that increasing the duration of the fixed income
4 assets in the Basic claims portfolio, as we just
5 discussed you have to do when you add nonfixed income
6 assets to that portfolio -- the question was whether
7 that action increases the susceptibility of the Basic
8 claims portfolio to inflation risk.

9 MR. GLENN BUNSTON: Yeah. So, the
10 reason that we increase the duration of the fixed
11 income portfolio is because we want the -- the overall
12 interest rate sensitivity of the assets and
13 liabilities to be as close to equal as possible, which
14 is why we target a hedge ratio of 1.

15 So, if we have fewer dollars invested
16 in fixed assets, they need to be more sensitive to
17 changes in interest rates. As I said earlier,
18 interest rates -- nominal interest rates are built as
19 the sum or product of real interest rates and
20 inflation.

21 And so, longer duration bonds are more
22 sensitive to changes in interest rates. And to the
23 extent that inflation changes, that will impact
24 interest rates. So, the longer duration bonds are
25 more sensitive to changes in interest rates.

1 So, to the extent that those interest
2 rate changes are driven by changes in inflation, then,
3 yes, they would have bigger impacts on those bonds,
4 but it's important to understand that on an overall
5 basis, the point is that the assets and liabilities
6 have the same sensitivity to changes in interest
7 rates.

8 MR. CHRIS KLASSEN: Thank you very
9 much, Mr. Bunston. And thank you also to the back row
10 support for -- for the caucus. We'll move on from
11 duration matching to asset liability management now.

12 Is it fair to say that one of the
13 earlier steps in an asset liability management study
14 involves identifying potential asset mixes for
15 consideration as part of the study?

16 MR. GLENN BUNSTON: So, one of the
17 steps would be -- that would be toward the end of the
18 study that the -- for the earlier steps would be
19 determining risk appetite of the Corporation, agreeing
20 on what asset classes are to be included, and the
21 goals and objectives of the investment portfolio. And
22 that would ultimately lead to developing an Efficient
23 Frontier, which would then identify various asset
24 mixes that are on that Efficient Frontier,

25 MR. CHRIS KLASSEN: Thanks for that

1 explanation. And it's a good reminder that we were
2 given a peek behind the curtain in that timeline
3 yesterday, so now we have a better understanding of
4 the early steps.

5 But the -- the point for our discussion
6 today is that it involves identification of potential
7 asset mixes for consideration in the study, and then
8 by MPI.

9 MR. GLENN BUNSTON: That is the
10 ultimate goal, is to develop asset mixes and to select
11 one that is consistent with the -- with the Board and
12 Investment Committee's risk appetite.

13 MR. CHRIS KLASSEN: And related to
14 risk appetite, the asset mixes that are considered or
15 that are made available for consideration are, in
16 certain cases, limited by constraints imposed by MPI,
17 or at least in past studies they have been, correct?

18 MR. GLENN BUNSTON: Yes. It's
19 important to ensure that the asset mixes considered
20 are implementable that are -- they're realistic. And
21 so, certain constraints are required to ensure that
22 that's the case. For example, we have real return
23 bonds in our portfolio. They're not marketable. They
24 can't be sold.

25 So, we need to have a constraint to

1 ensure that the study recognizes that and -- and does
2 not recommend the sale of those.

3 MR. CHRIS KLASSEN: Understood. And
4 that relates to the liquidity requirement in the -- in
5 the portfolio, correct?

6 MR. GLENN BUNSTON: Well, it relates
7 to the liquidity of those bonds in particular because
8 it's not an option to sell them. So --

9 MR. CHRIS KLASSEN: Understood.

10 MR. GLENN BUNSTON: -- we need to
11 ensure that the study doesn't recommend that.

12 MR. CHRIS KLASSEN: Very good. Thank
13 you. Another important step of an ALM, or asset
14 liability management study, you'll agree, is an
15 assessment of available portfolios and their expected
16 returns based on assumptions about what will take
17 place in the capital markets, correct?

18 MR. GLENN BUNSTON: Yes. What we see
19 here in front of us are those capital market
20 assumptions. So, they're long-term forecasts
21 regarding the expected return, standard deviation, and
22 correlation of all of the asset classes considered in
23 the study.

24 MR. CHRIS KLASSEN: And would you
25 agree, sir, that capital market assumptions form the

1 basis of an Asset Liability Management study?

2 MR. GLENN BUNSTON: They're a key
3 input into the study, I would agree.

4 MR. CHRIS KLASSEN: All right. And
5 that the results of Asset Liability Management studies
6 are sensitive to changes in capital market
7 assumptions?

8 MR. GLENN BUNSTON: Yes, they are.

9 MR. CHRIS KLASSEN: Is it fair to say
10 that MPI requires its vendors preparing Asset
11 Liability Management studies to use up-to-date capital
12 market assumptions?

13 MR. GLENN BUNSTON: When we're
14 conducting an Asset Liability Management study, yes,
15 we -- we always ask the consultant to use the most
16 recent capital market assumptions.

17 MR. CHRIS KLASSEN: Thank you. Ms.
18 Schubert, could you take us to Investment Attachment C
19 from the 2023 GRA?

20 And, Mr. Bunston, I expect you haven't
21 looked at this document for a few years, and I
22 apologize for bringing it back in front of you, but I
23 hope, through your counsel, you were notified that we
24 might be taking a look at this today.

25 MR. GLENN BUNSTON: Yes. Appreciate

1 the advance notice. I read through it yesterday.

2 MR. CHRIS KLASSEN: Sure. Thank you.

3 And so, you'll confirm that this is the document we're
4 talking about, which you reviewed yesterday,
5 Attachment C to the Investments chapter from 2023?

6 MR. GLENN BUNSTON: Yes, that's right.

7 MR. CHRIS KLASSEN: And this is one of
8 the deliverables from Mercer as part of the 2022 asset
9 liability study, in particularly the Phase 2 report,
10 correct?

11 MR. GLENN BUNSTON: That's right.

12 MR. CHRIS KLASSEN: And, Ms. Schubert,
13 could you take us to page 31 out of 33?

14 Mr. Bunston, you'll agree that this is
15 a page discussing Mercer's capital market assumptions,
16 correct?

17 MR. GLENN BUNSTON: Yes, it is.

18 MR. CHRIS KLASSEN: And if we look at
19 the first line of text there, we see that Mercer's
20 explaining that this page is intended to review
21 December 31st, 2021, capital market assumptions
22 against March 31st, 2022, capital market assumptions
23 in light of the market volatility, correct?

24 MR. GLENN BUNSTON: Correct.

25 MR. CHRIS KLASSEN: And you'll confirm

1 that there's a period of three (3) months between
2 those two (2) dates in that line, right?

3 MR. GLENN BUNSTON: That's right.

4 MR. CHRIS KLASSEN: And if we go onto
5 the next paragraph, and I can give you a minute to
6 review it if you need, you'll agree, sir, that Mercer
7 explains here that volatility in the markets in those
8 three (3) intervening months led to changes in its
9 capital market assumptions, correct?

10 MR. GLENN BUNSTON: Yes, that's right.

11 MR. CHRIS KLASSEN: And you'll agree
12 that this page presents Mercer's analysis assessing
13 the impacts of these changes on the asset liability
14 study that had just been completed a few months prior,
15 correct?

16 MR. GLENN BUNSTON: Correct.

17 MR. CHRIS KLASSEN: And you'll agree
18 that Mercer explains here that it undertook this
19 analysis to ensure the validity of its original
20 assessment?

21 MR. GLENN BUNSTON: Yes, that's right.

22 MR. CHRIS KLASSEN: And that this
23 analysis before you was necessary, at least in
24 Mercer's view, because of changes in the market in the
25 intervening three (3) months?

1 MR. GLENN BUNSTON: Yes, that's right.

2 MR. CHRIS KLASSEN: Thank you, Mr.

3 Bunston. We'll come back to the present and move away
4 from 2023.

5 Ms. Low helpfully did an overview of
6 much of this next subject area in your presentation
7 yesterday, but just so we clarify the key points, I'll
8 try to move through it fairly quickly.

9 The panel will confirm that new asset
10 mixes recommended in the 2022 asset liability study
11 were initially approved by MPI's investment committee
12 in February of 2023?

13 MR. GLENN BUNSTON: Yes, I believe
14 that's right.

15 MR. CHRIS KLASSEN: And you'll confirm
16 that the investment committee's approved asset mix
17 included a full 34 percent of Basic claims to be
18 allocated to it, inflation-linked bonds in the form of
19 real return bonds, correct?

20 MR. GLENN BUNSTON: Correct.

21 MR. CHRIS KLASSEN: And MPI took
22 initial steps to purchasing its intended allocation of
23 RRBs in December of 2022, correct?

24 MR. GLENN BUNSTON: Yes, that's right.

25 MR. CHRIS KLASSEN: And that was an

1 \$84 million purchase, correct?

2

MR. GLENN BUNSTON: Yes.

3

MR. CHRIS KLASSEN: At the time

4 comprising just under 3 percent of the portfolio or

5 so?

6

MR. GLENN BUNSTON: Approximately.

7 Thanks.

8

MR. CHRIS KLASSEN: And you'll agree,

9 sir, that this action on the part of MPI's investment

10 committee was a response to the impacts of inflation,

11 particularly on MPI's bond portfolios over the two (2)

12 prior years, correct?

13

MR. GLENN BUNSTON: Sorry, could you

14 repeat that?

15

MR. CHRIS KLASSEN: That? The

16 decision of MPI's investment committee in February of

17 2023 to incorporate real return bonds into the Basic

18 claims portfolio was a response to the impacts of

19 inflation experienced over the two (2) prior years,

20 correct?

21

MR. GLENN BUNSTON: Well, I think it

22 was fair to say that it was a response to the results

23 of the Asset Liability Management study. We asked

24 Mercer to use a real liability benchmark and which

25 reflected the inflation sensitivity of our

1 liabilities.

2 As you pointed out earlier in your --
3 in one of your earlier questions, that resulted in a
4 real liability benchmark that included a significant
5 allocation to real return bonds, and the asset mix
6 that -- that was selected from the Efficient Frontier
7 included a 34 percent allocation to real return bonds.

8 So, it was an outcome of the study and
9 the direction that was given to -- to Mercer. And,
10 yes, obviously everybody knows during the pandemic
11 inflation was -- was high, so that was the environment
12 in which that decision was made.

13 MR. CHRIS KLASSEN: Okay. We're going
14 to walk down this path just a little bit further, Mr.
15 Bunston.

16 And, Ms. Schubert, I wonder if you
17 could take us to a transcript from that hearing.
18 It'll be the date of October 24th of 2023, starting on
19 page 1910.

20 You'll confirm, Mr. Bunston, that,
21 starting on line 5, there's a discussion between you
22 and I about performance and MPI's bond portfolios.
23 high level is fine.

24

25

(BRIEF PAUSE)

1

2 MR. GLENN BUNSTON: Yes, I see. It's
3 a discussion of bond math, it looks like.

4 MR. CHRIS KLASSEN: Thank you. And
5 then beginning on line 12, I invite you to confirm
6 that the performance in that bond portfolio was
7 related to inflation circumstances that were facing
8 the Corporation at the time, which had been discussed
9 at length in the -- in the prior GRA.

10 MR. GLENN BUNSTON: Yes. That's what
11 -- that's what the transcript says.

12 MR. CHRIS KLASSEN: Thank you. And,
13 Ms. Schubert, if you could take us onto the next page,
14 or at least further down on this page first. Yeah.
15 And we can move ahead to the next page now.

16 Mr. Bunston, you'll confirm at the top
17 of that page, you and I are continuing to discuss
18 performance in the bond portfolio now in 2022/'23
19 related to inflation circumstances at the time?

20 MR. GLENN BUNSTON: I see the
21 reference to 2023 and the -- I believe that's
22 investment income that it's referring to.

23 MR. CHRIS KLASSEN: Okay. Yes. That
24 makes sense. Thank you. And you'll see at line 8, I
25 asked you to confirm that, in response to those

1 circumstances, MPI then elected to incorporate real
2 return bonds into the Basic claims portfolio. And
3 you'll see at line 14 that you agreed, correct?

4 MR. GLENN BUNSTON: Yes. I see that.

5 MR. CHRIS KLASSEN: And so, you'll
6 confirm, sir, that it was your evidence in 2023 that
7 MPI's investment committee's decision to incorporate
8 real return bonds into the Basic claims portfolio was
9 a response to the impacts of inflation on MPI's
10 investment income in the two (2) years prior to that
11 decision.

12 MR. GLENN BUNSTON: It was in response
13 to the recommendation from the Asset Liability
14 Management study, and that study was made in the
15 context of the pandemic and the high inflation that
16 the pandemic caused.

17

18 (BRIEF PAUSE)

19

20 MR. CHRIS KLASSEN: I'm happy to carry
21 on. It's not clear to me if the panel is discussing -
22 - okay. I'll -- I'll move on then. Thanks very much.

23 So back to our overview of the history,
24 it was not long after that the MPI board of directors
25 then changed its decision and MPI ended up not

1 pursuing the full allocation of real return bonds,
2 correct?

3 MS. CARA LOW: That is correct, yes.

4 MR. CHRIS KLASSEN: And then a revised
5 asset mix was approved by the investment committee to
6 reflect this decision?

7 MS. CARA LOW: Correct.

8 MR. CHRIS KLASSEN: And, Ms. Low,
9 you'll confirm that the target allocation to real
10 return bonds in that revised asset mix was 4 percent,
11 correct?

12 MS. CARA LOW: It was 4 percent and to
13 put some context around everything, we did have a new
14 board, a new investment committee. So, we sat down
15 with a new investment committee. We went through the
16 ALM study.

17 We spent a half a day with them so they
18 could understand this study and our reaction to this
19 study. And there was a decision to move away from the
20 34 percent, which was going to be through the bond
21 overlay strategy.

22 MR. CHRIS KLASSEN: Understood. And
23 the purpose of my questions is -- is not to get at the
24 specifics of that decision, but I -- I thank you for
25 the background.

1 MS. CARA LOW: Okay.

2 MR. CHRIS KLASSEN: You'll confirm
3 that the -- the 4 percent target that was imposed at
4 that time is still in place today?

5 MS. CARA LOW: Correct.

6 MR. CHRIS KLASSEN: Great. Thank you.
7 And, Ms. Low, you'll confirm that it was your evidence
8 in last year's GRA, that the 4 percent target was set
9 simply to reflect the RRBs, the real return bonds,
10 that MPI had already purchased, correct?

11 MS. CARA LOW: Yes.

12 MR. CHRIS KLASSEN: And is it fair to
13 say that it was these circumstances that prompted
14 MPI's reengagement of Mercer? And perhaps I'll give a
15 little bit more background. That's too broad. I
16 apologize.

17 You'll confirm that it was MPI's
18 evidence last year that MPI was re-engaging with
19 Mercer with respect to inflation protection in the
20 Basic claims portfolio, correct?

21 MS. CARA LOW: Correct. And as you
22 would've seen in the presentation yesterday, we had
23 the engagement with Mercer to relook at where we
24 relied on the Efficient Frontier prior to the PUB
25 directive because we were also wanting to understand.

1 So, we were doing that in November, even though the
2 directive didn't come out until January.

3 MR. CHRIS KLASSEN: Of course.

4 MS. CARA LOW: So, we were being
5 proactive.

6 MR. CHRIS KLASSEN: Yes, and that's
7 clear in the Board's Order, that that was work already
8 underway between MPI and Mercer. Thank you.

9 Would you agree that the -- the purpose
10 of Mercer's engagement at a high level was to assess
11 whether other forms of inflation protection were
12 necessary on an interim basis until the next full ALM
13 study?

14 MR. GLENN BUNSTON: Yes, I'd agree
15 with that.

16 MR. CHRIS KLASSEN: And the report
17 from Mercer prepared as a result of that exchange is
18 Attachment A to the Investments chapter of the current
19 GRA, correct?

20 MR. GLENN BUNSTON: Yes, I believe
21 that's right.

22 MR. CHRIS KLASSEN: Ms. Schubert,
23 could you take us there now. That would be to
24 Investment Attachment A of the current GRA. And we'll
25 start right at the beginning. Thanks very much.

1 You'll confirm, sir, that that's what
2 we now have on the screen in front of us?

3 MR. GLENN BUNSTON: Yes. This is the
4 result of the engagement with Mercer to review our
5 asset mix that existed in I believe it was the fall of
6 last year.

7 MR. CHRIS KLASSEN: Thank you. Ms.
8 Schubert, we'll go to page 2.

9 You'll see at the first bullet an
10 explanation of Mercer's understanding of its
11 assignment, correct?

12 MR. GLENN BUNSTON: Yes.
13 MR. CHRIS KLASSEN: And that was to
14 test MPI's current 2024 asset allocation against
15 Mercer's 2022 asset liability study, correct?

16 MR. GLENN BUNSTON: Yes. The -- the
17 point of this engagement was to determine how our
18 asset allocation compared to the Efficient Frontiers
19 that were developed in the 2022 ALM study. It wasn't
20 to redo that study and to develop new Efficient
21 Frontiers. It was to determine how our asset mix
22 compared to the work that was done in the 2022 ALM
23 study.

24 MR. CHRIS KLASSEN: And in particular,
25 sir, that's what we see reflected at the -- the line

1 numbered one under the second bullet to test the
2 current allocation per MPI's investment policy
3 statement against the 2022 study, correct?

4 MR. GLENN BUNSTON: Correct.

5 MR. CHRIS KLASSEN: And at line number
6 2, we see that Mercer also tested an asset allocation
7 similar to what was in place at the time, but with a
8 total allocation of 10 percent to real return bonds,
9 correct?

10 MR. GLENN BUNSTON: Correct.

11 MR. CHRIS KLASSEN: And would you
12 agree, sir, that the -- the test conducted under
13 number 2 explored the changes that MPI could make with
14 respect to real return bonds as permitted by the
15 investment policy statement that was in place at the
16 time?

17 MR. GLENN BUNSTON: Yes, that's right.

18 MR. CHRIS KLASSEN: And we'll move
19 back up the page a little bit to the second sub-bullet
20 under the first main bullet where it begins with the
21 words "Mercer notes."

22 And I'll ask you to confirm, sir, that
23 in preparing this report, Mercer did not update its
24 capital market assumptions?

25 MR. GLENN BUNSTON: They did not.

1 MR. CHRIS KLASSEN: Which means that
2 the 2024 asset mix was compared against the same
3 Efficient Frontiers developed in 2022?

4 MR. GLENN BUNSTON: That's correct.

5 MR. CHRIS KLASSEN: And these were
6 based on Mercer's capital assumptions as at December
7 31st, 2021?

8 MR. GLENN BUNSTON: I believe that
9 they developed new Efficient Frontiers with capital
10 markets assumptions that were updated after that date
11 in the -- in the study.

12 MR. CHRIS KLASSEN: Perhaps Ms.
13 Schubert could take us to PUB/MPI-1-33. And we'll
14 scroll down to see the question first, and then we'll
15 scroll to the response. And I'm just contextualizing
16 myself here, Mr. Bunston. I apologize for the delay.

17 Further down the page, please, Ms.
18 Schubert. All right.

19 So there at 'B' we see the capital
20 market assumptions from the 2022 asset liability study
21 were not updated for this 2025 analysis, correct?

22 MR. GLENN BUNSTON: Yes, that's right.

23 MR. CHRIS KLASSEN: And you'll recall
24 a few minutes ago, Mr. Bunston, when we were looking
25 at Attachment C to that 2023 GRA, Mercer's Phase 2

1 report, we saw that they prepared the report with
2 December 31st, 2021, assumptions, correct?

3 MR. GLENN BUNSTON: They did.

4 MR. CHRIS KLASSEN: And then the March
5 31st analysis verified that, at that time, Mercer was
6 still comfortable with the -- with the test having
7 been conducted using December 2021 assumptions,
8 correct?

9 MR. GLENN BUNSTON: Yes. If I recall
10 correctly, the outcome of that analysis was that
11 Mercer determined that the asset mixes that were
12 developed based on the December 31st, 2021, capital
13 market assumptions, when compared to the Efficient
14 Frontiers developed using the updated capital markets
15 assumptions at March 31st, 2022, that those asset
16 mixes remained very close to the Efficient Frontier.

17 And so, they remained confident that
18 the changes in the capital markets assumptions between
19 those dates did not have a significant impact on the
20 outcome of the study and their recommendations.

21 MR. CHRIS KLASSEN: Understood. Thank
22 you. So, we've covered off what Mercer was asked to
23 do and what MPI intended with the Mercer study. We'll
24 turn now to what the study was not.

25 And you'll confirm, sir, that Mercer's

1 recent engagement, being the study that we were just
2 looking at, was not intended to be a full Asset
3 Liability Management study, correct?

4 MR. GLENN BUNSTON: Correct. It was
5 meant to review where our current asset mix would fall
6 relative to the Efficient Frontier developed in the
7 2022 ALM study.

8 MR. CHRIS KLASSEN: Which means that
9 MPI's receipt of that study and analysis conducted
10 after did not entertain changes to its asset mix other
11 than what might be related to inflation protection,
12 correct?

13 MR. GLENN BUNSTON: Yes, that's right.

14 MR. CHRIS KLASSEN: And you'll confirm
15 that the Efficient Frontier used as a comparator in
16 that study was the EF-2 Frontier and portfolio
17 developed from 2022, correct?

18 MR. GLENN BUNSTON: Yes, that's right.

19 MR. CHRIS KLASSEN: And you'll confirm
20 that EF-2 from the last study was the asset mix
21 ultimately adopted by MPI?

22 MR. GLENN BUNSTON: EF-2 included, if
23 I recall, mortgages and real estate, I think it was,
24 and, with the asset mix that was selected, was based
25 on the Efficient Frontier that was developed based on

1 those asset classes.

2 MR. CHRIS KLASSEN: Thank you. You'll
3 recall that the 2022 study also developed an EF-3
4 portfolio?

5 MR. GLENN BUNSTON: Yes, it did.

6 MR. CHRIS KLASSEN: And you'll confirm
7 that the EF-3 portfolio presented opportunities to
8 earn higher returns at comparable levels of risk to
9 EF-2, correct?

10 MR. GLENN BUNSTON: The EF-3 included
11 levered bond strategies. So, I think it was three
12 (3)times real return bonds and three (3) times
13 provincial bond allocations, which provided higher-
14 duration fixed income portfolios and which allowed for
15 the inclusion of higher allocations to growth assets.

16 MR. CHRIS KLASSEN: Thank you. Ms.
17 Schubert, if you could take us to Order 2 of '25 now,
18 please, and we'll go straight to page 118.

19 And, Mr. Bunston, you'll confirm that
20 in the footer on this page that you can just see at
21 the bottom of the screen, this is Public Utilities
22 Board Order number 2 of 2025, correct?

23 MR. GLENN BUNSTON: Yes, that's right.

24 MR. CHRIS KLASSEN: And this was the
25 order following the 2025 General Rate Application,

1 correct?

2

MR. GLENN BUNSTON: Yes.

3

MR. CHRIS KLASSEN: And you'll see at

4 the bottom of the page that the Board is citing and

5 quoting its own prior order, being Order 4 of 2023,

6 correct?

7

MR. GLENN BUNSTON: Yes, that's right.

8

MR. CHRIS KLASSEN: And in that

9 indented paragraph, you'll see -- you'll see the Board

10 identifying that, following the 2022 GRA -- and I'm

11 just looking for my -- my quote. Here we go. We'll

12 start on -- on the third line.

13

You'll see that the Board identified

14 that MPI had an opportunity to earn a greater return

15 on its investments by making adjustments to its asset

16 mix while maintaining current levels of risk, correct?

17

MR. GLENN BUNSTON: I see that, yes.

18

MR. CHRIS KLASSEN: And reading on

19 from there, you'll see the Board indicating that:

20

"If MPI has not made meaningful

21

changes to its portfolio by the

22

2024 GRA, MPI will need to justify

23

why it's choosing portfolios with

24

the same or more risk but less

25

return."

1 Correct?

2 MR. GLENN BUNSTON: Yes, I see that.

3 MR. CHRIS KLASSEN: That will end our
4 discussion about the asset mix, sir. And we'll move
5 now to a discussion about benchmarking and -- and
6 performance, but we'll stay on this page just for the
7 time being.

8 If we read on, sir, you'll confirm --
9 so we're no longer in the indented paragraph, but
10 we're in the next paragraph that begins with "While
11 MPI indicates."

12 And starting toward the end of that
13 first line, you'll confirm that the Board indicates
14 that the Board remains concerned that the rates of
15 return are below those of MPI's peers and the
16 benchmarks, correct?

17 MR. GLENN BUNSTON: I see that, yes.

18 MR. CHRIS KLASSEN: And reading on
19 from there, that the Board recommends that MPI's board
20 oversee its investment returns more carefully and
21 enforce appropriate targets and performance given the
22 poor performance against benchmarks, correct?

23 MR. GLENN BUNSTON: I see that, yes.

24 MR. CHRIS KLASSEN: And so, when we're
25 talking about benchmarks, you'll confirm, sir, that

1 we're referring to hypothetical portfolios that MPI
2 uses as comparators to assess the performance of its
3 investments, correct?

4 MR. GLENN BUNSTON: Yes, that's right.

5 MR. CHRIS KLASSEN: And the parts of
6 MPI's investment portfolio that are passively managed
7 are expected to earn returns in line with their
8 benchmark portfolios, correct?

9 MR. GLENN BUNSTON: Yes. They're
10 meant to reflect the -- the benchmark and ideally hold
11 the securities within the benchmark in the same
12 weights and therefore produce returns that are as
13 close as possible to the benchmark.

14 MR. CHRIS KLASSEN: Thank you. And
15 MPI's active managers are expected to add value net of
16 fees relative to their benchmarks, correct?

17 MR. GLENN BUNSTON: Yes. The point of
18 active management is to outperform the benchmark.

19 MR. CHRIS KLASSEN: And MPI selects
20 all of its managers, correct?

21 MR. GLENN BUNSTON: It does, yes.

22 MR. CHRIS KLASSEN: And MPI reviews
23 the performance of its managers, correct?

24 MR. GLENN BUNSTON: We do.

25 MR. CHRIS KLASSEN: And despite

1 delegating certain management decisions to external
2 managers, you'll confirm, sir, that MPI's board of
3 directors remains ultimately responsible for the
4 performance and management of its investment
5 portfolio, correct?

6 MR. GLENN BUNSTON: Yes. The Board
7 and the investment committee have the ultimate
8 responsibility. Well, actually, sorry. The MPIC Act
9 sets out the minister of finance as the ultimate
10 responsibility for MPI's investments, and the board
11 and the investment committee monitor the performance
12 of the investment portfolio.

13 MR. CHRIS KLASSEN: Thank you. We'll
14 turn now to Investment Appendix 6. And in fact, Ms.
15 Schubert, we'll have Investment Appendix 6 on one side
16 of the screen and Investment Appendix 13 on the other
17 side of the screen.

18 And I was looking forward to testing
19 Ms. Dweh with this technological challenge. I did
20 give her a heads-up, so she was prepared. Thank you,
21 Ms. Schubert.

22 And so, for Investment Appendix 13 that
23 we see on the left, we'll go to page 2 and herein lies
24 the challenge. Yes. Bigger would be great. Thank
25 you. And Investment Appendix 6 on the right will go

1 to page 6.

2 And I'm seeing now that, given the size
3 of the font, Mr. Bunston, this might not work very
4 well, but we'll try to move through this efficiently.

5 And the point of us coming here is not
6 really to look closely at these figures for this
7 purpose, but in our review, we identified a couple of
8 discrepancies between the information presented on
9 page 2 of Appendix 13 and page 6 of Appendix 6.

10 And if it would be helpful, I can walk
11 through a couple of examples, but it might even be
12 more efficient if I just invited you to comment on the
13 sources of this -- of -- of the information presented
14 in these two (2) tables and why they might be
15 different.

16

17 (BRIEF PAUSE)

18

19 MR. STEVE SCARFONE: Mr. Klassen, is
20 there a particular figure or column that you want
21 reconciled or would you want the entire --

22 MR. CHRIS KLASSEN: No, no, no, let --
23 let -- let's -- let's go to a couple examples, just
24 for illustration's sake.

25

1 CONTINUED BY MR. CHRIS KLASSEN:

2 MR. CHRIS KLASSEN: Ms. Schubert, with
3 -- thanks for putting them top and bottom, by the way,
4 I didn't think of that. This works much better.

5 For Appendix 6, which is on the bottom,
6 we'll only be looking at the three (3) left most
7 columns. So, the labels and then those first two (2)
8 columns of data.

9 And so, just using commercial mortgages
10 as an example, Mr. Bunston, we'll ask Ms. Schubert to
11 zoom us in on commercial mortgages on the far left on
12 the bottom. Yeah, all the way to the left, please.

13 And you'll see, Mr. Bunston, that
14 commercial mortgages show an 8.5 percent return,
15 compared to an 8.8 percent benchmark return. Correct?

16 MR. GLENN BUNSTON: Yes, for -- yes,
17 an 8.5 percent --

18 MR. CHRIS KLASSEN: Right.

19 MR. GLENN BUNSTON: -- return for the
20 --

21 MR. CHRIS KLASSEN: 2025. Yes.

22 MR. GLENN BUNSTON: -- yeah, for the
23 portfolio versus 8.8 percent for the benchmark for
24 commercial mortgages.

25 MR. CHRIS KLASSEN: Exactly, so and --

1 and I apologize for not contextualizing that better
2 for us. But this is Basic claims on the far left from
3 2025 portfolio versus benchmark.

4 And if we look to the top of this
5 screen, you'll confirm that that is the Basic Claims
6 Attribution Report from Appendix 13. Correct?

7 MR. GLENN BUNSTON: Yes, that's right.

8 MR. CHRIS KLASSEN: And we'll see
9 commercial mortgages there on the far left, fifth from
10 the bottom. And if we follow that line over to about
11 midway down the page under "Annualized Portfolio
12 Return," you'll see commercial mortgages at 8.54,
13 which we can accept with rounding as close to the 8.5
14 percent return in the bottom table.

15 But if we go to the benchmark return,
16 which is the next column to the right, you'll confirm
17 that we see commercial mortgages at only an 8.26
18 percent benchmark return. Correct?

19 MR. GLENN BUNSTON: Yes, I see that.

20 MR. CHRIS KLASSEN: And so, on the
21 bottom table, we have commercial mortgages benchmark
22 at 8.8 percent, and at the top 8.26. Correct?

23 MR. GLENN BUNSTON: Yes, that's right.

24 MR. CHRIS KLASSEN: And given the
25 portfolio returns one shows over performance and one

1 shows under performance. Correct?

2 MR. GLENN BUNSTON: Yes, that's right.

3 MR. CHRIS KLASSEN: Could MPI

4 undertake to provide either an explanation or a

5 reconciliation of these figures, these tables?

6 MR. STEVE SCARFONE: Let me just

7 confer with the panel, we may be able to provide that

8 for -- an answer for you right now and then avoid the

9 undertaking.

10 MR. CHRIS KLASSEN: Sure, thank you.

11

12 (BRIEF PAUSE)

13

14 MR. STEVE SCARFONE: Sure. Yeah. Mr.

15 Klassen, we'll undertake to reconcile the -- the two

16 (2) benchmark numbers for commercial mortgages or are

17 -- are there other asset classes that show similar

18 discrepancies?

19 MR. CHRIS KLASSEN: There are others.

20 Corporate -- corporate bonds is the other, that's most

21 prominent. Other differences are minor, but I expect

22 perhaps if MPI provides an explanation for commercial

23 mortgages or corporate bonds, it might, in turn, give

24 us an understanding of where the other figures are

25 coming from.

1 So perhaps if we say commercial
2 mortgages and corporate bonds, that's acceptable to
3 us.

4 MR. STEVE SCARFONE: Okay. Thank you.

5

6 --- UNDERTAKING No 2: MPI to reconcile the two (2)
7 benchmark numbers for commercial
8 mortgages and corporate bonds.

9

10 MR. CHRIS KLASSEN: And for the
11 Coalition, we certainly thank the Board and MPI for
12 their understanding. This is the nature of question
13 that should and could have been an Information Request
14 had we caught it in time. So, we thank folks that --
15 for indulging us the few minutes to get clarification
16 here.

17

18 CONTINUED BY MR. CHRIS KLASSEN:

19 MR. CHRIS KLASSEN: Thanks to Ms.
20 Schubert for the split screen work. Now we'll focus
21 just on Appendix 6, which we see there on the bottom.
22 And so that can be brought up to the full screen and
23 we'll go back up to page 1, Ms. Schubert. Thank you.
24 Perfect. Thanks very much.

25

 Mr. Bunston, you'll confirm that this

1 appendix to the Investments Chapter of the GRA
2 presents a high-level summary of portfolio
3 performance. Correct?

4 MR. GLENN BUNSTON: Yes, that's
5 correct.

6 MR. CHRIS KLASSEN: And
7 notwithstanding, discussion we just had about data
8 discrepancies, we're going to talk through some of
9 this first page for illustrative purposes.

10 You'll confirm that in the first
11 paragraph, we see that MPI presents that Basic Claims
12 underperformed its benchmark by a margin of 0.3
13 percent. Correct?

14 MR. GLENN BUNSTON: Yes, that's right.

15 MR. CHRIS KLASSEN: And MPI identifies
16 the driver of that performance difference as being
17 attributable to commercial mortgages and cash.

18 Correct?

19 MR. GLENN BUNSTON: Yes.

20 MR. CHRIS KLASSEN: And you'll agree
21 that the following paragraphs provide a degree of
22 breakdown to partly explain the overall
23 underperformance of that portfolio relative to
24 benchmark. Correct?

25 MR. GLENN BUNSTON: Correct.

1 MR. CHRIS KLASSEN: And so, in the
2 second paragraph, you'll see that MPI explains that
3 provincial bonds underperformed by 1.2 percent?

4 MR. GLENN BUNSTON: Yes, that's right.

5 MR. CHRIS KLASSEN: And we can take
6 that to mean, sir, that whoever is picking bonds on
7 behalf of MPI, picked bonds that ended the year valued
8 1.2 percent lower than the bonds in the benchmark
9 portfolio. Correct?

10 MR. GLENN BUNSTON: Correct.

11 MR. CHRIS KLASSEN: And that statement
12 also says that provincial bonds were underweighted by
13 1.9 percent?

14 MR. GLENN BUNSTON: Correct.

15 MR. CHRIS KLASSEN: And that means
16 that provincial bonds comprised of smaller portion of
17 the Basic Claims Portfolio, than the allocation in the
18 benchmark portfolio. Correct?

19 MR. GLENN BUNSTON: Yes.

20 MR. CHRIS KLASSEN: And you'll confirm
21 that the weight of an asset class can be affected by
22 the fact that different asset classes in the portfolio
23 might have different rates of return?

24 MR. GLENN BUNSTON: Yes, that's right.

25 MR. CHRIS KLASSEN: And you'll agree,

1 sir, that that causes allocations in a portfolio to
2 shift over time due to asset classes increasing or
3 decreasing in value at different rates. Correct?

4 MR. GLENN BUNSTON: Yes, that's right.

5 MR. CHRIS KLASSEN: And you'll confirm
6 that that's a concept known as 'drift'?

7 MR. GLENN BUNSTON: Yes. Drift would
8 be when your actual asset allocation differs from the
9 target asset allocation weights, set out in your
10 investment policy statement.

11 MR. CHRIS KLASSEN: Thank you.
12 Another factor that can affect the weight of an asset
13 class in a portfolio is MPI's approach to rebalancing.

14 Correct?

15 MR. GLENN BUNSTON: Rebalancing has an
16 impact on actual asset allocation relative to target
17 weights. Yes.

18 MR. CHRIS KLASSEN: And those factors
19 related to rebalancing could include the frequency of
20 MPI's rebalancing. Correct?

21 MR. GLENN BUNSTON: Frequency of
22 rebalancing, yes, has an impact on deviations from the
23 actual versus target weights.

24 MR. CHRIS KLASSEN: Or, for example,
25 MPI could choose to rebalance only when an asset class

1 limits -- reaches the limit of its approved range.

2 Correct?

3 MR. GLENN BUNSTON: Yes, you know,
4 rebalancing comes at a cost. It involves buying and
5 selling securities. And so, there is a trade-off
6 between frequency of rebalancing and allowing the
7 portfolio to deviate from its -- its target weights.

8 So, in the extreme, you could decide to
9 rebalance on a daily basis to ensure that you were
10 always a hundred percent in line with your target
11 weights, however, that would come at a high cost in
12 terms of trading.

13 So, when making rebalancing decisions,
14 there is always that trade-off between the desire to
15 stay as close as possible to the target weights versus
16 the cost of actively trading the portfolio to be
17 rebalancing, as needed, to stay at the target mix.

18 MR. CHRIS KLASSEN: Thank you for that
19 explanation, sir. And so, to confirm that I'm
20 understanding you correctly, your point is that MPI
21 exercises judgment, taking into account trade-offs
22 when it's rebalancing its portfolios. Correct?

23 MR. GLENN BUNSTON: I think all
24 investors have to exercise judgments when deciding how
25 frequent to rebalance their portfolio when considering

1 the costs associated with making those rebalancing
2 decisions.

3 MR. CHRIS KLASSEN: Thanks, Mr.
4 Bunston. We'll go back to the screen in front of us,
5 and perhaps Ms. Schubert could scroll us down a little
6 bit further. And perhaps not that far. And back up a
7 little further still there.

8 Corporate bonds. Just as another
9 illustrative example, Mr. Bunston, you'll confirm that
10 corporate bonds outperformed their benchmarks by 0.1
11 percent at the top of the screen?

12 MR. GLENN BUNSTON: Yes, I see that.

13 MR. CHRIS KLASSEN: And were
14 overweighted by 0.5 percent?

15 MR. GLENN BUNSTON: Yes.

16 MR. CHRIS KLASSEN: And based on these
17 examples, sir, would you agree that one factor in
18 forming an asset class's impact on overall portfolio
19 performance is its level of return relative to
20 benchmark?

21 MR. GLENN BUNSTON: Yes.

22 MR. CHRIS KLASSEN: And another factor
23 affecting an asset class's impact an overall
24 performance is whether it is over or underweight
25 relative to other asset classes in the portfolio.

1 Correct?

2 MR. GLENN BUNSTON: Yes, that's
3 correct.

4 MR. CHRIS KLASSEN: And another
5 factor would be the benchmark returns of different
6 asset classes in the portfolio. Correct?

7 MR. GLENN BUNSTON: Well, it's the
8 difference between the turns -- actual returns earned
9 in each asset class relative to the benchmark return
10 and the difference in the weights between each asset
11 class and the benchmark weights.

12 MR. CHRIS KLASSEN: Understood. Thank
13 you. And we'll now go to our investment Appendix 13.
14 Thank you. And we'll go back to page 2, where we were
15 before.

16 And recognizing that MPI is undertaking
17 some work related to this table, we're not
18 particularly concerned about the details of its
19 contents, Mr. Bunston, but our purpose here is to
20 confirm what this infor -- what this table can tell
21 us.

22 You'll confirm that this appendix
23 presents MPI's Performance Attribution report?

24 MR. GLENN BUNSTON: Yes, it does.

25 MR. CHRIS KLASSEN: And that this is a

1 new reporting capability obtained by MPI through its
2 use of Moody's Faroe software,

3 MR. GLENN BUNSTON: Correct.

4 MR. CHRIS KLASSEN: And on page 2 here
5 we see the Performance Attribution report of the Basic
6 claims portfolio.

7 MR. GLENN BUNSTON: Yes, that's right.

8 MR. CHRIS KLASSEN: And this report
9 covers the period from April 1st of 2024 to March 31st
10 of 2025. Correct?

11 MR. GLENN BUNSTON: Correct.

12 MR. CHRIS KLASSEN: Which is MPI's
13 2024/25 fiscal year?

14 MR. GLENN BUNSTON: Yes.

15 MR. CHRIS KLASSEN: And, so just to
16 confirm what we're looking at, we see on the far left,
17 the various asset classes contained in the Basic
18 claims portfolio identified under the heading 'Asset
19 Class', correct?

20 MR. GLENN BUNSTON: That's right.

21 MR. CHRIS KLASSEN: The next column --
22 we're not going to worry about for our purposes today,
23 but the third, the one after that, is labeled 'Start
24 Portfolio Weight'. Correct?

25 MR. GLENN BUNSTON: Correct.

1 MR. CHRIS KLASSEN: And that presents
2 the weight of each asset class in the portfolio at the
3 beginning of the reporting period. Correct?

4 MR. GLENN BUNSTON: That's right.

5 MR. CHRIS KLASSEN: The next column
6 labeled 'Start Benchmark Weight' similarly presents
7 the weight allocated each asset class in the benchmark
8 portfolio at the -- again, at the beginning of the
9 reporting period. Correct?

10 MR. GLENN BUNSTON: Correct.

11 MR. CHRIS KLASSEN: And the third
12 column 'Start Relative Weight' presents the difference
13 between portfolio weights and benchmark weights at the
14 beginning of the reporting period. Correct?

15 MR. GLENN BUNSTON: Yes, that's right.

16 MR. CHRIS KLASSEN: And so, we've got
17 a set of three (3) columns there presenting related
18 data about weights, start portfolio weight, benchmark
19 portfolio weight, and the difference. Correct?

20 MR. GLENN BUNSTON: Correct.

21 MR. CHRIS KLASSEN: And you'll agree,
22 sir, that the next three (3) columns are also
23 similarly related?

24 MR. GLENN BUNSTON: Yes, they are.

25 They're the weights at the end of the period at March

1 31st of 2025,

2 MR. CHRIS KLASSEN: Exactly. So, end
3 portfolio weight, end benchmark weight and the
4 difference. Correct?

5 MR. GLENN BUNSTON: Yes.

6 MR. CHRIS KLASSEN: And the next set
7 of three (3) turn its attention to returns: annualized
8 portfolio return, annualized benchmark return, and
9 then in the third column, the difference. Correct?

10 MR. GLENN BUNSTON: Correct.

11 MR. CHRIS KLASSEN: And at the bottom
12 of that annualized relative return, we see 0.29 --
13 negative 0.29 percent. Correct?

14 MR. GLENN BUNSTON: Yes.

15 MR. CHRIS KLASSEN: And that presents
16 the difference between MPI's portfolio return and the
17 benchmark return. Correct?

18 MR. GLENN BUNSTON: Yes, that's
19 correct.

20 MR. CHRIS KLASSEN: And so elsewhere
21 in its evidence, when MPI talks about Basic claims
22 underperforming its benchmark by 0.29 or 0.3 percent,
23 that's the figure they're talking about. Correct?

24 MR. GLENN BUNSTON: Yes.

25 MR. CHRIS KLASSEN: Great. Thank you.

1 So, we'll move further to the right, Ms. Schubert.

2 And this last set of three (3) talks
3 about portfolio return contributions. Correct?

4 MR. GLENN BUNSTON: Yes, it does.

5 MR. CHRIS KLASSEN: And you'll agree
6 that at a high level Faroe presents return
7 contributions as returns multiplied by weights.

8 Correct?

9 MR. GLENN BUNSTON: Yes, that's right.

10 MR. CHRIS KLASSEN: And I wasn't able
11 to precisely replicate the math, but it's my
12 assumption that the weights used here are some
13 average, perhaps a weighted average of the starting
14 and ending weights.

15 Is that your understanding as well,
16 sir?

17 MR. GLENN BUNSTON: I believe it's the
18 weighted average at each -- each month end throughout
19 the period.

20 MR. CHRIS KLASSEN: At each -- at each
21 month end throughout the period. That's very helpful.
22 Thank you.

23 And you'll confirm, sir, that Return
24 Contributions determines the portion of the
25 portfolio's overall performance that is attributable

1 to each asset class. Correct?

2 MR. GLENN BUNSTON: Yes, that's right.

3 MR. CHRIS KLASSEN: And turning our
4 attention to the last column, 'Relative Return
5 Contribution', you'll confirm that this presents the
6 difference between the contribution to the portfolio
7 return and the benchmark return for each asset class.
8 Correct?

9 MR. GLENN BUNSTON: Yes, that's
10 correct.

11 MR. CHRIS KLASSEN: And so, if we look
12 at the top row, and Ms. Schubert, if you could just
13 take us all the way back to the left to confirm that
14 the top row tells us about government bonds.

15 You see that, Mr. Bunston?

16 MR. GLENN BUNSTON: Yes, I see that.

17 MR. CHRIS KLASSEN: And so, we'll take
18 the Government Bond row back to the right of the
19 table. Thank you, Ms. Schubert. And we'll see under
20 'Portfolio Return Contribution', that Faroe's analysis
21 tells us that government bonds contributed 2.67
22 percent -- 2.67 of the over -- let me rephrase because
23 it's not a percentage. We'll talk about percentage
24 points.

25 You'll confirm there, Mr. Bunston, that

1 Faroe's analysis tells us that government bonds
2 contributed, let's say, 2.67 out of the total 8.04
3 percentage points of the Basic claims portfolio
4 return. Correct?

5 MR. GLENN BUNSTON: Yes. The
6 contribution to return for government bonds was 2.67
7 percent which is multiplied. It's the average weight
8 for government bonds multiplied by the actual return
9 earned by MPI's Investments in that asset class.

10 MR. CHRIS KLASSEN: Thanks very much.
11 And you'll confirm, subject to check, if we need that
12 all of the portfolio return contributions sum to that
13 8.04 percent. Correct?

14 MR. GLENN BUNSTON: Yes, that's right.

15 MR. CHRIS KLASSEN: And so, the 2.67
16 is the portion of the 8.04 attributable to government
17 bonds and similarly throughout the table for the other
18 classes. Correct?

19 MR. GLENN BUNSTON: Correct.

20 MR. CHRIS KLASSEN: And then in the
21 next column, we see that the benchmark for government
22 bonds contributed -- contributed 3.17 percent out of
23 the overall 8.33 percent benchmark return. Correct?

24 MR. GLENN BUNSTON: Yes, that's right.

25 MR. CHRIS KLASSEN: And in the far

1 right column, you see that the Relative Return
2 Contribution for government bonds is 0.52 percent.

3 Correct?

4 MR. GLENN BUNSTON: It's negative
5 0.52.

6 MR. CHRIS KLASSEN: It's negative
7 0.52. Correct.

8 MR. GLENN BUNSTON: Correct.

9 MR. CHRIS KLASSEN: And that tells us,
10 recognizing that there might be some rounding or
11 compounding at play, that tells us that of the overall
12 portfolio performance relative to benchmark of
13 negative 0.29 percent, the portion of that that's
14 attributable to government bonds is a negative 0.52
15 percent. Correct?

16 MR. GLENN BUNSTON: Yes, that's right.

17 MR. CHRIS KLASSEN: Thank you for
18 that, Mr. Bunston. Ms. Schubert, we're going to focus
19 now on the text under the heading 'Key Takeaways'.

20 And, Madam Chair, just being mindful of
21 the time and the usual time for the morning break,
22 I'll be 10 minutes.

23 You'll see, Mr. Bunston, under Key
24 Takeaways, some commentary on the performance of a
25 number of key asset classes. Correct?

1 MR. GLENN BUNSTON: Yes, that's right.

2 MR. CHRIS KLASSEN: And you'll confirm
3 at the fourth bullet, the text there provides a little
4 bit of an explanation of the government bond example
5 that we just talked through? Correct?

6 MR. GLENN BUNSTON: Yes, it does.

7 MR. CHRIS KLASSEN: Including the fact
8 that government bonds contributed negative 0.52
9 percent to the overall portfolio performance versus
10 benchmark of 0 -- of negative 0.29. Correct?

11 MR. GLENN BUNSTON: Correct.

12 MR. CHRIS KLASSEN: And you'll recall
13 our discussion earlier, Mr. Bunston, based on the text
14 on the first page of IMV appendix 6, which was MPI's
15 performance commentary.

16 And with that discussion in the back of
17 your mind, you'll confirm, sir, that some portion of
18 the 0.52 percent of the negative 0.52 percent
19 Performance Contribution of government bonds is
20 attributable to the performance of the asset class.

21 Correct?

22 MR. GLENN BUNSTON: That is -- that
23 is the return of the asset class multiplied by its
24 weight. So, it is. Yes

25 MR. CHRIS KLASSEN: And so, some

1 portion of that is attributable to return and some
2 portion of that is attributable to weight. Correct?

3 MR. GLENN BUNSTON: Yes. There are
4 two (2) impacts. One is the decision to overweight or
5 underweight the asset class relative to the benchmark,
6 and the other is the value added, so the security
7 selection, which produces the performance of the asset
8 class relative to the benchmark performance.

9 MR. CHRIS KLASSEN: Thank you. And
10 you'll confirm, sir, that the negative 0.52 percent
11 that Faroe provides to us, does not separate out the
12 impacts of those two (2) effects. Correct?

13 MR. GLENN BUNSTON: Correct.

14 MR. CHRIS KLASSEN: Thank you. Ms.
15 Low, I'll have a couple questions now, I think for
16 you, on the outsourced -- the OCIO, and if you could
17 remind us what the acronym stands for, that would be
18 appreciated.

19 MS. CARA LOW: Outsourced Chief
20 Investment officer. We're going to go with a non-
21 discretionary model.

22 MR. CHRIS KLASSEN: Understood. Thank
23 you. Can you confirm whether MPI has conducted any
24 analysis of the costs of the outsourced Chief
25 Investment Officer model relative to maintaining the

1 status quo?

2 MS. CARA LOW: Yes, we have.

3 MR. CHRIS KLASSEN: And is it possible
4 for MPI to provide that analysis on the record?

5

6 (BRIEF PAUSE)

7

8 MR. STEVE SCARFONE: Mr. Klassen, so a
9 business case was undertaken. So, the Corporation can
10 undertake to review that; perhaps make any redactions
11 for confidentiality reasons, and provide that version
12 on the public record.

13 MR. CHRIS KLASSEN: We'll accept that
14 undertaking. Thank you, Mr. Scarfone.

15

16 --- UNDERTAKING NO. 3: MPI to provide analysis of
17 the costs of the outsourced Chief
18 Investment Officer model relative to
19 maintaining the status quo

20

21 CONTINUED BY MR. CHRIS KLASSEN:

22 MR. CHRIS KLASSEN: Ms. Low, could you
23 confirm whether the outsource Chief Investment Officer
24 model was under consideration prior to the
25 announcement of Mr. Bunston's plan to leave MPI?

1 MS. CARA LOW: No -- no, yes. We were
2 already talking about it. It's been discussed off and
3 on for quite a few months, probably close to a year.
4 And then Mr. Bunston made his announcement in April, I
5 believe it was, but yeah, no, we were already starting
6 to put the RFP together at that time.

7 MR. CHRIS KLASSEN: Understood. Thank
8 you. Has MPI determined the metrics by which it will
9 assess the Outsourced Chief Investment Officer's
10 performance?

11 MS. CARA LOW: The decision right now
12 is, we're going to have in our Statement of Work
13 that's just being finalized service delivery metrics,
14 what we expect from the vendor for what they're going
15 to be providing, how timely, how accurate that kind of
16 thing. Because in the end right now, the investment
17 mix isn't changing, nor are the investment managers
18 changing. And even if we didn't go to this model and
19 we just did another ALM study, maybe something would
20 change. Right?

21 And because, in the model that we're
22 selecting, MPI keeps all strategic decision making.
23 So, if they come forward with advice that we need to
24 go, I don't know, I'm just making something up, a
25 hundred percent equities and we choose not to. We

1 can't then say, 'Hey, you didn't provide the returns'.

2 Right? So, there is nothing on KPIs for returns.

3 MR. CHRIS KLASSEN: Thank you. So,
4 recognizing that -- that it's still in development,
5 you'll confirm though, that MPI does plan to assess
6 the success of this decision compared to status quo in
7 the future?

8 MS. CARA LOW: Yes.

9 MR. CHRIS KLASSEN: And that
10 information will be provided to the Board when
11 available?

12 MS. CARA LOW: Right now, in the
13 statement of work that's being drafted, it's only on
14 service delivery KPIs.

15 MR. CHRIS KLASSEN: Thank you. I
16 think one or two more questions for you, Ms. Low.

17 You'll recall in your evidence
18 yesterday discussing the effects of the announcement
19 of tariffs being imposed by the United States
20 Government on Canada and other countries. Correct?

21 MS. CARA LOW: Correct.

22 MR. CHRIS KLASSEN: And you'll confirm
23 that that event prompted MPI to add inflation risk to
24 its list of top corporate risks. Correct?

25 MS. CARA LOW: Correct.

1 MR. CHRIS KLASSEN: Thank you, Madam
2 Chair. Those are my questions. If I could just take
3 another couple of seconds on behalf of our client to
4 offer thanks to Mr. Bunston for his decades of
5 dedication to MPI and to Manitobans. Our clients want
6 to express that he's done important work and that it's
7 appreciated. Thank you, Madam Chair.

8 PANEL CHAIRPERSON: Thank you. Mr.
9 Klassen. We will take a break right now. Come back
10 at 10:30, Ms. Meek. Thank you.

11

12 --- Upon recessing at 10:16 a.m.

13 --- Upon resuming at 10:30 a.m.

14

15 PANEL CHAIRPERSON: Thank you, Ms.
16 Meek.

17

18 CROSS-EXAMINATION BY MS. CHARLOTTE MEEK:

19 MS. CHARLOTTE MEEK: Thank you, Madam
20 Chair. Good morning to the Panel, my name is
21 Charlotte Meek. I'm going to be doing questioning for
22 the Coalition of Motorcycle Groups.

23 Before I get started, congratulations,
24 Mr. Bunston, on your retirement. I can say that my
25 clients and I have appreciated your expertise and also

1 your patience during cross-examinations during these
2 hearings.

3 I'll direct my questions generally.

4 And whoever feels best to answer can -- can proceed to
5 do so. The objectives of the Basic claims portfolio
6 is to provide assets to back the claims liabilities.
7 Is that correct?

8 MR. GLENN BUNSTON: Yes, that's right.

9 MS. CHARLOTTE MEEK: And based on the
10 investment policy statement for assets backing claims
11 liabilities, surplus volatility is the most important
12 measure of risk.

13 Is that correct?

14 MR. GLENN BUNSTON: Yes, Surplus
15 volatility is one (1) of the key risk metrics.

16 MS. CHARLOTTE MEEK: Okay. And would
17 a fair explanation of 'surplus volatility' be that it
18 represents the risk of potential changes in a planned
19 surplus or deficit resulting from market fluctuations
20 measured as standard deviation?

21 MR. GLENN BUNSTON: Well, surplus
22 could be impacted by many factors, changes in the
23 market value of the portfolio being one (1) of them,
24 but not the only one.

25 MS. CHARLOTTE MEEK: Okay. So,

1 there's -- there's other risks that it could
2 represent?

3 MR. GLENN BUNSTON: Correct.

4 MS. CHARLOTTE MEEK: Okay. And
5 surplus volatility can be measured on a forward-
6 looking basis, like an AL study, for example?

7 MR. GLENN BUNSTON: Surplus liability
8 can be estimated, but if -- if you're talking about
9 measurement, it would have to be on a backward-looking
10 basis.

11 MS. CHARLOTTE MEEK: Okay. So, we can
12 -- we can evaluate it on a forward-looking basis. And
13 that would be in something like an AL study?

14 MR. GLENN BUNSTON: AL studies, asset
15 liability studies, make forward-looking projections of
16 returns, and standard deviation, and correlation of
17 asset classes. So, that's used to project what the
18 surplus volatility could be.

19 MS. CHARLOTTE MEEK: Could be.
20 Absolutely. Thank you. And then as you said, it can
21 also be measured on a realized or historical basis in
22 the reporting of performance on various portfolios?

23 MR. GLENN BUNSTON: Correct.

24 MS. CHARLOTTE MEEK: Okay. And the
25 goal generally is to keep surplus volatility low,

1 correct, you know, all other things being equal?

2 MS. CARA LOW: I would agree. And
3 then if you recall in the Strategy Panel, one of the
4 focus areas of the Corporation is financial stability,
5 so that ties in very closely.

6 MS. CHARLOTTE MEEK: Thank you. And
7 you'd agree that the volatility of an asset class in
8 isolation does not conclusively indicate how it may
9 impact the surplus volatility of a portfolio at the
10 total portfolio level?

11 MR. GLENN BUNSTON: Yes, I'd agree
12 with that. The correlation of the asset classes plays
13 a role in the calculation of the impact that the asset
14 class would have to the overall portfolio's
15 volatility.

16 MS. CHARLOTTE MEEK: Thank you. And
17 the shadow portfolios that were created were first
18 developed around 2020.

19 Is that correct?

20 MR. GLENN BUNSTON: Feels like a lot
21 longer ago, but I'll take that as being correct, yes.

22 MS. CHARLOTTE MEEK: Thank you. And
23 they were developed after the Board expressed some
24 concern that MPI may have forgone an opportunity to
25 hedge against long-term risks.

1 Is that fair?

2 MR. GLENN BUNSTON: Yeah. I don't
3 remember the exact rationale, but, you know, at a high
4 level, I believe it was to assess the performance of
5 our actual asset allocation relative to alternative
6 asset allocations, and one of which included an
7 allocation -- explicit allocation to real return
8 bonds.

9 MS. CHARLOTTE MEEK: Okay. And so,
10 the shadow portfolios kind of as you were referencing
11 there were developed to provide a comparator for the
12 Board between MPI's chosen asset mix and alternative
13 asset mixes where the constraints that had been
14 imposed by MPI were removed.

15 Is that correct?

16 MR. GLENN BUNSTON: Again, I don't
17 know exactly how the asset mixes within the shadow
18 portfolios were selected. What I know is that the --
19 I believe it was the Consumers' Association had
20 recommended the shadow portfolios and -- and the
21 weights, and so we've been reporting on them since.
22 But since we didn't develop the asset mixes, I'm not
23 sure that I can speak to the rationale for the
24 selection of those.

25 MS. CHARLOTTE MEEK: Sure. Aside from

1 the rationale, you'd agree that the -- the two (2)
2 shadow portfolios we have represent asset mixes that
3 remove the constraints that have been imposed by MPI?

4 MR. GLENN BUNSTON: Oh, what I know is
5 that they include real return bonds and the -- the
6 shadow portfolio number 2 has allocation to -- I
7 believe higher allocation to growth assets and to
8 levered bonds.

9 MS. CHARLOTTE MEEK: And shadow
10 portfolio 2 has an allocation to equities.

11 Is that correct?

12 MR. GLENN BUNSTON: Yes.
13 MS. CHARLOTTE MEEK: Okay. And those
14 are some of the constraints that have been imposed by
15 MPI on the Basic claims portfolio?

16 MR. GLENN BUNSTON: Yes. We've
17 elected not to include equities in the Basic claims
18 portfolio.

19 MS. CHARLOTTE MEEK: Okay. And since
20 the shadow portfolios were created, MPI has created a
21 hypothetical return, assuming passive management of
22 the asset classes, which is referred to as the policy
23 benchmark.

24 Is that correct?

25 MR. GLENN BUNSTON: Yes, that's right.

1 MS. CHARLOTTE MEEK: Okay. And this
2 was set up because the actual returns of the portfolio
3 include a value-added component from MPI's management
4 decisions for the portfolio.

5 Is that correct?

6 MR. GLENN BUNSTON: Yes, because we
7 have active management in many asset classes. And so
8 that -- the goal of active management is to outperform
9 the benchmarks or produce value added, yes.

10 MS. CHARLOTTE MEEK: Okay. And so,
11 the policy benchmark is more directly comparable to
12 the shadow portfolios as both are based on passive
13 benchmark returns.

14 Is that correct?

15 MR. GLENN BUNSTON: Yes. The policy
16 benchmark is based on index returns and the shadow
17 portfolios are based on index returns. The realized
18 returns to MPI and its customers is the -- the actual
19 return, which includes the -- the value added earned
20 by the decision to employ active management.

21 MS. CHARLOTTE MEEK: Right. So, the -
22 - the policy benchmark and the shadow portfolios,
23 neither of those include an active management
24 component or a value added component?

25 MR. GLENN BUNSTON: Correct?

1 MS. CHARLOTTE MEEK: If we could turn
2 to CC-MPI-2-24, please, so question A here. And the
3 question:

4 "MPI was provided with a summary
5 of the policy portfolios compared
6 to the shadow portfolios."

7 Do you see that there?

8 MR. GLENN BUNSTON: I see that.

9 MS. CHARLOTTE MEEK: So, there's a
10 chart that provides the numerical values for the risks
11 and the returns of the portfolios.

12 Is that correct?

13 MR. GLENN BUNSTON: Correct.

14 MS. CHARLOTTE MEEK: Okay. And then
15 below is a figure which provides the location of each
16 portfolio with the return as the 'Y' axis and surplus
17 volatility or risk as the 'X' axis.

18 Is that correct?

19 MR. GLENN BUNSTON: Correct.

20 MS. CHARLOTTE MEEK: Okay. And when
21 we compare the policy portfolio with shadow portfolio
22 2, we can see that the shadow portfolio outperformed
23 the policy portfolio in terms of return by 1.64
24 percent.

25 Is that correct?

1 MR. GLENN BUNSTON: Yes, that's right.

2 MS. CHARLOTTE MEEK: And the
3 difference in returns between shadow portfolio 2 and
4 the policy portfolio of 1.64 percent represent the
5 opportunity cost of MPI's self-imposed constraints,
6 correct?

7 MR. GLENN BUNSTON: Correct.

8 MS. CHARLOTTE MEEK: And we can see
9 that shadow portfolio 2 took comparable risk to the
10 policy portfolio?

11 MR. GLENN BUNSTON: Yes. 3.16 versus
12 3.19, correct.

13 MS. CHARLOTTE MEEK: Thank you. And
14 so, to summarize, shadow portfolio 2 took comparable
15 risk while generating higher returns?

16 MR. GLENN BUNSTON: Correct.

17 MS. CHARLOTTE MEEK: And then briefly
18 looking at shadow portfolio 1, we can see that took on
19 less surplus volatility while generating similar
20 returns.

21 Is that correct?

22 MR. GLENN BUNSTON: Correct.

23 MS. CHARLOTTE MEEK: Okay. So, when
24 considering the realized returns and the risks taken,
25 the policy portfolio underperformed as compared to

1 both shadow portfolios, agreed?

2 MR. GLENN BUNSTON: On a risk adjusted
3 basis, yes.

4 MS. CHARLOTTE MEEK: Thank you. And
5 during your presentation yesterday you noted that the
6 AL strategy has been highly effective.

7 Is that correct?

8 MR. GLENN BUNSTON: Yes.
9 MS. CHARLOTTE MEEK: And you'll agree
10 that that statement doesn't consider the opportunity
11 cost due to the constraints placed on the portfolio by
12 MPI?

13 MR. GLENN BUNSTON: No, it doesn't
14 consider opportunity cost.

15 MS. CHARLOTTE MEEK: Thank you. And
16 if we could please go to CMMG/MPI-1-3. If we could
17 zoom out a little bit so we can see both the figures.

18 I appreciate this is kind of getting
19 into ratemaking. I'm -- I'll be brief on that. This
20 figure on this page provides us a visual
21 representation of the composition of private passenger
22 claims as compared to the motorcycle claims.

23 Is that correct?

24 MS. CARA LOW: Correct.

25 MS. CHARLOTTE MEEK: Thank you. And

1 we can see here that for private passenger claims
2 almost half of the claims are made up of collision
3 claims --

4 MS. CARA LOW: Correct.

5 MR. CHARLOTTE MEEK: -- as compared to
6 motorcycles, which have only around a 9 percent
7 allocation to collision claims.

8 Is that correct?

9 MS. CARA LOW: That would be correct.

10 MS. CHARLOTTE MEEK: Okay. And
11 motorcycle claims are comprised primarily of PIPP
12 claims, or personal injury protection plan claims, at
13 about 59 percent --

14 MS. CARA LOW: Yes.

15 MS. CHARLOTTE MEEK: -- as compared to
16 around 12 percent PIPP claims for private passenger,
17 correct?

18 MS. CARA LOW: Correct.

19 MS. CHARLOTTE MEEK: Okay. And
20 'collision' refers to physical damage to a vehicle?

21 MS. CARA LOW: Right. But we also
22 have comprehensive claims which are not covered under
23 the motorcycle for the Basic line of business. And
24 comprehensive would be your fire, theft, vandalism,
25 hail, water.

1 MS. CHARLOTTE MEEK: And then a
2 personal injury protection plan claim is a personal
3 injury claim. And that relates to injuries to an
4 individual following a collision?

5 MS. CARA LOW: Yes.

6 MS. CHARLOTTE MEEK: Okay. And PIPP
7 claims, or personal injury protection plan claims, can
8 take several or many years to resolve.

9 Is that correct?

10 MS. CARA LOW: Absolutely. If you're
11 young and you live to be quite -- you can live thirty
12 (30), forty (40), fifty (40) years past your claim.

13 MS. CHARLOTTE MEEK: And so, we refer
14 to those as a longtail liability. Is that correct?

15 MS. CARA LOW: Correct.

16 MS. CHARLOTTE MEEK: Okay. And as a
17 result of these factors, motorcycle rates are more
18 susceptible to volatility due to interest rate changes
19 in the market.

20 Is that correct?

21 MS. CARA LOW: Yes.

22 MS. CHARLOTTE MEEK: Okay. Much more
23 so than the private passenger class, which has a much
24 lower allocation to PIPP claims?

25 MS. CARA LOW: Correct.

1 MS. CHARLOTTE MEEK: Thank you. And I
2 want to talk a little bit now about the upcoming ALM
3 study. If we could turn to PUB Order 29/25, page 32.
4 Thank you, Kristen.

5 So, at the bottom of the page here, it
6 provides MPI's position. This was an order following
7 the review and vary application. And this provides
8 MPI's position that the new AL study will begin in
9 September of 2025.

10 Is that still the timeline?

11 MS. CARA LOW: So, we're still waiting
12 on the statement of work with our vendor. So, the
13 vendor cannot (INDISCERNIBLE) for us, but we do have a
14 kickoff meeting scheduled for tomorrow to talk about
15 timelines.

16 MS. CHARLOTTE MEEK: So, is it
17 possible that this date will remain the same, or is it
18 likely to change?

19 MS. CARA LOW: It's likely it could be
20 November 2025.

21 MS. CHARLOTTE MEEK: Okay. But you
22 don't expect it to be later than the -- the indicated
23 time of December?

24 MS. CARA LOW: I'm sure hoping it
25 won't be any later. We're very close with the

1 statement of work.

2 MS. CHARLOTTE MEEK: Okay. And in
3 previous years when AL studies have been completed,
4 there have been updates to the study resulting from
5 recommendations from Interveners.

6 Is that correct? I can take you to a
7 reference if that's -- if that's helpful.

8 MS. CARA LOW: Do you have a
9 reference?

10 MS. CHARLOTTE MEEK: I do, yes.

11 MS. CARA LOW: Okay.

12 MS. CHARLOTTE MEEK: If we could go to
13 PUB Order 130/17. So, this is on page 68. So, you
14 can see here, this is an order from the Board where
15 the Board was requiring that Mercer update the ALM
16 study in order to redress eighteen (18)
17 recommendations that were made by Mr. Viola.

18 Do you see that there?

19 MS. CARA LOW: Yes.

20 MS. CHARLOTTE MEEKS: Okay. And so,
21 there have been times in previous years in previous AL
22 studies that as a result of commentary or
23 recommendations from Interveners, that there were
24 updates made to an AL study.

25 Is that correct?

1 MS. CARA LOW: It appears so.

2 MS. CHARLOTTE MEEK: Okay.

3 MS. CARA LOW: Yes.

4 MS. CHARLOTTE MEEK: And so, given
5 this past experience, has MPI considered any
6 opportunity for input from Interveners prior to the
7 commencement of the new AL study?

8 MS. CARA LOW: Yeah. In my
9 presentation yesterday, that's what we're proposing,
10 is maybe next summer, maybe around August time frame,
11 we could do a technical conference because we don't
12 believe the study's going to be ready for the '27 GRA,
13 so the application that's filed in June.

14 And we would prefer not to wait until
15 the '28 filing, but we could. But if we did a
16 technical conference maybe next August timeframe, then
17 we could get the feedback.

18 MS. CHARLOTTE MEEK: Okay. And if we
19 could maybe go back to the previous Board order we
20 were looking at. So, that's PUB Order 29/25.

21 So, here MPI states that it expects the
22 ALM study to be completed in the fall of 2026. And we
23 were talking about a technical conference possibly
24 occurring in the summer of that same year.

25 So, does that mean the technical

1 conference would be occurring right around the time
2 that the study is completed, or you're anticipating
3 that there would be an opportunity for input prior to
4 the completion of the study?

5 MS. CARA LOW: Are you suggesting that
6 feedback should be gathered before this study
7 commences? Because what we're suggesting is that we
8 would provide an opportunity for feedback prior to
9 taking it to our Investment Committee. So, it
10 wouldn't be finalized, but the study itself would be
11 done.

12 MS. CHARLOTTE MEEK: So, the -- the
13 study would be finalized, but the feedback would --
14 you're anticipating receiving feedback from
15 Interveners prior to taking it to the Investment
16 Committee?

17 MS. CARA LOW: Correct.

18 MS. CHARLOTTE MEEK: Okay. So, I
19 guess to answer my question as to whether or not
20 opportunity for Interveners to provide information or
21 commentary before the commencement of the study, the
22 answer to that would be that has not been considered
23 at this time?

24 MS. CARA LOW: Okay.

25 MS. CHARLOTTE MEEK: Is that agreed?

1 MS. CARA LOW: That's agreed --

2 MS. CHARLOTTE MEEK: Okay.

3 MS. CARA LOW: -- and again, because
4 we are meeting with the selected vendor tomorrow to go
5 over timelines is they're subject to change.

6 MS. CHARLOTTE MEEK: Right. And here
7 MPI then indicates approval of the ALM study to occur
8 in early 2027.

9 And can you just describe to me, what
10 does that approval step encompass?

11 MS. CARA LOW: What we're envisioning
12 is two (2) steps for the Investment Committee. The
13 first step would be the risk appetite, so really
14 understanding how much risk they want to take.

15 Because we have interest rate risk, we
16 have inflation risk, you have the risk return trade-
17 offs, but it also really aligns with the -- how stable
18 we want our net income to be, right. So that would be
19 the first step.

20 Then we would work with the consultant
21 on the Efficient Frontiers, come up with a proposed
22 investment mix. And then the second step would be
23 getting approval for the -- any changes to the
24 investment mix and the implementation plan.

25 MS. CHARLOTTE MEEK: Okay. So -- so,

1 this point here, the approval of the ALM study by
2 MPI's Investment Committee occurring in early 2027, is
3 that approval of changes to the investment mix?

4 MS. CARA LOW: Yes. If there are any
5 changes, yes.

6 MS. CHARLOTTE MEEK: Right. Thank
7 you.

8 MS. CARA LOW: Yes. And there's two
9 (2) dates we could potentially be working towards. It
10 could be November 2026, or it could be February 2027,
11 but it'll be within those few months, depending on how
12 long the study takes.

13 MS. CHARLOTTE MEEK: Sorry, can you
14 repeat that? November of 2026 to February of 2027 --

15 MS. CARA LOW: Twenty-seven, yes.

16 MS. CHARLOTTE MEEK: -- full of the
17 investment mix?

18 MS. CARA LOW: Yeah.

19 MS. CHARLOTTE MEEK: And maybe I can
20 take you to your presentation slide because you also
21 had a little bit of information there about these
22 timelines. So, this is MPI Exhibit 36. And if we are
23 -- we're looking here at slide 8.

24 Okay, so here it shows Investment
25 Committee approval in Q4 of '25/'26. So that would be

1 January to March of 2026.

2 Is that correct?

3 MS. CARA LOW: Correct.

4 MS. CHARLOTTE MEEK: Okay. And so,
5 this is -- I think during your presentation yesterday
6 you had said that this approval was IC approval of
7 changes to the investment policy statement?

8 MS. CARA LOW: Yes, the beliefs
9 objectives and the risk appetite.

10 MS. CHARLOTTE MEEK: Okay. And then
11 at Q2 of '26/'27, being July to September 26, that's
12 when MPI is proposing there'd be a technical
13 conference to share the results of the AL study?

14 MS. CARA LOW: If it's completed, that
15 could be a very strong possibility, yes.

16 MS. CHARLOTTE MEEK: Okay. And as you
17 said earlier, despite the AL study being -- being
18 ready to be completed around that time, MPI's not
19 proposing that the study be filed for the 2027 GRA,
20 correct?

21 MS. CARA LOW: That is correct.

22 MS. CHARLOTTE MEEK: Okay. So, and --

23 MS. CARA LOW: That would be too
24 ambitious.

25 MS. CHARLOTTE MEEK: Pardon me?

1 MS. CARA LOW: That would be too
2 ambitious.

3 MS. CHARLOTTE MEEK: I see. And so,
4 MPI intends to file the AL study in June of 2027 for
5 the 2028 GRA, correct?

6 MS. CARA LOW: We could put it in the
7 2028 GRA or we could get a feedback at a technical
8 conference.

9 MS. CHARLOTTE MEEK: But it would be
10 filed on the record --

11 MS. CARA LOW: It would be filed on
12 the record.

13 MS. CHARLOTTE MEEK: -- in the 2028
14 GRA.

15 MS. CARA LOW: Yes.

16 MS. CHARLOTTE MEEK: Okay.

17 MS. CARA LOW: Confirmed.

18 MS. CHARLOTTE MEEK: Okay. And here
19 it shows us that in Q3 of 2026/'27 -- that would be
20 October to December of 2026 -- MPI will present the
21 selected asset mix to the investment committee.

22 Is that correct?

23 MS. CARA LOW: Correct.

24 MS. CHARLOTTE MEEK: Okay. And does
25 the investment committee then make a decision on the

1 asset mix or approve of it at that time?

2 MS. CARA LOW: Yes. That would be the
3 plan process.

4 MS. CHARLOTTE MEEK: And then in Q4 of
5 2026/'27 -- being January to March of 2027 -- MPI then
6 formulates a plan for implementation of the asset mix.
7 Is that correct?

8 MS. CARA LOW: Correct.

9 MS. CHARLOTTE MEEK: And so how soon
10 after the plan for implementation is formulated while
11 implementation begin to occur?

12 MS. CARA LOW: I would think it would
13 depend on how many new asset classes we have.

14

15 (BRIEF PAUSE)

16

17 MS. CHARLOTTE MEEK: Sorry?

18 MS. CARA LOW: It would just be very
19 dependent on if we're introducing new asset classes,
20 if we have to look at new investment managers, if
21 we're having to move money, significant money around,
22 how we need to liquidate. So, it's going to be very
23 dependent on the outcome of this study.

24 MS. CHARLOTTE MEEK: Okay. But would
25 you say implementation would begin to occur presumably

1 like within six (6) months of that time period?

2 Would that be fair to say?

3 MS. CARA LOW: Yes, that would be fair
4 to say.

5 MS. CHARLOTTE MEEK: Okay. And if we
6 could go back to PUB Order 29/25, page 34. So, this
7 is -- that's okay.

8

9 (BRIEF PAUSE)

10

11 MS. CHARLOTTE MEEK: So, we're just
12 looking at PUB Order 29/25, the bottom of page 34,
13 which is where the PUB varied Directive 26 to read as
14 follows:

15 "The Board directs that MPI
16 undertake another ALM study to be
17 presented in the 2028 GRA. MPI
18 will not implement a new
19 investment strategy prior to the
20 examination of the ALM study by
21 the Board and Interveners."

22 Does MPI consider that, where a
23 technical conference is held in the summer of 2026 on
24 the AL study, that MPI is then in compliance with this
25 directive as it relates to examination by the Board

1 and Interveners?

2

3

(BRIEF PAUSE)

4

5

MR. STEVE SCARFONE: So, Ms. Meek,
6 that was a discussion really on the best timing to
7 allow for meaningful feedback. But in response to
8 your question, as Ms. Low indicated earlier, she
9 expected that the ALM study would be completed and
10 then an opportunity for Interveners and this Board to
11 provide feedback, perhaps at a technical conference.
12 That would be within the -- the Board's discretion, of
13 course.

14

But, yes, if the Corporation was to
15 attend a technical conference and get feedback on the
16 ALM study, then our position would be that we are in
17 compliance with that directive.

18

19 CONTINUED BY MS. CHARLOTTE MEEK:

20

MS. CHARLOTTE MEEK: Thank you. So,
21 where a technical conference occurs in the summer of
22 2026, MPI would then proceed to implement a new
23 investment strategy that could potentially happen
24 before the 2028 GRA occurs, correct?

25

MS. CARA LOW: Correct.

1 MS. CARA LOW: We would have it
2 approved. It may take a while to implement.

3 MS. CHARLOTTE MEEK: Appreciating
4 that. Thank you. And so, if a technical conference
5 does not occur in the summer of 2026 or at any time
6 before the 2028 GRA, we can expect that examination of
7 the study by the Board and Interveners would then
8 occur at the 2028 GRA, being in October of 2027,
9 correct?

10 MS. CARA LOW: Correct, yes.

11 MS. CHARLOTTE MEEK: Okay. And no
12 implementation of an investment strategy would occur
13 prior to that time in that scenario?

14 MS. CARA LOW: That would be correct.

15 MS. CHARLOTTE MEEK: And yesterday,
16 during questioning by your counsel, there was a
17 discussion about how the risk appetite is determined
18 by the board of directors of MPI. And I think there
19 was some conversation about how the AL study is then
20 completed to I think treat the risk was the
21 terminology that's used.

22 Do you recall that -- that discussion?

23 MS. CARA LOW: Yes, I do.

24 MS. CHARLOTTE MEEK: Is there any
25 indication that the risk appetite of the Corporation

1 will be different since the last AL study?

2 MS. CARA LOW: No. I think we just
3 want to better articulate what's sufficient inflation
4 protection because we get that question. Our risk
5 appetite is silent on inflation protection. It really
6 comes down to a lot of factors.

7 We do stress test this through our
8 financial condition test. I do want to really
9 understand the capital impacts of high inflation
10 versus, you know, impacts of interest rates to ensure
11 that we have the financial stability that the
12 Corporation is needing.

13 MS. CHARLOTTE MEEK: And will the
14 consultant completing the AL study be advised to
15 specifically exclude any asset classes from a
16 particular portfolio?

17

18 (BRIEF PAUSE)

19

20 MS. CARA LOW: I think that's
21 something we're still going to be discussing with our
22 selected vendor in the next few weeks.

23 MS. CHARLOTTE MEEK: And will MPI be
24 able to provide an update on that once that discussion
25 has happened?

1

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(BRIEF PAUSE)

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MS. CARA LOW: That would be part of defining our risk appetite with our investment committee. So, it's same with our beliefs, our objectives, and how much risk they want to retain versus mitigating. We would also maybe talk about permitted investment classes and non-permitted investment classes.

MS. CHARLOTTE MEEK: Okay. And in this upcoming AL study, will there be the same or better flexibility in quantifying the costs of constraints imposed by MPI?

(BRIEF PAUSE)

MS. CARA LOW: Ideally, we could probably run it with no constraints in place, so that would give us the impact of the -- of the constraints being in place.

MS. CHARLOTTE MEEK: Thank you. And when the last AL study, or I guess two (2) AL studies ago, Mr. Viola had provided this Board with a list of eighteen (18) recommendations, which were then

1 addressed in an updated ALM study. And we had just
2 reviewed that Board order in relation to that.

3 In preparation of this new AL study,
4 has MPI reviewed those recommendations again?

5 MS. CARA LOW: No, we haven't, but we
6 haven't really kicked off this project yet, but we can
7 in the next few weeks start reviewing those.

8 MS. CHARLOTTE MEEK: And will MPI
9 implement any of the eighteen (18) recommendations
10 that continue to be relevant for the next AL study?

11 MS. CARA LOW: We don't know yet.

12 MS. CHARLOTTE MEEK: If I might just
13 have a few moments just to confer with my colleagues,
14 and -- and I think that would be the end of my close.

15

16 (BRIEF PAUSE)

17

18 MS. CHARLOTTE MEEK: Thank you, Madam
19 Chair. That concludes my -- my questioning. Thank
20 you to the panel as well.

21 PANEL CHAIRPERSON: Thank you, Ms.
22 Meek. Mr. Ireland...?

23 BOARD MEMBER IRELAND: Just a couple
24 of quick process questions, Ms. Low. How often does
25 the investment committee meet?

1 MS. CARA LOW: Quarterly.

2 BOARD MEMBER IRELAND: Quarterly. And
3 the new OCIO will not be able to make any investment
4 decisions. They can only make recommendations. Is
5 that correct?

6 MS. CARA LOW: Correct.

7 BOARD MEMBER IRELAND: Okay. Just a
8 question. Are there any parameters or any ability for
9 them -- I'm thinking equity-side markets -- to make
10 decisions for short-term reactions in the market? You
11 think is something dramatic like April of this year.
12 They would be precluded then from taking any
13 opportunities or doing any balancing necessary in that
14 kind of reaction. They have to wait until the next
15 quarterly meeting. Is that accurate?

16 MS. CARA LOW: One minute.

17

18 (BRIEF PAUSE)

19

20 MS. CARA LOW: It would have to go to
21 the investment committee for approval. We could
22 always have an ad hoc investment committee report
23 meeting if that wasn't deemed critical enough.

24 BOARD MEMBER IRELAND: Okay. So,
25 they'd be able to call and ask for a -- a quick

1 meeting to make some decisions?

2 MS. CARA LOW: Yes, I believe so.

3

4 (BRIEF PAUSE)

5

6 MS. CARA LOW: As long as it's within
7 our investment mix, our investment manager. So that's
8 their framework. Ideally or theoretically, they could
9 make some small changes within that. But if it's
10 outside that framework, they would have to come to
11 investment committee. And, yes, we could always call
12 a meeting if necessary. That's not one of the --

13 BOARD MEMBER IRELAND: Okay. If it
14 was within the framework, then they can make those
15 changes or make whatever adjustments or --

16 MS. CARA LOW: Yes.

17 BOARD MEMBER IRELAND: Okay, perfect.

18 Thank you.

19 PANEL CHAIRPERSON: Thank you.

20 Ms. Sharman...?

21 BOARD MEMBER SHARMAN: No questions.

22 PANEL CHAIRPERSON: Thank you. Mr.
23 Bunston, on behalf of the Public Utilities Board, I
24 would like to thank you for your participation in the
25 preparation and giving evidence at the General Rate

1 Applications over the last number of years.

2 We certainly appreciate your candor and
3 the information that you've provided to us. And
4 despite offering you our thanks and congratulations
5 right now, please don't let that dissuade you from
6 coming back to the undertakings panel.

7 MR. STEVE SCARFONE: Madam Chair, we
8 had some redirect.

9 PANEL CHAIRPERSON: Pardon me?

10 MR. STEVE SCARFONE: We had some
11 redirect.

12 PANEL CHAIRPERSON: I'm sorry, Mr.
13 Scarfone.

14 MR. STEVE SCARFONE: That's all right.
15 Those words were more important than any question I
16 can put to Mr. Bunston, but I do have a few questions
17 on redirect for the -- for the panel.

18

19 RE-DIRECT EXAMINATION BY MR. STEVE SCARFONE:

20 MR. STEVE SCARFONE: Ms. Schubert,
21 could you please pull up again PUB-1-33, please.
22 Thank you.

23 You'll recall, Mr. Bunston, this
24 particular information request was put to you?

25 MR. GLENN BUNSTON: Yes, I do.

1 MR. STEVE SCARFONE: A couple of times
2 actually, once by counsel for the Public Utilities
3 Board. And you'll see there in MPI's response to 'C'
4 that there's a number of asset classes that are made
5 reference to in providing a hedge against inflation,
6 correct?

7 MR. GLENN BUNSTON: Yes, I see that.

8 MR. STEVE SCARFONE: And those asset
9 classes -- timberland, farmland, infrastructure, US
10 TIPS and Canadian equities -- would those asset
11 classes, if inserted into a portfolio other than the
12 Basic claims portfolio, serve to hedge against
13 inflation for the Basic line of business?

14 MR. GLENN BUNSTON: Well, if they were
15 in the Rate Stabilization Reserve or the Employee
16 Future Benefits portfolios, then they would have an
17 impact on the Basic line of business. But if -- if
18 they were in the Special Risk Extension portfolio or
19 the Extension portfolio, then they would not impact
20 the Basic line of business.

21 MR. STEVE SCARFONE: And if those same
22 asset classes or some of them were inserted into the
23 Basic Claims portfolio, would that decision offend the
24 current primary objective of the Basic claims
25 portfolio?

1 MR. GLENN BUNSTON: The primary
2 objective is to ensure that we have sufficient capital
3 to pay claims as they become due and to hedge risks
4 associated with the liabilities. These asset classes
5 have some ability to hedge inflation, which -- which
6 is a risk associated with the liabilities. But the
7 correlation to inflation is much lower than for real
8 return bonds. And so, they can provide some inflation
9 protection, but it's not as strong as for real return
10 bonds.

11 And they introduce other forms of
12 volatility, which, you know, they have lower -- they
13 have lower correlations to fixed income, but they have
14 other higher volatility than -- and -- and introduce
15 risks that are not hedging the risks associated with
16 the liabilities.

17 MR. STEVE SCARFONE: And how would
18 those asset classes impact the matching program
19 underway with the Basic Claim portfolio, if at all.

20 MR. GLENN BUNSTON: So, they would
21 reduce the amount allocated to fixed income. We would
22 have to increase the duration of the fixed income
23 portfolio to offset that. So, it would make the Asset
24 Liability Management Program more challenging to
25 implement.

1 MR. STEVE SCARFONE: Thank you. And
2 with respect to the response in 'B', Mr. Klassen, for
3 the Coalition, asked you questions, sir, about the
4 capital market assumptions that were in place when the
5 Corporation asked Mercer to review the ALM study
6 against the 2024 data. Correct?

7 MR. GLENN BUNSTON: Yes. So, when we
8 engaged Mercer to review our current asset allocation
9 in the fall of 2024, we asked them to help us assess
10 where that asset allocation would fall relative to the
11 Efficient Frontier that was developed in the 2022
12 Asset Liability Management Study and to use the
13 Efficient Frontier that was developed with the capital
14 markets assumptions that existed at the time of the
15 study.

16 MR. STEVE SCARFONE: Thank you. And
17 Ms. Schubert, could you pull up attachment 'C' from
18 the Investments Chapter from the 2023 GRA, please, we
19 saw that earlier. And it would be page 31 of 33.

20 And Mr. Bunston, you had a conversation
21 with Mr. Klassen about the capital market assumptions,
22 in this document, that were based on data from
23 December 31, 2021. Correct?

24 MR. GLENN BUNSTON: Yes. Mr. Klassen
25 asked a number of questions about this page.

1 MR. STEVE SCARFONE: Thank you. And
2 if you could scroll down for me, please. Keep going
3 to the text, thank you.

4 And there, sir, they talk about the
5 analysis that was performed using the December 31,
6 2021 data. Correct?

7 MR. GLENN BUNSTON: Yes, they do.

8 MR. STEVE SCARFONE: And that it was
9 plotted along the Efficient Frontier using the March
10 31 assumptions?

11 MR. GLENN BUNSTON: Yes, that's right.

12 MR. STEVE SCARFONE: And -- and what
13 was the -- well, what was the Mercer conclusion there
14 with respect to making use of the older data?

15 MR. GLENN BUNSTON: Their conclusion
16 was despite the changes in the capital markets
17 assumptions between December 31st of 2021 and March
18 31st of 2022, that it had no significant impact on the
19 conclusion. So, what they said was that the
20 comparison confirms that analyzed mixes continue to be
21 optimal based on the March 31st, 2022 assumptions,
22 despite the material movement in the market over the
23 first quarter of 2022.

24 So, the capital markets assumptions
25 changed the Efficient Frontier, but the asset mixes

1 continued, in their opinion, to be efficient and
2 relatively close to the revised Efficient Frontier.

3 MR. STEVE SCARFONE: And when Mercer
4 was re-engaged in 2024, what was the reason for not
5 having them update the Capital Market Assumptions?

6 MR. GLENN BUNSTON: Well, we wanted to
7 see where our current asset mix would have fallen
8 relative to that Efficient Frontier that was developed
9 in the 2022 ALM study. The -- the purpose was not to
10 do a new ALM study, it was to assess where our asset
11 mix would fall relative to the work that was done in
12 the previous study.

13 MR. STEVE SCARFONE: Thank you. And
14 Ms. Schubert, Order 2-25, page 119, please put -- put
15 before the panel. Thank you. Just right there where
16 it begins with the words 'while MPI indicates'.

17 Mr. Bunston, you'll recall the line of
18 questioning from Mr. Klassen with respect to risk
19 versus return?

20 MR. GLENN BUNSTON: Yes, I do.

21 MR. STEVE SCARFONE: And is that a
22 separate objective than MPIC's primary objective,
23 which we see set out therein?

24 MR. GLENN BUNSTON: Well, the -- the
25 primary objective is to ensure we have funds available

1 to pay claims as they come due and to mitigate risks
2 associated with the liabilities.

3 MR. STEVE SCARFONE: So, the primary
4 objective is to have assets that back the liabilities.

5 Correct?

6 MR. GLENN BUNSTON: Correct.

7 MR. STEVE SCARFONE: And where does
8 the -- the objective of weighing risk versus return
9 fall? Is that a secondary objective, a tertiary
10 objective? Can you help us understand where that
11 falls?

12 MR. GLENN BUNSTON: Yes. So,
13 outperforming the benchmarks is a secondary objective
14 relative to mitigating risks associated with the
15 liabilities.

16 MR. STEVE SCARFONE: Thank you. Will
17 the Moody's Faroe software continue to be used by the
18 Corporation once the Chief Investment Officer is in
19 place?

20 MR. GLENN BUNSTON: It'll be utilized
21 for a period of time, sort of run in parallel with the
22 work being done by the outsourced Chief Investment
23 Officer.

24 And to -- just to compare the results
25 between the -- the Moody's Faroe system and the

1 outsourced Chief Investment Officer and -- but after a
2 period of time the -- the Moody's Faroe software will
3 be retired.

4 MR. STEVE SCARFONE: And how will the
5 attribution analysis then be conducted?

6 MR. GLENN BUNSTON: Attribution
7 analysis will be conducted by the outsourced Chief
8 Investment Officer and their internal software. We
9 did have conversations with them about the
10 capabilities of that software, and they did indicate
11 that it can provide reporting in the same level of
12 detail that Mr. Viola provided in his evidence. So,
13 it can produce asset allocation information and
14 security selection information.

15 MR. STEVE SCARFONE: Following the
16 2022 AL study, Mr. Bunston, the Corporation adopted a
17 real liability benchmark. Correct?

18 MR. GLENN BUNSTON: Yes, that's right.

19 MR. STEVE SCARFONE: And you'll recall
20 questions from Ms. Meek about how MIP's portfolio
21 compared against the shadow portfolios that were
22 generated?

23 MR. GLENN BUNSTON: Yes, I do.

24 MR. STEVE SCARFONE: And back then
25 MPIC was making use of a nominal liability benchmark?

1 MR. GLENN BUNSTON: That's correct.

2 MR. STEVE SCARFONE: And how does the
3 -- the use of a different benchmark impact the
4 comparisons made against the shadow portfolios that
5 made use of a real liability benchmark?

6 MR. GLENN BUNSTON: Well, the
7 liability benchmark is -- is used purely in the asset
8 liability management study. So, it's used by the
9 consultant to -- as a proxy for the liabilities, and
10 it's used in their modeling process. So, it's not
11 used by the Corporation in terms of its reporting
12 going forward, but it's used to model the liabilities
13 in the asset/liability management study.

14 And so, use of a real liability
15 benchmark, as you can see, included significant
16 allocations to real return bonds, which reflects the
17 inflation sensitivity of our liabilities and led to
18 the recommendation to include an all -- significant
19 allocation to real return bonds in the -- invest in
20 the asset mix for the investment portfolio.

21 MR. STEVE SCARFONE: Thank you. So,
22 does it allow for a fair comparison?

23 MR. GLENN BUNSTON: Well, it provides,
24 I think, a better representation of the Corporation's
25 liabilities and the fact that they are indexed to

1 inflation. A significant portion of them are indexed
2 to inflation.

3 MR. STEVE SCARFONE: Okay. Thank you.
4 And then, again, Ms. Meek asked you about opportunity
5 costs . Correct?

6 MR. GLENN BUNSTON: Yes.
7 MR. STEVE SCARFONE: So, the primary
8 objective of the Basic clean portfolio is in line with
9 the ALM -- ALM program. Would you agree?

10 MR. GLENN BUNSTON: Yes.
11 MR. STEVE SCARFONE: And the secondary
12 objective, which is measuring performance against
13 benchmarks is -- would you agree that's where
14 opportunity costs are -- are better suited?

15 MR. GLENN BUNSTON: Yes. The
16 secondary objective for the Basic claims portfolio was
17 to pursue modest incremental returns while
18 prioritizing risk management. So, the asset/liability
19 management program is used to a -- to mitigate the
20 risks associated with the liabilities. And the
21 secondary objective is to try to -- aim to pursue
22 modest incremental returns.

23 MR. STEVE SCARFONE: But when looking
24 to opportunity costs, Mr. Bunston, where would that
25 fall? Is it better suited to -- for that analysis to

1 occur when looking at risk and return or the matching
2 program?

3 MR. GLENN BUNSTON: Opportunity costs
4 would be more applicable to the measurement of risk
5 and return.

6 MR. STEVE SCARFONE: The secondary
7 objective?

8 MR. GLENN BUNSTON: Yes.
9 MR. STEVE SCARFONE: Thank you.

10 Lastly, Ms. Schubert, could you please bring up slide
11 8 from the presentation.

12 Just looking at those fiscal quarters,
13 Ms. Low, specifically, Q4 2025/26 where it reads, as a
14 milestone, defining investment beliefs, objectives and
15 risk appetite. You see that?

16 MS. CARA LOW: I do see that.

17 MR. STEVE SCARFONE: So that -- I
18 expect it's a very important step with the ALM study
19 that's going to be underway?

20 MS. CARA LOW: I think that's a key
21 step.

22 MR. STEVE SCARFONE: And just so
23 everybody understands, who is defining the investment
24 beliefs, the objectives, and the risk appetite for
25 Manitoba Public Insurance?

1 MS. CARA LOW: The Corporation. So,
2 the Board and the senior management.

3 MR. STEVE SCARFONE: Okay. And does
4 that include the MPIC Board of Directors?

5 MS. CARA LOW: Correct. Yes.

6 MR. STEVE SCARFONE: And part of that
7 Board is the Investment Committee. Correct?

8 MS. CARA LOW: Correct. Yes.

9 MR. STEVE SCARFONE: And so, when you
10 say "management," that's the Executive Committee also
11 has input?

12 MS. CARA LOW: Yes. The Executive
13 Committee and the Investment Committee of the Board,
14 and then it would go right up to the full Board of
15 Directors.

16 MR. STEVE SCARFONE: Thank you. And
17 where does the finance division of the Government of
18 Manitoba fall in here or do they?

19 MS. CARA LOW: We do have reps from
20 the Minister of Finance's office on our Investment
21 Committee working group, and they also attend
22 Investment Committee of the Board.

23 MR. STEVE SCARFONE: So, is it fair to
24 say that the Government of Manitoba also has to align
25 with the Corporation's investment beliefs, objectives

1 and risk appetite?

2 MS. CARA LOW: Yes.

3 MR. STEVE SCARFONE: Thank you. Those
4 are all my questions.

5 PANEL CHAIRPERSON: Thank you, Mr.
6 Scarfone. Mr. Andres, could you discuss procedure for
7 this afternoon?

8 MR. TODD ANDRES: Thank you, Madam
9 Chair. If we can go off record for just a moment.
10 That may be helpful.

11

12 (BRIEF PAUSE)

13

14 MR. TODD ANDRES: We can go back on
15 record.

16 PANEL CHAIRPERSON: Mr. Andres ...?

17 MR. TODD ANDRES: I believe if we
18 adjourn now, we can start at 12:30 with the next panel
19 which I believe is the customer and product panel.
20 So, if we adjourn now, we've got an hour and 10
21 minutes and I did canvas this with the parties across
22 the row, so I think that works for everyone.

23 PANEL CHAIRPERSON: Okay. Thank you
24 very much. Thank you very much to the members of the
25 panel. We appreciate your evidence here this morning.

1

2

(PANEL RETIRES)

3

4 --- Upon recessing at 11:21 a.m.

5

--- Upon resuming at 12:20 p.m.

6

7

(AUDIO DISCONNECT)

8

9

MR. ANTHONY GUERRA: ...Customer

10 product design and specialty programs in the back row.

11 I can indicate that Ms. Jatana, our President and CEO,

12 is there as well as Ms. Low, our Vice President and

13 Chief Actuary. Khurram Masud, our Director of Pricing

14 and Actuarial Forecasting, is joining us virtually

15 online.

16

Ms. Cindy Mann, our customer product

17 design and specialty programs lead, is also in our

18 back row as well as Terrance Madhosingh, our customer

19 of product design and specialty programs lead, who is

20 also joining us virtually.

21

I'd ask that the witnesses now be sworn

22 in, please.

23

24 MPI PANEL: CONSUMER AND PRODUCT PANEL

25

1 MARIA CAMPOS, previously Sworn

2 PATRICK SARGINSON, Affirmed

3 ROB SMITHSON, Affirmed

4

5 MR. ANTHONY GUERRA: Thank you. And I
6 actually have one (1) more housekeeping matter before
7 we begin, which is to read into the record three (3)
8 exhibits.

9 So, MPI Exhibit number 37 is the 2024
10 MPI annual report. MPI Exhibit number 38 is the 2026
11 GRA customer and product presentation, which is on the
12 screen before you right now. And MPI Exhibit number
13 39 is the errors and omissions 2026 GRA corporate
14 strategy presentation.

15

16 --- EXHIBIT NO. MPI-37: 2024 MPI Annual report

17

18 --- EXHIBIT NO. MPI-38: 2026 GRA customer and
19 product presentation

20

21 --- EXHIBIT NO. MPI-39: The errors and omissions
22 2026 GRA corporate
23 strategy presentation

24

25 EXAMINATION-IN-CHIEF BY MR. ANTHONY GUERRA:

1 MR. ANTHONY GUERRA: And so, with
2 that, I'm going to direct my question to Ms. Campos.
3 Ms. Campos, before you, you see MPI Exhibit number 38,
4 correct?

5 MS. MARIA CAMPOS: Correct.

6 MR. ANTHONY GUERRA: And this is a
7 presentation that you've prepared with your team.
8 Is that correct?

9 MS. MARIA CAMPOS: That's correct.

10 MR. ANTHONY GUERRA: And this
11 presentation would aid you in giving testimony before
12 the Public Utilities Board this afternoon?

13 MS. MARIA CAMPOS: Yes.

14 MR. ANTHONY GUERRA: Okay. What I'll
15 do is I'll ask you to present on the presentation.
16 And I may have some questions for you and your team as
17 you present.

18 MS. MARIA CAMPOS: Good afternoon.
19 Maria Campos, for Manitoba Public Insurance. Before
20 we walk you through the Basic deductible change for
21 the 2026 rating year, I wanted to take the opportunity
22 to highlight a few points that drive our
23 considerations when we're reviewing products.

24 So first, as you've heard, a core
25 principle that has been a theme throughout, obviously,

1 our presentations this week in addition to the work
2 that we do as a corporation is affordability. This
3 continues to be a strategic anchor for Manitoba Public
4 Insurance.

5 And for us affordability isn't just a
6 goal, it's a foundational principle that guides our
7 product decisions. This reflects our public mandate
8 and our responsibility to deliver value to Manitobans.

9 Our planning and evaluation is tied to
10 a customer-centric approach. Customer feedback,
11 consistently reinforces affordability as a top
12 priority, and this input directly shapes our planning
13 and ensure, we remain aligned with public
14 expectations.

15 Our product review and changes are
16 evaluated through a customer impact lens. In doing
17 this, we ask ourselves, how will this affect
18 affordability and will it maintain or improve value
19 for our customers.

20 This process includes balancing
21 coverage and cost. Our product changes reflect a
22 commitment to Comprehensive coverage at rates that
23 Manitobans expect from a public auto insurer. And
24 while we continue to strive to maintain affordable
25 rates, we also -- we also want to enhance customer

1 choice, allowing customers to tailor their coverage to
2 their unique needs and risk preferences, aiming to
3 provide flexibility without compromising
4 affordability.

5 So, I'll ask Patrick Sarginson to walk
6 us through the product change that we will be
7 implementing effective April 1st, 2026, which is our
8 change from the base level deductible of seven hundred
9 and fifty dollars (\$750) to a thousand dollars in
10 mandatory coverage. And this change will ensure that
11 we maintain rate affordability and coverage choice for
12 customers.

13 MR. PATRICK SARGINSON: Good
14 afternoon. Patrick Sarginson, for MPI. I'm going to
15 start with some background on MPI's Basic deductible.
16 So MPI', Basic insurance deductible is currently seven
17 hundred and fifty dollars (\$750) for most Basic
18 insured vehicles. The Basic seven hundred and fifty
19 dollar (\$750) deductible applies to Collision and
20 Comprehensive claims for private passengers and light
21 trucks.

22 MPI offers Extension deductible
23 buydown options allowing customers to select five
24 hundred (500), three hundred (300), and two hundred
25 dollar (\$200) levels of coverage.

1 In 2021, MPI implemented the Compulsory
2 and Extension Review Project, or CERP, which changed
3 Basic coverage limits and deductibles for the first
4 time since 1997.

5 The goal was to mitigate the rising
6 cost of claims, to stabilize rates, to align with
7 industry standards, and to increase and maintain
8 customer satisfaction.

9 The Basic deductible increased from
10 five hundred dollars (\$500) to seven hundred and fifty
11 dollars (\$750). The Basic third-party liability
12 coverage increased at that time from two hundred
13 thousand dollars (\$200,000) to five hundred thousand
14 dollars (\$500,000). And the Basic maximum insured
15 value increased from fifty thousand to seventy
16 thousand dollars (\$70,000).

17 Extension deductible levels were also
18 changed, eliminating the one hundred dollar (\$100)
19 deductible and introducing a new five hundred (500)
20 and two hundred dollar (\$200) plus deductible. Next
21 slide.

22 As you'll see on this slide, MPI's,
23 Basic deductibles have been adjusted periodically over
24 time. Since 1988, the deductibles have been increased
25 three (3) times, in 1988, 1997, and 2021. And the

1 Basic deductible change that we're presenting on today
2 will only be the fourth time MPI has adjusted
3 deductibles in almost forty (40) years.

4 Looking across Canada, deductible
5 options in Canadian jurisdictions vary in coverage and
6 amounts. Deductibles for all perils, comprehensive
7 and collision coverage, commonly range from between
8 three hundred 300 and twenty-five hundred dollars
9 (\$2,500) for private passenger vehicles.

10 For high value vehicles, like high-end
11 sports cars, for example, insurers will often offer
12 deductibles of fifteen thousand dollars (\$15,000) or
13 more. One thousand dollar (\$1,000) deductibles are
14 very common for private passenger vehicles, and
15 they're available for most public and private insurers
16 across Canada and the United States.

17 So, insurers are always making
18 decisions on how to structure their coverages and how
19 to set their deductible offerings for customers. A
20 large factor in those decisions is the cost of paying
21 claims. So, I'd like to move now into a discussion of
22 the rationale for introducing the one thousand dollar
23 (\$1,000) deductible, which is a -- which is a result
24 of our commitments to affordability and choice for
25 ratepayers and the significant impact of inflationary

1 cost pressures on our organization.

2 According to industry data contained in
3 an April 2025 Statistics Canada report, the purchase
4 prices of new vehicles in Manitoba have risen by 19
5 percent between 2021 and 2024. Used vehicle prices
6 jumped significantly during and immediately after the
7 pandemic, but now appear to have been locked in and
8 stabilized since 2021. These costs -- these higher
9 costs are a trend not just in Manitoba, but across the
10 country.

11 Those higher vehicle prices are
12 reflected in MPI's own total loss statistics, which
13 show that our costs for written off vehicles have
14 increased 41 percent between 2021 and 2024. And
15 similarly, repair costs are also rising dramatically.
16 The average cost of repair has increased 27 percent
17 between 2021 and 2024 and the cost of labour will have
18 increased by 21 percent by 2026 under MPI's agreements
19 with the auto repair industry.

20 So, from that Stats Can report, this
21 slide shows how Canadian auto insurers have generally
22 responded to these higher claim costs. The dotted
23 line shows year-over-year insurance cost increases for
24 customers coming out of the pandemic.

25 In July 2022, customers were seeing

1 average annual increases of 4 percent. In January
2 2024, increases reached 6 percent, and they seemed to
3 have spiked in September 2024 at 10 percent before
4 falling back to 8 percent year-over-year increases in
5 March, 2025.

6 From this, I think we can see that
7 insurers are passing those higher claim costs on
8 directly to their customers. And while MPI operates
9 on a breakeven basis, the Corporation does not believe
10 that simply passing on higher claim costs will keep
11 rates affordable for Manitobans.

12 Other strategies are required to
13 maintain affordability for ratepayers. And to talk a
14 bit more about the Basic deductible change I'll pass
15 this over to Rob Smithson.

16 MR. ROB SMITHSON: Thank you. So, I'm
17 Rob Smithson. I'll be speaking a little bit about the
18 changes that are being made to the Basic deductible.

19 So, beginning on April 1st and keeping
20 with MPI's commitment to offer affordable Compulsory
21 insurance, MPI will be increasing all of our Basic
22 deductibles. For our private passenger vehicles and
23 motorcycles that currently have a seven hundred and
24 fifty dollar (\$750) deductible, we'll be moving them
25 to a one thousand dollar (\$1,000) deductible.

1 However, where Extension eligible, they'll be allowed,
2 moved to a -- or they'll be moved to seven hundred and
3 fifty dollar (\$750) new Extension deductible level.

4 Heavy vehicles currently at twelve
5 hundred dollars (\$1,200) will be moving to a fifteen
6 hundred dollar (\$1,500) Basic deductible. And mopeds
7 and trailers currently at two hundred twenty-five
8 (225) will be moving to a three hundred dollar (\$300)
9 deductible.

10 By adjusting the deductibles, MPI will
11 reduce the Basic rate requirement by 2.94 percent,
12 resulting in the 2.07 rate increase for this year.
13 MPI will maintain Comprehensive coverage and -- and
14 strive to maintain affordable rates at the same time
15 with these actions.

16 Some other considerations when we are
17 looking at our Basic deductibles were some of the
18 changes that came with our initial CERP project in
19 2021. We evaluated our Basic third-party liability
20 and maximum insured value. Our Basic third-party
21 liability is currently five hundred thousand dollars
22 (\$500,000.

23 And there's currently no reason to
24 change that. It currently covers 99.99 percent of all
25 third-party liability claims that MPI sees with only

1 eleven (11) claims over five hundred thousand dollars
2 (\$500,000) in the last five (5) years.

3 Our Basic maximum insured value will
4 also remain at seventy thousand dollars (\$70,000). In
5 evaluating that we looked at our average vehicle price
6 in Manitoba for new, which is increased now to sixty-
7 five thousand dollars (\$65,000) or just a hair above
8 sixty-five thousand dollars (\$65,000).

9 By looking at our claims, we have
10 realized that this coverage is still sufficient and
11 meeting the needs of Manitobans. Approximately fifty
12 (50) total loss claims per year exceed that seventy
13 thousand dollar (\$70,000) limit, which is -- which is
14 only 0.02 percent of all prime -- physical damage
15 claims.

16 So, I'll speak a little bit about our
17 Transition Plan. So, MPI, in this transition year,
18 will be moving customers to the -- or signing
19 customers to the coverage that is most comparable to
20 their existing or previously selected coverages.

21 What that would mean is the customers
22 currently carrying a seven hundred and fifty dollar
23 (\$750) Basic deductible, if they are Extension
24 eligible, will be migrated to a new seven hundred and
25 fifty dollar (\$750) Extension deductible product.

1 This is maintaining the risk exposure that they
2 previously had.

3 Uses that are not Extension available
4 would be things like repair, dealers. Those customers
5 will be migrated from the seven hundred and fifty
6 (750) to the new one thousand dollar (\$1,000)
7 deductible.

8 This is the same approach we used in
9 2021 when adjusting deductibles as part of the CERP
10 project. And at that point, it was very well received
11 with very few to no complaints.

12 Customers will be notified of the
13 change forty-five (45) days prior to their annual
14 assessment period in either their annual assessment --
15 reassessment notice or their renewal notice advising
16 them the changes in their coverage, if applicable, and
17 the date that those would come into effect.

18 Customers who are wanting to make a
19 change from what they're notified of will have the
20 forty-five (45) days prior to their annual anniversary
21 to make those changes. There will be no charge for
22 those changes. Customers can continue to make changes
23 any point beyond that; however, depending on the
24 change, some fees may apply.

25 Customers who do not make a change or

1 were not migrated to a new product will see a seamless
2 move over with their policy coverages transitioned
3 automatically in their annual renewal or their
4 reassessment statement.

5 It's anticipated that this transition
6 approach will be seamless for most customers and will
7 not significantly increase the volumes of customers
8 visiting brokers or service centres.

9 At this point, I can hand the
10 presentation back to Maria Campos to finish the rest
11 of the deck.

12 MS. MARIA CAMPOS: So, we recognize
13 the importance of communicating these changes to both
14 our customers and our partners. Our strategy will
15 begin formally in January 2026. We will -- we -- we
16 will begin internal communications and training. This
17 will include staff, brokers, and other partners,
18 ensuring everyone is equipped to support customers
19 effectively.

20 Customer facing communication will
21 begin formally in February 2026, timed to align with
22 renewal and reassessment mailouts that Rob referred
23 to. We're using a multichannel approach to reach
24 customers where they are. This includes renewal
25 notices, website updates, broker materials, social

1 media, and direct interactions.

2 And as you've heard, renewal and
3 reassessment notices will be sent forty-five (45) days
4 prior to the customer's renewal date, giving them time
5 to review and make changes if they choose.

6 We'll also use website banners and our
7 social media to reinforce messaging and drive
8 awareness. And importantly, we'll highlight that the
9 new seven hundred and fifty (750) deductible is now
10 part of MPI's competitive Extension line of business
11 and will encourage customers to speak with their
12 brokers to explore coverage options and make informed
13 decisions that best suit their needs.

14 To conclude, MPI's decision to
15 introduce a new one thousand dollar (\$1,000) Basic
16 deductible is intended to balance affordability with
17 long-term sustainability. The change allows us to
18 continue offering Comprehensive coverage while
19 managing rising claim costs and repair expenses.

20 At the same time, we're introducing a
21 new seven hundred and fifty (750) Extension
22 deductible, giving customers the flexibility to
23 maintain their current level of risk exposure if they
24 choose. This dual approach ensures Manitobans have
25 options whether they want to reduce their premiums or

1 keep their coverage consistent.

2 Ultimately, these changes reflect MPI's
3 commitment to delivering the auto insurance coverage
4 Manitobans expect while staying responsive to economic
5 pressures and customer needs.

6 MR. ANTHONY GUERRA: Thank you, Ms.
7 Campos. Before we leave this presentation, I do have
8 one (1) question regarding it. If we can go back to
9 slide 11, please.

10 Mr. Smithson, this is a question for
11 yourself. So, in terms of the process of moving
12 customers over from the seven fifty (750) Basic
13 deductible, transitioning them to the new seven
14 hundred and fifty (750) Extension deductible,
15 approximately how many customers would be affected or
16 would be in that position?

17 Do you know?

18 MR. ROB SMITHSON: Approximately 6
19 percent of our Extension eligible customers.

20 MR. ANTHONY GUERRA: Thank you. Now I
21 have a few questions in regards to a couple of other
22 topics that we've heard at the beginning of this
23 process would be --excuse me, would be canvased.

24 And so, what I'd like to do is, Ms.
25 Schubert, if we can pull up the transcript from the

1 October 24th appearance. Yeah. Correct. Thank you.
2 And if we can go to page 140 of the transcript,
3 please. Sorry. That might not align with what I had
4 here. It would be the opening statements. I thought
5 it was on page 140 of the transcript.

6

7

(BRIEF PAUSE)

8

9 MR. ANTHONY GUERRA: October 14th,
10 correct? Sorry, I'm -- I'm off there. My apologies.
11 Thank you. So, if we can go to line 18, please.

12 And so, I'm going to suggest to -- I'm
13 going to suggest to you, Mr. Smithson, that, in this
14 case, what we're looking at here is the opening
15 statement from the Taxi Coalition.

16 Do you see that?

17 MR. ROB SMITHSON: Rob Smithson. Yes,
18 I do.

19 MR. ANTHONY GUERRA: And in this case,
20 the counsel for the Taxi Coalition is saying that:

21 "Taxi Coalition's intervention
22 will be more limited than in past
23 years and will focus on
24 prospective Vehicle for Hire
25 framework and associated

1 timelines, a timeline for the
2 status updates, as well as
3 completion, the telematics
4 project."

5 Do you see that?

6 MR. ROB SMITHSON: Yes.

7 MR. ANTHONY GUERRA: Thank you. And
8 if we can go to the 2026 General Rate Application, in
9 particular, part 4, the Basic Autopac coverage
10 chapter. Thank you. And if we can go to page 10,
11 please. This chapter, I understand, was written by
12 you and your team.

13 Is that correct?

14 MR. ROB SMITHSON: Correct.

15 MR. ANTHONY GUERRA: And in this case,
16 you're providing an update on the status of
17 communications between MPI and the Taxi Coalition,
18 correct?

19 MR. ROB SMITHSON: Correct.

20 MR. ANTHONY GUERRA: And there's an
21 indication -- if we can scroll down, please. In the
22 first paragraph, it reads that:

23 "The TC -- in this case, I would
24 imagine that -- that pertains to
25 the Taxi Coalition -- has

1 expressed interest in exploring a
2 potential taxi blanket policy and
3 has been working with MPI on
4 development with consideration
5 given to their business and
6 operating model. On May 15th,
7 2025, MPI presented initial taxi
8 blanket model to stakeholders,
9 which is currently under review
10 with the TC."

11 Do you see that?

12 MR. ROB SMITHSON: Yes, I do.

13 MR. ANTHONY GUERRA: And are you able
14 to provide us with an update today as to the status of
15 communications between MPI and the Taxi Coalition on a
16 taxi blanket policy?

17 MR. ROB SMITHSON: Yes, I can. So,
18 after the meeting we've heard back from one of the two
19 (2) members of the Taxi Coalition that they are not
20 interested in pursuing a blanket policy. We have not
21 heard from the other member at this time, but they
22 have not expressed any interest in pursuing it yet.

23 MR. ANTHONY GUERRA: Okay. Thank you.
24 And the next paragraph reads that:

25 "MPI will continue to engage with

1 Vehicle for Hire, or VHF -- VFH
2 rather stakeholders independently
3 to address future insurance model
4 development based on stakeholder
5 need. In the interim, MPI is
6 retaining the time ban model,
7 ensuring it remains accessible to
8 all vehicle -- VFH owners and
9 operators across Manitoba."

10 Do you see that?

11 MR. ROB SMITHSON: Yes, I do.

12 MR. ANTHONY GUERRA: And does that
13 still remain a true statement today?

14 MR. ROB SMITHSON: Yes, it does.

15 MR. ANTHONY GUERRA: Thank you. Ms.
16 Schubert, if I can ask you to bring up PUB Order 145-
17 23, please. And specifically -- sorry, before we go
18 to the page I would like to go to, Ms. -- Mr.
19 Smithson, you see this Order before you?

20 MR. ROB SMITHSON: Yes, I do.

21 MR. ANTHONY GUERRA: And this is an
22 Order of the Public Utilities Board dated December
23 18th, 2023?

24 MR. ROB SMITHSON: Yes.

25 MR. ANTHONY GUERRA: And this would be

1 in respect to the 2024 GRA. Would you agree with
2 that?

3 MR. ROB SMITHSON: Yes.

4 MR. ANTHONY GUERRA: If we can go to
5 page 18 -- or, sorry, page 80, please. And so, in
6 this case, the Public Utilities Board is indicating
7 that MPI applied for approval of a blanket policy for
8 transport network companies or TNCs. Do you see that?

9 MR. ROB SMITHSON: Yes.

10 MR. ANTHONY GUERRA: And in this case,
11 the Public Utilities Board did not approve MPI's
12 request for a blanket policy for TNCs, correct?

13 MR. ROB SMITHSON: Correct.

14 MR. ANTHONY GUERRA: And if we can go
15 to the last paragraph of this page, the PUB says:

16 "Lastly, the Board also that MPI
17 appears to lack consistency in its
18 approach to the VFH class. As an
19 example, it has proposed the
20 blanket policy for TNCs, but not
21 for taxi VFH, and has not
22 addressed the possibility of a
23 part-time model for taxis."

24 Do you see that?

25 MR. ROB SMITHSON: Yes, I do.

1 MR. ANTHONY GUERRA: Thank you. Ms.
2 Schubert, if we can go to PUB Order 2/25, please.

3 In this case, you'll see that this
4 order is of the Public Utilities Board dated January
5 7th, 2025. Do you see that?

6 MR. ROB SMITHSON: Yes, I do.

7 MR. ANTHONY GUERRA: And if we can go
8 to page 64, please. And if we can go to the last
9 paragraph of that page, please. The order states:

10 "For the 2025 GRA, MPI did not
11 propose revisions to its current
12 VFH framework. The blanket policy
13 was not put before the PUB as
14 there was no change in position
15 with respect to the
16 confidentiality of data. Taxis
17 communicated to MPI that they did
18 not want to pursue further
19 development of the part-time taxi
20 model for the 2025 GRA submission.
21 MPI and the Taxi Coalition are
22 currently engaged in an early
23 assessment of the taxi blanket
24 policy."

25 Do you see that?

1 MR. ROB SMITHSON: Yes, I do.

2 MR. ANTHONY GUERRA: And so, in terms
3 of how that has transpired, would you agree that, as
4 it pertains to MPI's communications with the Taxi
5 Coalition, that currently there isn't a viable option
6 for either a part-time model or a blanket model for
7 taxis -- taxi VFH?

8 MR. ROB SMITHSON: Yes, I would agree.

9 MR. ANTHONY GUERRA: And if we can go
10 to page 65, the next -- next paragraph reads:

11 "With respect to the telematics
12 pilot for taxis, no analysis has
13 been completed on any data
14 gathered to date. The telematics
15 pilot is intended to gather data
16 on the driving behaviour of taxi
17 vehicles and provide
18 recommendations for improvements
19 to reduce the claims frequency
20 relative to the taxi fleet.
21 Further, MPI and TC are an
22 agreement that telematics data
23 would not be used for pricing
24 purposes."

25 Do you see that?

1 MR. ROB SMITHSON: Yes, I do.

2 MR. ANTHONY GUERRA: And if we can go
3 to page 138 of this order, please, and specifically,
4 if we can go to Directive 12, please.

5 Mr. Smithson, do you recall if the
6 Public Utilities Board last year directed that MPI
7 hold a Vehicle for Hire -- VFH -- technical conference
8 in the summer of 2025 subject to the timing of
9 availability of telematics data?

10 MR. ROB SMITHSON: Yes, I do.

11 MR. ANTHONY GUERRA: Ms. Schubert, if
12 I can ask you to pull up PUB Order 60/25, please.

13 You agree that this is an order from
14 the Public Utilities Board dated May 5th, 2025?

15 MR. ROB SMITHSON: Yes, I do.

16 MR. ANTHONY GUERRA: And you agree
17 that this is a motion that was brought by the Taxi
18 Coalition in regards to Order 2/25 and to review and
19 bury order 2/25, correct?

20 MR. ROB SMITHSON: Yes.

21 MR. ANTHONY GUERRA: And you agree
22 that MPI opposed this application?

23 MR. ROB SMITHSON: Yes.

24 MR. ANTHONY GUERRA: And do you recall
25 that the Public Utilities Board did not approve MPI's

1 opposition to the order -- in other words, that the
2 public Utilities Board allowed the rescission of
3 directive 12?

4 MR. ROB SMITHSON: Yes.

5 MR. ANTHONY GUERRA: And a taxi
6 Vehicle for Hire technical conference did not occur in
7 the summer of 2025, correct?

8 MR. ROB SMITHSON: Correct.

9 MR. ANTHONY GUERRA: Can you provide
10 an update on the status of the telematics study?

11 MR. ROB SMITHSON: Yeah. So, the
12 telematics study and report was completed in late
13 August, early September. We scheduled meetings and
14 met with the Taxi Coalition on October 3rd, presenting
15 them the results of the study, providing them copies
16 of the completed study and the presentation for their
17 consideration and further action.

18 At this point, there is no further
19 action for MPI on the telematics pilot project, and it
20 is now with the Taxi Coalition to take the next steps.

21 MR. ANTHONY GUERRA: Thank you. And
22 can you -- can you confirm whether or not -- whether
23 MPI has been requested to file a copy of the study in
24 this General Rate Application?

25 MR. ROB SMITHSON: No, we have not.

1 MR. ANTHONY GUERRA: Thank you. No
2 further questions.

3 PANEL CHAIRPERSON: Thank you, Mr.
4 Guerra. Mr. Yakimchuk...?

5 MR. TREVOR YAKIMCHUK: Good afternoon.
6 Thank you, Madam Chair. My name is Trevor Yakimchuk.
7 I'm counsel for the Public Utilities Board.

8

9 CROSS-EXAMINATION BY MR. TREVOR YAKIMCHUK:

10 MR. TREVOR YAKIMCHUK: I'm going to
11 start this afternoon with some questions regarding
12 benchmarking. I'll be asking the questions generally
13 to the panel, but whoever feels best suited to answer
14 each question, feel free to do so.

15 So, I'd like to begin by looking at
16 BMK .1, page 5 of 7. So, this top paragraph, if you
17 just take a second to read it, it discusses how MPI is
18 no longer going to be incorporating the results of
19 ICBC and SGI. And it goes on to say they're only
20 permitting the use of their information for internal
21 collaboration.

22 So, my first question is: Can you
23 explain what is meant by 'internal collaboration'?

24

25 (BRIEF PAUSE)

1

2 MR. ANTHONY GUERRA: Counsel, we don't
3 want to be obstructionist here, but the individual who
4 would best be speaking to the operational efficiencies
5 benchmark is Mr. Kolaski who is currently not on this
6 panel.

7 So, either that can be directed to the
8 financial forecasting panel on Monday where Mr.
9 Kolaski will be, or we can take things by way of
10 undertaking if it's not readily available to us.

11 MR. TREVOR YAKIMCHUK: That's fine.
12 Thank you. Just give me one moment, please, to confer
13 with my co-Counsel.

14

15 (BRIEF PAUSE)

16

17 MR. TREVOR YAKIMCHUK: Okay. Thank
18 you for the indulgence there. And now before
19 proceeding, I just want to confirm, so questions on
20 benchmarking, including KPIs, will be best put towards
21 that upcoming panel I believe on Monday.

22 MR. ANTHONY GUERRA: Yes.
23 Unfortunately, that would be the case. And my
24 apologies if that wasn't clear beforehand.

25 MR. TREVOR YAKIMCHUK: No, that --

1 that's okay. Okay.

2 MR. TREVOR YAKIMCHUK: Well, what I'll
3 do is I'll move to -- sorry. Just to be clear,
4 customer service measures as well, is that something
5 that should be pushed to next week in addition to the
6 --

7 MR. ANTHONY GUERRA: Yes. That would
8 be one of our benchmarks, yes.

9

10 CONTINUED BY TREVOR YAKIMCHUK:

11 MR. TREVOR YAKIMCHUK: All right.
12 Then I'll jump right to the Basic deductible change.
13 Now, the first document that I'd like to look at, it's
14 the Basic deductible change, page 4 of 18 in this
15 section. So, for starters and has been discussed
16 during the presentation, MPI has decided to increase
17 the Basic deductible, correct?

18 MS. MARIA CAMPOS: That's correct.

19 MR. TREVOR YAKIMCHUK: And the last
20 time that MPI changed the Basic deductible was in
21 2021?

22 MS. MARIA CAMPOS: That's also
23 correct.

24 MR. TREVOR YAKIMCHUK: And at that
25 time, the change was from a Basic deductible of five

1 hundred dollars (\$500) to seven hundred fifty dollars
2 (\$750)?

3 MS. MARIA CAMPOS: That's correct.

4 MR. TREVOR YAKIMCHUK: Now, if we look
5 at the last paragraph on page 4 of 18 here, you can
6 take a minute to read it. It starts with "In 2025,
7 MPI reevaluated."

8 And my question is going to be: I'd
9 like you to confirm that this is in essence the basis
10 provided for the proposed new deductible increase.

11 MS. MARIA CAMPOS: So just to clarify,
12 if you're referring to the inflationary pressures and
13 arising claims costs, this would be the basis. So, as
14 we've identified in our presentation, balancing those
15 with affordability, that is the basis for the
16 introduction of the thousand dollar (\$1,000)
17 deductible, correct.

18 MR. TREVOR YAKIMCHUK: Okay. Thank
19 you. I had now like to take us to figure BDC-1, and
20 this provides the change in Basic deductibles, which
21 for most vehicles will change from seven hundred fifty
22 dollars (\$750) to a thousand, correct?

23 MS. MARIA CAMPOS: That's correct.

24 MR. TREVOR YAKIMCHUK: And then heavy
25 trucks will be moving from twelve hundred (1,200) to

1 fifteen hundred (1,500)?

2 MS. MARIA CAMPOS: Yes.

3 MR. TREVOR YAKIMCHUK: And inexpensive
4 trailers and mopeds will be moving from two twenty-
5 five (225) to three hundred (300), correct?

6 MS. MARIA CAMPOS: Yes.

7 MR. TREVOR YAKIMCHUK: Okay. And now
8 we'll look at BDC 1.2, the rationale here. And I have
9 some questions regarding different portions of this,
10 so I'm going to break it up and ask those questions
11 accordingly.

12 So, the -- the rationale begins with:

13 "Basic AutoPac coverage as being
14 significantly impacted by rising
15 claims costs. Adjusting the Basic
16 deductible will help offset the
17 rising expenses, which are being
18 driven by rising vehicle prices,
19 higher labour rates, and
20 increasingly complex repair and
21 calibration required for modern
22 vehicles."

23 Now, first, did MPI quantify how the
24 proposed Basic deductible increase would offset each
25 of the three (3) mentioned driving forces of the

1 rising claims costs?

2

3

(BRIEF PAUSE)

4

5 MS. MARIA CAMPOS: Can I ask you to
6 repeat the question, please?

7

MR. TREVOR YAKIMCHUK: Yes. So, the -
8 - the first portion of the rationale that we've been
9 looking at on screen here discusses rising claims
10 costs, and specifically what those rising costs are
11 being driven by: vehicle prices, higher labour rates,
12 and increasing -- increasingly complex repair.

13 And my question was whether MPI
14 quantified how this proposed Basic deductible increase
15 would offset each of the three (3) mentioned driving
16 forces of the rising claims costs.

17 MS. MARIA CAMPOS: When we evaluated,
18 we didn't break it down to the three (3) that you are
19 referencing that is in the material in front of us.
20 One of the evaluations that we undertook -- there was
21 a few, and one was really about what does that mean to
22 our customers from a simplicity perspective. So, what
23 does it mean in today's dollars?

24 And we also wanted to make sure that
25 when we were looking at a proposed deductible change,

1 that we wouldn't be in a position, hopefully, not to
2 have to come back again and make subsequent changes in
3 subsequent years.

4 So, we wanted to make sure that we
5 provided a rate -- a change deductible, that will --
6 the aim will be that it will stand some test of time.
7 Of course, I can't predict what the future will look
8 like and what those costs will look like.

9 But the idea of raising it by the two
10 hundred and fifty dollars (\$250) was to try to ensure
11 that we didn't have to continually go back and change
12 that figure for customers. That was the rationale
13 behind the changes.

14 MR. TREVOR YAKIMCHUK: Thank you. So
15 just to clarify, I appreciate the qualification on the
16 answer.

17 The answer is, no, it wasn't
18 specifically quantified with respect to those three
19 (3) in addition to the qualification that you
20 provided?

21 MS. MARIA CAMPOS: That's correct.

22 MR. TREVOR YAKIMCHUK: Thank you.

23

24 (BRIEF PAUSE)

25

1 MR. TREVOR YAKIMCHUK: If you don't
2 mind, can we go back to slide 5 of the presentation?
3 And the cadence of the change in deductible is
4 outlined on this slide. So, 1988 was the first change
5 listed here, correct?

6 MR. ROB SMITHSON: Yes, correct.

7 MR. TREVOR YAKIMCHUK: And then --
8 apologies for interrupting. And then nine (9) years
9 later was the next change in 1997, correct?

10 MR. ROB SMITHSON: Yes.

11 MR. TREVOR YAKIMCHUK: And then it was
12 twenty-four (24) -- twenty-four (24) years later that
13 the next change happened in 2021?

14 MR. ROB SMITHSON: Yes.

15 MR. TREVOR YAKIMCHUK: Okay. And it's
16 -- you'll agree it's only been four (4) years since
17 the last change in deductible increase?

18 MR. PATRICK SARGINSON: Yes, indeed.

19 MR. TREVOR YAKIMCHUK: Okay. You'll
20 agree that the cadence of this increase to the rate
21 would be less than half of the gap between the first
22 and second increase?

23 MR. ROB SMITHSON: Yes.

24 MR. TREVOR YAKIMCHUK: Okay. And six
25 (6) times shorter than the last increase?

1 MR. ROB SMITHSON: Yes. I'll trust
2 your math on that.

3 MR. TREVOR YAKIMCHUK: Okay. Thank
4 you. We went away from the materials we were looking
5 at there. Can we please go back to the rationale
6 section that we were -- thank you. You're already
7 ahead of me.

8 So, as I mentioned, I was going to be
9 splitting this up and asking questions about different
10 portions. So, the second portion that I'd like to ask
11 about, the rationale goes on to explain:

12 "The higher deductible may also
13 result in customers choosing to
14 address lesser damage themselves
15 rather than filing minor claims
16 with MPI -- for example, claims
17 for glass-only damage that may
18 fall below the deductible
19 threshold -- reducing the overall
20 number of claims and further
21 controlling costs."

22 Does MPI have any data or modeling or -
23 - or studies that would support the projection that
24 this behavioural shift is going to occur?

25

1 (BRIEF PAUSE)

2

3 MR. ROB SMITHSON: I'm sorry. Can you
4 repeat the question?

5 MR. TREVOR YAKIMCHUK: Yes, so, I'm
6 referring to the second sentence of the rationale
7 paragraphs that we're looking at on the screen right
8 now. And it speaks to a -- a projection that the
9 higher deductible may also result in customers
10 choosing to address lesser damage themselves, rather
11 than filing claims with MPI, thus reducing the overall
12 number of claims and further controlling costs.

13 My question was whether MPI has any
14 data or modeling or studies that would support the
15 projection that this behavioural shift will -- will
16 occur?

17 MR. ROB SMITHSON: We have not done
18 any studies or projections on this. We can say that
19 currently 94 percent of customers do buy Extension
20 buy-down products.

21 MR. TREVOR YAKIMCHUK: Okay. And --
22 and the last portion of that second sentence speaks of
23 further controlling costs.

24 Does MPI know to what extent this
25 projected behavioural shift is expected to control

1 costs?

2

3

(BRIEF PAUSE)

4

5 MR. ROB SMITHSON: Sorry about that.

6 So, can you repeat the question please?

7

8 MR. TREVOR YAKIMCHUK: Yes. So again,
9 I'm referring to the second sentence in BDC-1.2. The
10 end of it talks about -- or as we've talked about
11 already, it -- it's -- this sentence primarily deals
12 with a projection that there will be a behavioural

13 And the last portion of this sentence
14 talks about reducing the overall number of claims and
15 further controlling costs. And my question was: To
16 what extent this behavioural -- projected behavioural
17 shift is expected to control costs?

18 MR. ROB SMITHSON: Well, we have
19 claims data so we can project what average claims
20 values are across all of our deductibles and claims.
21 It -- we can't predict on what -- what isn't filed
22 with us. We don't know those claims that aren't filed
23 with us.

24 MR. TREVOR YAKIMCHUK: Okay. So, just
25 to clarify then, how did MPI reach this conclusion

1 about further controlling costs?

2 MR. ROB SMITHSON: One moment, please.

3

4 (BRIEF PAUSE)

5

6 MR. ANTHONY GUERRA: Counsel, while
7 they're having their caucus, I would just point out
8 that the Claims Forecasting Panel and Ratemaking Panel
9 will be discussing all of the quantitative analysis
10 that was completed. So, that will be next week.

11 So, there may be some questioning that
12 would be better suited for that or those panels, but
13 we can certainly respond to the best of our ability on
14 this panel as well.

15

16 (BRIEF PAUSE)

17

18 MR. PATRICK SARGINSON: Sorry, Patrick
19 Sarginson here for MPI. So, I -- I think we're going
20 to have to defer a lot of those questions to that
21 Ratemaking Panel, but at a -- a general and high-
22 level, I think the answer to the question is that some
23 number of claims will fall below the one -- or sorry,
24 some -- some amount of claims will fall below the one
25 thousand dollar (\$1,000) deductible and customers may

1 decide to repair that damage themselves rather than
2 filing a claim with MPI, once it's estimated. So, for
3 more detailed questions, I think we're going to have
4 to defer those over to the -- the Ratemaking Panel.

5

6 CONTINUED MR. TREVOR YAKIMCHUK:

7 MR. TREVOR YAKIMCHUK: Yeah, so I -- I
8 have another question, it -- it's similar in nature,
9 so it might be better asked to that panel as well, but
10 I'll ask it for now and we can go from there.

11 So, following the 2021 change to the
12 deductible, did MPI observe a -- a similar change in
13 behaviour that it's projecting through this Basic
14 deductible change?

15

16 (BRIEF PAUSE)

17

18 MR. PATRICK SARGINSON: Sorry, Patrick
19 Sarginson, again for MPI. So, I think that's another
20 one that we will defer to the Ratemaking Panel.

21 MR. TREVOR YAKIMCHUK: Okay. Thank
22 you. Back to BDC-1.2. I'd like to now look at the
23 last sentence of that rationale section. And it
24 states that:

25 "raising the Basic deductible

1 levels on -- benefits customers by
2 ensuring premiums for compulsory
3 auto insurance remain affordable
4 for all ratepayers."

5 Now, customers who purchase Extension
6 deductible buy down, will have to spend some
7 additional amount. Correct?

8 MR. PATRICK SARGINSON: Some amount,
9 yes, correct.

10 MR. TREVOR YAKIMCHUK: So --

11 MR. PATRICK SARGINSON: Sorry.

12 MR. TREVOR YAKIMCHUK: Sorry, go
13 ahead, please.

14 MR. PATRICK SARGINSON: No, I -- I --
15 I would just sort of clarify that at -- at this point
16 in time, I'm not sure that we have an exact amount or
17 number, but there are some portion of claims that are
18 going to be moved over to the Extension side of the --
19 of the Extension line of business. And I don't think
20 that we have an exact amount.

21 MR. TREVOR YAKIMCHUK: And even if the
22 amount hasn't been pinpointed yet, those customers who
23 will be purch -- purchasing deductible buydown, they
24 wouldn't be receiving any savings necessarily with
25 this change. It's not fair to say.

1 MS. MARIA CAMPOS: Customers that
2 choose to buy down their deductible will incur costs
3 as they do today from buying that deductible down, but
4 essentially, it's a customer choice.

5 So, we're offering a one thousand
6 dollar (\$1,000) base level deductible. And then
7 there's a choice for the customer based on their own
8 self-assessment, their own self risk assessment,
9 including, I would assume a budgetary consideration
10 for a customer, that they will have the option and the
11 choice to buy down that deductible.

12 MR. TREVOR YAKIMCHUK: Thank you for
13 that. So, one of the factors listed by MPI and its
14 rationale for the Basic increase was rising labour
15 rates. So can we please pull up Basic Deductible
16 Change, page 7 of 18, and figure BDC-4.

17 Now -- now looking at this figure, and
18 the paragraph that immediately follows, labour rates
19 are projected to have risen by over 21 percent by
20 2026. Correct?

21 MR. PATRICK SARGINSON: Correct.

22 MR. TREVOR YAKIMCHUK: Can you clarify
23 whether this projection assumes continued annual
24 increases beyond 2024?

25 MR. PATRICK SARGINSON: So, my

1 understanding is that this is the -- these are the
2 wage rates that we, as a corporation, pay to the
3 trades, and that this is locked in into an agreement
4 that runs until 2026.

5 MR. TREVOR YAKIMCHUK: Okay. And the
6 figure we're looking at those stops at 2024. So, is
7 there -- is there any data there being relied on
8 beyond 2024 for 2025 and 2026?

9

10 (BRIEF PAUSE)

11

12 MR. ANTHONY GUERRA: Counsel, I just
13 would note that as we continue down this line of
14 questioning, there will probably be some proprietary
15 or confidential information that we're going to have
16 to talk about.

17 So just want to maybe put that on the
18 record now that we may have to do some of this in
19 camera or -- or put this in the in-camera session.

20 MR. TREVOR YAKIMCHUK: Thank you,
21 understood.

22

23 CONTINUED BY MR. TREVOR YAKIMCHUK:

24 MR. TREVOR YAKIMCHUK: Just to
25 clarify, there's no answer at this time for that

1 question.

2 MR. PATRICK SARGINSON: So, I think
3 your question was whether it includes wage rates going
4 beyond '24 and the answer would be, yes.

5

6 (BRIEF PAUSE)

7

8 MR. TREVOR YAKIMCHUK: Can we please
9 go to page 8 of this section, BDC-5. So MPI has
10 provided a five-year history of labour rate increases
11 from 2021 to 2026. We can -- apologies, scroll down a
12 little bit. Oh, sorry. Just back up to the chart
13 here. Sorry.

14 So MPI has provided a five-year history
15 of labour rate increases from 2021 to 2026. Correct?

16 MR. PATRICK SARGINSON: Correct.

17 MR. TREVOR YAKIMCHUK: How does this
18 historical trend demonstrate that prior deductible
19 levels, so for example, five hundred dollars (\$500)
20 pre 2021 became insufficient?

21 MR. PATRICK SARGINSON: So, I --I
22 think it's important to focus on the idea that we're
23 adjusting for inflation periodically, right, over
24 time? And that, you know, as we consider changes to
25 deductibles, we're -- we're always keeping an eye to

1 that -- those inflationary factors that are hitting
2 the repair trade as well. It's one of the factors
3 that feed into ratemaking and the deductible
4 decisions.

5

6 (BRIEF PAUSE)

7

8 MR. TREVOR YAKIMCHUK: Okay. Let's go
9 to the next figure, which is on page 9, that's BDC-6.
10 The Corporation has highlighted increased parts and
11 complexity for a Honda -- Honda Accord repair showing
12 a 24 percent gross total cost rise from 2016 to 2024.
13 And you can see that in row 6 in the last column.

14 Correct?

15 MR. PATRICK SARGINSON: Correct.

16 MR. TREVOR YAKIMCHUK: Can you detail
17 the methodology used to select this example?

18

19 (BRIEF PAUSE)

20

21 MR. PATRICK SARGINSON: So, Patrick
22 Sarginson, for MPI. So, I think the Honda Accord was
23 selected because it's a very common vehicle. It's a
24 passenger vehicle on the road and it's been
25 continuously in production over that decade.

1 So maybe I think that that's just the
2 basic answer. I don't think there was a complex
3 methodology behind it. Other than to say that it
4 would be a good benchmark for how their costs have
5 increased over time.

6 MR. TREVOR YAKIMCHUK: Okay. Can you
7 confirm whether similar analysis was done for other
8 common vehicle models?

9 MR. PATRICK SARGINSON: So, I don't
10 know that I have that information right at my
11 fingertips, but I understand that there is a claims
12 panel that may be able to shed further light on that.
13 If you were looking at other examples of vehicles and
14 how their repair costs compare, that might be
15 something that they could -- they could answer for
16 you.

17 MR. ANTHONY GUERRA: And just for
18 clarification, that's the claims forecasting panel
19 that's currently scheduled for Tuesday.

20 MR. PATRICK SARGINSON: Thank you.

21

22 CONTINUED BY MR. TREVOR YAKIMCHUK:

23 MR. TREVOR YAKIMCHUK: Okay. If we
24 can please go to -- I think it's still page -- one
25 more page over, page 10, BDC-7. And the first

1 paragraph on this page. Sorry, if you just scroll up
2 a little bit. Thank you.

3 Indicates that the Corporation had a 48
4 percent rise in glass replacement severity from 2019
5 to 2024. And it goes on to say that this is partly
6 due to ADAS calibrations.

7 What portion of the overall claims cost
8 increase is attributable to glass claims?

9

10 (BRIEF PAUSE)

11

12 MR. ANTHONY GUERRA: So, we're still
13 running into, I think the same problems, which is
14 we're getting a little bit more in-depth into things,
15 other than the design of the product, which this panel
16 was really constituted to address. And so, the
17 questions that you're -- you're looking for answers to
18 are -- are best left to the actuaries who will be
19 presenting next week.

20 So, what we could do, if you'd like, is
21 we could have the members of this panel also be
22 available on the panels next week so that you could
23 combine those two. Or if you'd like, what we could do
24 is we could talk about the product design on this
25 panel, and then talk a little bit more about the

1 actuarial soundness or calculations of the -- of the
2 pricing with the rate making team.

3 MR. TODD ANDRES: It's Todd Andres,
4 for the record. Mr. Guerra, I think that makes sense
5 if we could have them because I don't think the
6 changes to the Basic deductible can be really hived
7 off from any other area. It's not something that
8 happens in a vacuum.

9 So, if we can have everyone available
10 to respond to questions that would be appreciated.
11 And -- and just to be clear, we're anticipating
12 questions, I guess, on the Monday and the Tuesday for
13 sure and possibly the Wednesday.

14 MR. ANTHONY GUERRA: Yeah. So, Monday
15 would be the financial forecasting and expenses.

16 MR. TODD ANDRES: Expenses? Yes.

17 MR. ANTHONY GUERRA: Mr. Masud, for
18 example, would not be available to be on the panel on
19 Monday, but would be available on Tuesday and
20 Wednesday.

21 MR. TODD ANDRES: That's fine. And --
22 and I'm sure we can get the responses from -- we need
23 from the brain trust that's here and expected to be
24 here on Monday as well on Tuesday. Thank you.

25 MR. ANTHONY GUERRA: Madam Chair, if

1 we can just take a quick 10 minutes, it might make
2 sense for us to confer with counsel and determine what
3 portions of the questioning that is planned, this
4 panel can answer.

5 PANEL CHAIRPERSON: Sure. That would
6 be fine. Thank you. Come back in 10 minutes

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

9

10 --- Upon recessing at 1:25 p.m.

11 --- Upon resuming at 1:31 p.m.

12

13 MR. TREVOR YAKIMCHUK: Madam Chair,
14 we're ready to proceed whenever the Board is ready.

15 PANEL CHAIRPERSON: Thank you.

16

17 CONTINUED BY MR. TREVOR YAKIMCHUK:

18 MR. TREVOR YAKIMCHUK: Okay. I would
19 like to take us to BDC 1.6.6, which is the Transition
20 Plan in connection with the Basic deductible change.
21 It's page 16 of 18. Thank you.

22 Now, this Transition Plan includes the
23 following. And this starts on the -- well, I guess
24 you'd call it second paragraph of the section.

25 "The vast majority of eligible

1 customers purchase Extension
2 deductibles to lower their out-of-
3 pocket costs in the event of a
4 claim. These customers will not
5 experience any change to their
6 deductible level because of the
7 increase in the Basic deductible."

8 Now, I think we talked about whether an
9 actual premium number had been confirmed, but for
10 these customers, their Extension premium will rise on
11 average by -- and I'm -- I'm going to use the number
12 twenty-nine dollars and seventy-three (\$29.73) cents.
13 In this case, these customers would experience a
14 premium of an average of twenty-nine seventy-three
15 (29.73).

16 Is that correct?

17 MS. MARIA CAMPOS: Yes, that's
18 correct.

19 MR. TREVOR YAKIMCHUK: Okay. If we
20 can go to page -- looks like we're just about on it,
21 page 17 of 18. And we're looking at the paragraph in
22 the middle of the page, "All customers." Perfect.

23 So, MPI notes that:

24 "Customers receive forty-five (45)
25 day notifications prior to renewal

1 with options to adjust coverage at
2 no charge."

3 How will MPI track and report the
4 uptake of these adjustments?

5 MR. ROB SMITHSON: Rob Smithson, for
6 MPI. There will be a transaction code for a change
7 that will be tracked at the time, a transaction with
8 each broker.

9 MR. TREVOR YAKIMCHUK: And that
10 transaction code is something that would be tracked by
11 MPI in some capacity?

12 MR. ROB SMITHSON: It'll be -- yes, it
13 is tracked. We can count the numbers. It will be
14 also combined though with any other changes of similar
15 nature customers would be making outside of this due
16 to whatever other pressures and decisions on an
17 insurance base -- or insurance product purchasing
18 basis.

19 MR. TREVOR YAKIMCHUK: Okay. And what
20 -- what provisions address customers in nonrenewal
21 years who may overlook this change?

22 MS. MARIA CAMPOS: So, our -- the
23 annual statement of account is delivered to customers
24 whether they're in a reassessment year or a renewal
25 year. The items that we identified from a

1 communication strategy will be used regardless of
2 where the customer is within their five (5) year
3 timeframe.

4 So, we'll be ensuring that we're
5 broadly communicating using Omnichannel to make sure
6 that customers are aware that those changes are being
7 applied come the April 1st, 2026, rating year and,
8 again, encouraging them to speak to their brokers
9 about their coverage.

10 MR. TREVOR YAKIMCHUK: Okay. Thank
11 you. And is there a specific reason why MPI elected
12 to have a forty-five (45) day notice period?

13 MS. MARIA CAMPOS: That's our standard
14 approach. So, that is actually by policy. We have a
15 forty-five (45) day window for renewal and
16 reassessment that is applied consistently.

17 MR. TREVOR YAKIMCHUK: Okay. Thank
18 you. And -- and so, what happens on day forty-six
19 (46), after a forty-five (45) day notification period
20 has expired?

21 MS. MARIA CAMPOS: Customers still
22 have the option at any point in time within an
23 insurance here to change their coverage after the
24 forty-five (45) day window. So, forty-five (45) days
25 would be free of charge.

1 After the forty-five (45) day window,
2 they can still attend a brokerage and they can still
3 change their coverage. There would be a small charge
4 for that.

5 MR. TREVOR YAKIMCHUK: So, if I were
6 to summarize, is it fair to say, you know, the option
7 to change is still available, but instead of it being
8 free of charge, there will be a charge associated with
9 the change?

10 MS. MARIA CAMPOS: That's correct.

11 MR. TREVOR YAKIMCHUK: Okay. And if
12 we can just go to the next page on this section, and
13 the middle paragraph that starts with, "Since the
14 deductibles." I just want to get to the bottom there.
15 So that middle paragraph I was speaking about, MPI
16 notes that:

17 "Brokers are emphasized as key
18 communicators regarding the
19 deductible changes."

20 Correct?

21 MS. MARIA CAMPOS: Yes, that's
22 correct.

23 MR. TREVOR YAKIMCHUK: And f we just
24 jump back up -- sorry, to page 16. And there's a
25 project timeline listed here. You can see that there?

1 MS. MARIA CAMPOS: Yes, I see it.

2 MR. TREVOR YAKIMCHUK: It lists
3 February 1st, 2026. It has an indication of broker
4 training complete. So, first, what will be involved
5 in the broker training process for these changes?

6 MR. ROB SMITHSON: Rob Smithson, MPI.
7 So, there'll be documentation prepared for the -- each
8 of the brokerages through our online platform, brokers
9 online, which they have access to, will be
10 communicating with their leadership as well in advance
11 of this to allow them to share the same information
12 with their teams.

13 MR. TREVOR YAKIMCHUK: So, training
14 materials will be provided to the brokers --

15 MR. ROB SMITHSON: Yes.

16 MR. TREVOR YAKIMCHUK: -- on the
17 changes? Okay. How will MPI monitor broker
18 compliance in advising customers on Extension options?

19 MR. ROB SMITHSON: Rob Smithson, for
20 MPI. We'll complete a follow-up survey with our
21 customers in -- inquiring as to how they were informed
22 and their experience and transactions with the
23 brokerages or service centers.

24 MR. TREVOR YAKIMCHUK: Okay. Give me
25 one (1) minute to confer with counsel here.

1

2

(BRIEF PAUSE)

3

4

MR. TREVOR YAKIMCHUK: So, just to be clear, MPI is saying that customers are given a choice to buy their deductible down, correct?

7

MR. ROB SMITHSON: Correct.

8

MR. TREVOR YAKIMCHUK: But the presumption for customers who have a seven hundred and fifty dollar (\$750) deductible, they -- they will need to opt out of this buydown, correct?

12

MR. ROB SMITHSON: Correct. We'll be mapping them to the same level of coverage they previously had so at the time of claims, they're not running into an unexpected occurrence or cost.

16

MR. TREVOR YAKIMCHUK: So, it's a negative option model then, correct?

18

MR. ROB SMITHSON: I would have to look up the definition of 'negative option marketing', but I'll trust you.

21

MR. TREVOR YAKIMCHUK: On opt out model?

23

MR. ROB SMITHSON: Yes.

24

MR. TREVOR YAKIMCHUK: And there's a charge to opt out, correct?

25

1 MR. ROB SMITHSON: Not if they -- the
2 brokerage or the service centre prior to their
3 anniversary date. That change will be made with no --
4 no fee.

5 MR. TREVOR YAKIMCHUK: Thank you.
6 Okay. If we can please go to compliance with PUB
7 orders. It's part 2 of the GRA. And I'd like to go
8 to page 6 of 12, Directive 14.11. Okay.

9 So, the Board directed MPI to provide a
10 status update on the telematics initiative, correct?

11 MR. ROB SMITHSON: Correct.

12 MR. TREVOR YAKIMCHUK: And this was
13 provided in part 4, Basic Autopac coverage section BAC
14 3.1 as indicated here. Now, if we can just jump.
15 Maybe we can click that. I think it's hyperlinked to
16 go to that BAC 3.1. I may have misdirected you. It
17 might not be hyperlinked. Okay. And yeah, we're on
18 page 10 of 15.

19 So, data gathering commenced in -- and
20 if we can just scroll down a little bit. Just a
21 little further. Sorry. Perfect.

22 So, data gathering commenced in April
23 and May of 2024 being operational for twelve (12)
24 months, correct?

25 MR. ROB SMITHSON: Correct.

1 MR. TREVOR YAKIMCHUK: And that would
2 have ended in April of this year, correct?

3 MR. ROB SMITHSON: Late April, early
4 May, yes.

5 MR. TREVOR YAKIMCHUK: Okay. Now, at
6 the time -- at this point in time, results had been
7 shared with the Taxi Coalition, but not filed in the
8 2026 GRA due to potential confidentiality issues,
9 correct?

10 MR. ROB SMITHSON: We've not had a
11 request to file it, but we have --

12 MR. TREVOR YAKIMCHUK: No.

13 MR. ROB SMITHSON: -- submitted the
14 report to the Taxi Coalition.

15 MR. TREVOR YAKIMCHUK: Okay. And I --
16 I think you did perhaps provide an update on this
17 through way of cross with your counsel, or direct with
18 your counsel, but can you just reiterate the update on
19 this telematics initiative, just where this is at?

20 MR. ROB SMITHSON: On October 3rd, we
21 met with the members of the Taxi Coalition in our
22 offices, shared with them the -- a presentation on the
23 report and the full -- I believe it's almost ninety
24 (90) plus page report with the findings and
25 observations through the study.

1 At this time, it's -- there's no
2 further action for MPI on this project, so the
3 telematics pilot project would be considered
4 completed. It's now with the Taxi Coalition to action
5 those results and see where they want to take it.

6 MR. TREVOR YAKIMCHUK: Okay. Thank
7 you. Is there any timelines that have been imposed on
8 the Taxi Coalition's response to those materials at
9 all?

10 MR. ROB SMITHSON: No. No.

11 MR. TREVOR YAKIMCHUK: Okay. Can we
12 go to PUB-MPI-1-77. Now, if we can just scroll down
13 to the preamble here. Start there. And just take a
14 moment to read the preamble.

15

16 (BRIEF PAUSE)

17

18 MR. TREVOR YAKIMCHUK: Okay. If we
19 can just scroll down a little bit here. Sorry, just
20 scroll up a tiny bit. Perfect.

21 Would you agree that in Part -- Part
22 IV, Basic Autopac coverage, BAC 0.3, which we can go
23 to, if necessary, but MPI indicated that it had not
24 yet received confirmation that the government of
25 Manitoba will proceed with making the necessary

1 regulation changes?

2 MS. MARIA CAMPOS: Yes, I would agree.

3 MR. TREVOR YAKIMCHUK: Okay. Did MPI
4 ask the government to make the necessary regulation
5 changes?

6 MS. MARIA CAMPOS: Yes. MPI had
7 several conversations with the government, including
8 providing them visibility into the order from the
9 Public Utilities Board and requesting changes to the
10 regulatory authority to allow us to compel Manitobans
11 to provide us information required to be able to
12 assess and provide recommendations to the Board on a
13 model.

14 MR. TREVOR YAKIMCHUK: Okay. Can we
15 please move to PUB-MPI -- IR PUB-MPI-1-77, which it
16 looks like we might actually be at. If we just go to
17 the question on the next page. Thank you.

18 The -- the question in this IR reads,
19 as follows.

20 "Please provide an update to the
21 Basic insurance model along with
22 either confirmation that the high-
23 level schedule from the 2025 GRA
24 is still being met or provide a
25 revised project schedule."

1 And if we just go down to the response,
2 I can give you a minute to read that. And MPI
3 concludes this response by indicating that:

4 "Due to these dependencies, MPI is
5 currently unable to provide an
6 updated project timeline."

7 Now, MPI's response referred to
8 regulatory amendments under the MPIC Act for data
9 collection, correct?

10 MS. MARIA CAMPOS: Yes, that's
11 correct.

12 MR. TREVOR YAKIMCHUK: And MPI's
13 response also indicated that a planning and
14 prioritization process would start in August to define
15 the scope, timing, and resources for this work?

16 MS. MARIA CAMPOS: Should we have the
17 authority to proceed with the -- through the
18 regulatory amendments that were being proposed, that
19 that was our proposed timeline initially, yes.

20 MR. TREVOR YAKIMCHUK: I am just going
21 to confer with counsel for a couple minutes and may be
22 ready to conclude shortly after.

23

24 (BRIEF PAUSE)

25

1 MR. TREVOR YAKIMCHUK: Thank you.

2 Those are all my questions.

3 PANEL CHAIRPERSON: Thank you, Mr.

4 Yakimchuk. Ms. Dilay...?

5

6 CROSS-EXAMINATION BY MS. KATRINE DILAY:

7 MS. KATRINE DILAY: Thank you, Madam

8 Chair. And I can indicate I'll start off the cross of

9 this panel, and then Mr. Klassen will have some

10 questions at the end as well.

11 Good afternoon. My name is Katrine

12 Dilay. I represent the Consumers Coalition in this

13 matter, along with my co-counsel Mr. Klassen. I'll

14 ask the questions generally of the panel, so please

15 feel free to jump in.

16 I do have some questions that may be

17 best suited to next week's panel, so I'll -- I'll

18 introduce them today and we'll see how far we get, and

19 I'll be happy to ask them next week, if necessary.

20 So, at a high level, you'll agree that

21 increasing the Basic deductible from seven hundred and

22 fifty (750) to one thousand dollars (\$1,000) reduces

23 the required rate increase for Basic insurance?

24 MS. MARIA CAMPOS: Yes, I would agree

25 with that.

1 MS. KATRINE DILAY: By 2.94 percent,
2 subject to check?

3 MS. MARIA CAMPOS: Yes, that's
4 correct.

5 MS. KATRINE DILAY: And I'd like to
6 take you to the news release that MPI put out when it
7 filed its Rate Application in June of 2025.

8 Do you see that before you?

9 MS. MARIA CAMPOS: Yes, I see that.

10 MS. KATRINE DILAY: Dated June 25th,
11 2025?

12 MS. MARIA CAMPOS: Yes, I see that.

13 MS. KATRINE DILAY: And, Ms. Schubert,
14 if we could go down just a little bit on this page.
15 So, you see that bolded heading there that says,
16 'Product Adjustment and Expansion Maintains
17 Affordability'?

18 MS. MARIA CAMPOS: Yes, I can see
19 that.

20 MS. KATRINE DILAY: And just below
21 that, MPI indicates that in the GRA, MPI will
22 introduce an adjustment to the deductible for the
23 Basic insurance product from seven hundred and fifty
24 dollars (\$750) to one thousand dollars (\$1,000) to
25 keep the Basic product affordable and comprehensive.

1 You see that?

2

 MS. MARIA CAMPOS: I do.

3

 MS. KATRINE DILAY: And subject to

4 check, you'll agree that MPI does not share with

5 Manitobans in this news release that increasing the

6 Basic deductible reduced the increase in rates that

7 MPI had to request, correct?

8

 MS. MARIA CAMPOS: Maybe I'll -- maybe

9 I'll just add a little bit of colour here. So, the

10 heading itself in the news release, when we talk about

11 product adjustment and expansion maintains

12 affordability, we -- to me, the -- the actual title of

13 the section identifies to the reader and identifies to

14 Manitobans that we are introducing a Basic deductible

15 increase in order to be able to provide affordable and

16 comprehensive rates.

17

 And it's in the -- I would draw our

18 attention to the second line where it says seven fifty

19 (750) to a thousand (1,000) to keep the Basic product

20 affordable and comprehensive.

21

 MS. KATRINE DILAY: Thank you. But

22 you'll confirm that MPI did not indicate that this

23 change had lowered the rate indication from 5 percent

24 to approximately 2 percent, correct?

25

 MS. MARIA CAMPOS: Subject to reading

1 the rest of the news release, yes.

2 MS. KATRINE DILAY: At a high level --
3 and we will go into more detail and you'll let me know
4 if this is not the appropriate panel for these
5 questions.

6 You'll agree that the Basic deductible
7 change has an impact on the Extension line of business
8 at a high level?

9 MS. MARIA CAMPOS: Yes, I would agree.

10 MS. KATRINE DILAY: Ms. Schubert, if
11 we could pull up PUB/MPI-2-1, Appendix 1, please, at
12 page 9. Thank you.

13 So, looking at the first line in white
14 writing on the screen before you, MPI indicates there
15 that the Extension rate indication would be 18
16 percent, maintaining that 20 percent profitability due
17 to the deductible change, correct?

18 MS. MARIA CAMPOS: Yes, I can confirm
19 that's correct.

20 MS. KATRINE DILAY: And then a few
21 lines below it states:

22 "The forecasts use -- the
23 forecasts use rate changes of 2
24 percent year over year until
25 target underwriting profit of 20

1 percent is achieved, anticipated
2 2029/30 based on current
3 forecast."

4 Do you see that reference?

5 MS. MARIA CAMPOS: Yes, I can see
6 that.

7 MS. KATRINE DILAY: And so, you'll
8 confirm that that is what MPI would be proposing for
9 next year would be to increase Extension rates by 2
10 percent, correct?

11

12 (BRIEF PAUSE)

13

14 MS. MARIA CAMPOS: I can confirm that
15 the 2 percent would be based on the line of business,
16 but of course it would be subject to board approval.

17 MS. KATRINE DILAY: And sorry, just to
18 clarify, so are you confirming that MPI would be
19 proposing a 2 percent rate increase for Extension for
20 next year, being '26/'27, and that that recommendation
21 would be subject to board approval?

22 MS. MARIA CAMPOS: I'm confirming that
23 the 2 percent would be based on the overall on the
24 line of business and that that would be subject to
25 board approval.

1

2

(BRIEF PAUSE)

3

4

MS. KATRINE DILAY: Sorry, just I'm
still not sure I follow, so I'll just ask it one more
time to -- to make sure.

7

So, for the Extension line of business,
MPI is planning to increase rates by 2 percent next
year. And that decision would be subject to MPI board
approval?

11

12

(BRIEF PAUSE)

13

14

MS. MARIA CAMPOS: Yes, that's
correct.

16

MS. KATRINE DILAY: Thank you. And
thank you for indulging my multiple questions on that
topic.

19

And if we could turn to PUB/MPI-1-70,
please, at page 2, and we'll be looking at close to
the bottom of the page -- page 2 and on to page 3.
Thank you.

23

And so, you see there reference to --
for 2026/'27 and onward, Extension profitability was
revised lower to account for the actual results

25

1 experienced in fiscal 2024/'25, along with the impact
2 to Extension incurred claims from the Basic deductible
3 increase. The increase in Basic deductible is one of
4 the main drivers of change to the premiums and claims
5 trends.

6 You see that response?

7 MS. MARIA CAMPOS: Yes, I can see
8 that.

9 MS. KATRINE DILAY: And you would
10 agree that reduced profitability in Extension would be
11 anticipated to reduce forecasted Extension reserves?

12 MR. ANTHONY GUERRA: Unfortunately, I
13 think we've hit the -- the part of the conversation
14 where we have to say that I think Ms. Campos is not
15 qualified to provide the response to that answer -- or
16 to that question.

17 MS. KATRINE DILAY: Understood. Thank
18 you.

19

20 (BRIEF PAUSE)

21

22 CONTINUED BY MS. KATRINE DILAY:

23 MS. KATRINE DILAY: Thank you. Could
24 we please turn to Part 8 RI, Appendix 3, page 2, and
25 specifically Figure RI App 3-2, please.

1

2

(BRIEF PAUSE)

3

4

MS. KATRINE DILAY: And sorry, Ms.

5

Schubert, it's actually -- it's RI Appendix 3. I'm

6

sorry if I misspoke. And page 2. Thank you.

7

And so, looking at this Figure RI App

8

3-2 before us entitled '2026 Product Change Impact',

9

you would agree at a high level this figure shows us

10

the impact on average premiums of the deductible

11

change?

12

MS. MARIA CAMPOS: Yes, that's

13

correct.

14

MS. KATRINE DILAY: And so just

15

walking through what this chart is telling us, if we

16

look at the first column of numbers, which is the

17

projected average premium before rate change, that

18

would be the premium before the 2.07 Basic rate

19

request and before any deductible change, correct?

20

MS. MARIA CAMPOS: Yes, that's

21

correct.

22

MS. KATRINE DILAY: And so, the Basic

23

premium that we see there would be with a coverage of

24

a seven hundred and fifty (750) deductible, correct?

25

MS. MARIA CAMPOS: Yes.

1 MS. KATRINE DILAY: And then moving
2 towards the right under Basic seven hundred and fifty
3 dollars (\$750), this is where we would see -- sorry,
4 this is where we do see what would have been the rate
5 indication without MPI introducing the Basic
6 deductible change, correct?

7 MS. MARIA CAMPOS: Yes, that's
8 correct.

9 MS. KATRINE DILAY: And as we talked
10 about earlier, the rate indication without the Basic
11 deductible increase would have been higher, correct?

12 MS. MARIA CAMPOS: That's correct.

13 MS. KATRINE DILAY: And as we see
14 here, it would've been a 5.01 percent rate increase,
15 correct?

16 MS. MARIA CAMPOS: Yes.

17 MS. KATRINE DILAY: And so of course,
18 in the Extension seven hundred and fifty dollar (\$750)
19 row, we see a zero dollars for premium because of
20 course, under this scenario, Extension would not have
21 a seven hundred and fifty dollars (\$750) deductible
22 product, correct?

23 MS. MARIA CAMPOS: Correct.

24 MS. KATRINE DILAY: Then moving
25 towards the right where it says Basic one thousand

1 dollars (\$1,000), this shows us the impact on premiums
2 after making the Basic deductible change, correct?

3 MS. MARIA CAMPOS: That's correct.

4 MS. KATRINE DILAY: And so, we see the
5 Basic average premium increasing by 2.07 percent to
6 one thousand thirty-three and eighty-six dollars
7 (\$1,033.86), correct?

8 MS. MARIA CAMPOS: Yes.

9 MS. KATRINE DILAY: And so that
10 reflects MPI's rate request in this proceeding for
11 Basic, correct?

12 MS. MARIA CAMPOS: That's correct.

13 MS. KATRINE DILAY: And under this
14 scenario, in order to remain with a seven hundred and
15 fifty dollar (\$750) deductible, a customer would have
16 to purchase an Extension product at an average premium
17 of twenty-nine dollars and seventy-three cents
18 (\$29.73), correct?

19 MS. MARIA CAMPOS: That's right. The
20 customer would need to make a choice as to whether
21 they wanted to buy down the deductible, and that would
22 be the resulting cost.

23 MS. KATRINE DILAY: And for the
24 resulting total premium of one thousand sixty-three
25 and fifty-nine cents (\$1,63.59), correct?

1 MS. MARIA CAMPIS: Yes, that's
2 correct.

3 MS. KATRINE DILAY: And so, as we can
4 see in the very far right corner of this figure, for
5 customers who choose to stay with the same level of
6 coverage, being a seven hundred and fifty dollar
7 (\$750) deductible, they will effectively see a 5.01
8 percent increase in their premium, correct?

9 MS. MARIA CAMPOS: Yes. Customers
10 that make the choice to buy down their deductible will
11 -- it will result in a rate change for them. So,
12 their Basic rate change will be 2.07. And then
13 depending on the deductible level that they choose,
14 there will be an additional premium applied. Yes,
15 that's correct.

16 MS. KATRINE DILAY: And so just to
17 state it in other words, in order to remain with the
18 same level of coverage that a customer previously had,
19 customers will see a 5 percent rate increase.

20 MS. MARIA CAMPOS: If the customer
21 chooses to remain at the same level, they will see a -
22 - as per the chart in front of you, the 5.01 percent
23 increase.

24 MS. KATRINE DILAY: Or the customer
25 could choose to get a lower level of coverage by

1 choosing a higher deductible and only seeing a 2.0
2 percent rate increase, correct?

3 MS. MARIA CAMPOS: Yes. Based on
4 their own self risk assessment and again their own
5 budgetary constraints or abilities, a customer can
6 choose a variety of deductibles that are provided by
7 MPI. And so, their Basic level would be the 2.07
8 percent rate change. And then they would need to make
9 a choice based on again their own self-assessment.

10 MS. KATRINE DILAY: And can you
11 confirm that this particular analysis does not take
12 into account the projected 2 percent increase in
13 Extension line of business for next year that we
14 previously talked about?

15

16 (BRIEF PAUSE)

17

18 MS. MARIA CAMPOS: Can I just ask you
19 to repeat the question please?

20 MS. KATRINE DILAY: Of course. Are
21 you able to confirm that this analysis in figure RI-
22 APP3-2, before us, does not take into account the
23 projected 2 percent increase for the Extension line of
24 business for next year that we previously talked
25 about?

1 MS. MARIA CAMPOS: So, for this
2 particular product, we are keeping it cost neutral for
3 the customer. And so, what that means is the
4 customer, on average, will not see a higher premium
5 than the 5.01 percent on average.

6 But I will say that pricing for the
7 products is obviously still being worked out by the
8 Corporation and is also still subject to Board
9 approval.

10 MS. KATRINE DILAY: So, based on that
11 answer, it would be fair to say that it's possible
12 that customers could see a higher than 5 percent rate
13 increase to -- to remain with the same level of
14 coverage?

15 MS. MARIA CAMPOS: It -- could -- the
16 fair way to answer the question is to say, on average,
17 when we look at an average customer that they would be
18 within the 5.01 percent, if they choose to remain at
19 the seven hundred and fifty (750) deductible range.

20 MS. KATRINE DILAY: Thank you. Ms.
21 Schubert, could we please turn to CC/MPI-1-37 E,
22 please. Thank you and at page 4 at the bottom,
23 please. Thank you.

24 And so here, this was in response to a
25 question by the Consumers Coalition, MPI indicates

1 that did not do -- did not seek feedback specifically
2 for this change, but referred to results from the
3 Basic Insurance Model Public Consultation. Correct?

4 Do you see that reference?

5 MR. ROB SMITHSON: Correct.

6 MS. KATRINE DILAY: And so, you'll
7 confirm that MPI did not do engagement with its
8 customers specifically about whether or not they
9 wanted an increase in the deductible offered under
10 Basic. Correct?

11 MR. ROB SMITHSON: Not specifically,
12 no.

13 MS. KATRINE DILAY: And MPI goes on to
14 -- to say in this response that it referred to results
15 from the Basic Insurance Model Public Consultation
16 from 2024, indicating that 77 percent of respondents
17 identified affordability as the most crucial aspect
18 for vehicle insurance. Correct?

19 MR. ROB SMITHSON: Correct.

20 MS. KATRINE DILAY: And so, based on
21 this answer, you would agree that the -- this
22 particular decision to increase the Basic deductible
23 was a decision by MPI and not something that was
24 requested by customers. Correct?

25 MR. ROB SMITHSON: Correct.

1 MS. KATRINE DILAY: And MPI goes on to
2 say that the Basic deductible change achieves this by
3 lowering the premium required for Basic insurance
4 coverage and offering a variety of optional Extension
5 products, in parenthesis, (lower deductibles) to
6 supplement Basic coverage. You see that?

7 MR. ROB SMITHSON: Yes.

8 MS. KATRINE DILAY: And you'll agree
9 that while this change lowers the overall required
10 premium for Basic, it results in a cost benefit
11 decision for the customer. Correct?

12 MR. ROB SMITHSON: Correct.

13 MS. KATRINE DILAY: In the sense that
14 the customer must decide whether to take the risk of
15 choosing a lower premium and having to pay a higher
16 deductible, if they get into an at-fault collision.

17 Correct?

18 MR. ROB SMITHSON: Correct.

19 MS. KATRINE DILAY: Would you agree
20 that this choice may be difficult for some customers?

21 MR. ROB SMITHSON: Each customer is
22 responsible for making their decisions as to their own
23 risk appetite and budgetary concerns. This change
24 allows them a little bit more flexibility in choosing
25 a lower priced option, if they desire.

1 MS. KATRINE DILAY: But you would not
2 disagree that for some customers -- oh, sorry --

3 MR. ROB SMITHSON: Pardon me.

4 MS. KATRINE DILAY: -- you would not
5 disagree that for some customers, this may be a
6 difficult choice to make. Correct?

7

8 (BRIEF PAUSE)

9

10 MR. ROB SMITHSON: I would actually
11 suggest that that choice exists today, prior to the
12 change, and in any other insurance model balancing
13 their risk appetite and their budget concerns.

14 MS. KATRINE DILAY: And you'd agree
15 that some customers choose not to purchase any
16 optional coverage from MPI currently. Right?

17 MR. ROB SMITHSON: Currently, about 6
18 percent choose not to buy the -- yeah, select to buy-
19 down deductible. Correct.

20 MS. KATRINE DILAY: And one reason for
21 this decision may be to save money on premiums?

22 MR. ROB SMITHSON: Possibly, yes.

23 MS. KATRINE DILAY: And one reason to
24 save money may be in order to afford other necessities
25 for their families?

1 MR. ROB SMITHSON: Possibly, yes.

2 MS. KATRINE DILAY: Could we please
3 turn to CPI-1-37 Appendix 1, please. Thank you.

4 And just looking at the top here,
5 you'll confirm that these are MPI Board of Directors
6 meeting minutes from May 28th, 2025?

7 MR. ROB SMITHSON: Yes.

8 MS. KATRINE DILAY: And the subject is
9 relating to the 2026 General Rate Application?

10 MR. ROB SMITHSON: Yes.

11 MS. KATRINE DILAY: And if we go down
12 a little bit on this page, you'll agree generally this
13 is where MPI requested that it's Board approve the
14 2026 GRA?

15 MR. ROB SMITHSON: Without reading the
16 whole thing, it looks that way, yes.

17 MS. KATRINE DILAY: And that would
18 include the increase to the Basic deductible.
19 Correct?

20 And we could go down a little bit on
21 the page and a little bit more.

22 MR. ROB SMITHSON: Yes.

23 MS. KATRINE DILAY: Thank you. And
24 so, to confirm, the Basic deductible increase was not
25 brought forward to the Board of Directors prior to the

1 2026 GRA presentation that we see before us. Correct?

2

3

(BRIEF PAUSE)

4

5

MS. MARIA CAMPOS: Maria Campos. So,
6 we would've had conversations with the Board prior to
7 the formal request for the rate.

8

9

(BRIEF PAUSE)

10

11

MS. KATRINE DILAY: Thank you. And
12 so, just to confirm, there were prior discussions, but
13 this was the first time that the request was made of
14 the MPI Board of Directors to approve the change?

15

16

(BRIEF PAUSE)

17

18

MS. MARIA CAMPOS: Just to clarify, so
19 we engage with the Board and have regular
20 conversations about how the rate is trending. And so,
21 this would have been the formal request that you see
22 in front of you to file the rate with the Public
23 Utilities Board.

24

MS. KATRINE DILAY: Thank you for your
25 patience. Are you able to indicate whether the

1 decision to increase the Basic deductible was made
2 prior to developing the rate indication for the 2026
3 GRA?

4

5 (BRIEF PAUSE)

6

7 MS. MARIA CAMPOS: Sorry, can I ask
8 you to repeat the question, please?

9 MS. KATRINE DILAY: Was the decision
10 by MPI to increase the basic deductible made before
11 developing the rate indication for the 2026 GRA?

12 MS. MARIA CAMPOS: So, the decision to
13 increase the deductible would've been brought forward
14 to the Board in order to seek alignment to ensure that
15 there was support to proceed that way.

16 Like all of our products that we review
17 annually, those are conversations that we have
18 throughout the year in order to ensure that we've got
19 visibility and that we're taking a proactive approach
20 on how we obviously can affect what consumers need
21 from us, what Manitobans want from us, and in order to
22 keep our products affordable.

23 So, I wouldn't say -- I would say it's
24 done in conjunction. It's not done separate and
25 apart, but there would've been visibility and

1 alignment, and endorsement prior to proceeding.

2

3 (BRIEF PAUSE)

4

5 MS. KATRINE DILAY: And so, are you
6 able to indicate whether the deductible increase was
7 one of the tools MPI proposed in order to reduce the
8 Basic request to the Public Utilities Board?

9

10 (BRIEF PAUSE)

11

12 MS. MARIA CAMPOS: There are a number
13 of factors that we would look at in a number of
14 decisions that we would need to make or bring forward
15 to the Board. And so, I can confirm that this was --
16 the deductible change was one of those factors in
17 order to keep the rates affordable. Yes.

18 MS. KATRINE DILAY: Thank you. Could
19 we please turn to CC/MPI-1-31, please? And if we go
20 to the response to part 'A' in this Information
21 Request. And it might be on the other page, Ms.
22 Schubert, on the next page. And my apologies, Ms.
23 Schubert, it's actually the response to part 'C' of
24 this IR on page 3. Thank you.

25 And you'll see there in the middle of

1 the paragraph -- in the middle of the response to
2 parts 'C' of this IR, there's a response that states:

3 "The new reduced deductible
4 products have yet to be approved
5 by MPI's Board of Directors and
6 remain under development. MPI's
7 Board of Directors will meet in
8 late 2025 to approve the new
9 offering."

10 You see that response?

11 MS. MARIA CAMPOS: Yes, I see that
12 response.

13 MS. KATRINE DILAY: And I believe you
14 alluded to -- to the fact that the product was still
15 under development and subject to MPI Board in terms of
16 the Extension product. Correct?

17 MS. MARIA CAMPOS: That's correct.

18 MS. KATRINE DILAY: Given that this
19 product has not yet been approved by the MPI Board of
20 Directors, and that MPI assumed the product change in
21 its rate request to the Public Utilities Board for
22 Basic insurance, is there a risk of rate deficiency if
23 the new product is not approved and the PUB orders,
24 the rate requested, which assumes the increase to the
25 Basic deductible?

1 MS. MARIA CAMPOS: I'm just going to
2 clarify. It's the -- it's the pricing that will be
3 going before the Board for confirmation. So, the
4 introduction of the seven hundred and fifty dollar
5 (\$750) product into the Extension line of business,
6 including the other products, it'll be the pricing
7 that will be going before the Board for approval.

8 MS. KATRINE DILAY: So, the product
9 itself has been approved, and the pricing is still
10 subject to approval. Is that right?

11 MS. MARIA CAMPOS: That's correct.

12 MS. KATRINE DILAY: Thank you. Just a
13 few more questions for this panel, then I'll turn it
14 over to Mr. Klassen.

15 You'll agree that MPI is accountable to
16 all Manitobans to deliver Basic compulsory insurance
17 that provides exceptional comprehensive coverage?

18 MS. MARIA CAMPOS: Yes, I would agree.

19 MS. KATRINE DILAY: And MPI believes
20 that currently through its Basic insurance model or
21 program rather it provides exceptional benefits and
22 coverage at affordable rates.

23 MS. MARIA CAMPOS: Yes.

24 MS. KATRINE DILAY: And you would
25 agree that MPI wants to keep it that way?

1 MS. MARIA CAMPOS: Yes, I would agree.

2 MS. KATRINE DILAY: And I believe we
3 confirmed this with Ms. Jatana earlier, but you'll
4 confirm that MPI does not expect to increase the Basic
5 deductible every year, correct?

6 MS. MARIA CAMPOS: I -- I would say
7 that that's our hope for sure. I think you heard Ms.
8 Jatana say that, unfortunately, we don't know what the
9 future holds for us, but the goal would be not to come
10 back on an annual basis to increase the Basic
11 deductible.

12 MS. KATRINE DILAY: And would this be
13 because if the deductible continues to increase, it
14 would become unaffordable for those customers who
15 choose to only purchase the Basic insurance product?

16 MS. MARIA CAMPOS: I think it's --
17 that's part of it, I would say to you. I think the
18 other part of it is we want to make sure that we're
19 stable and consistent for Manitobans and they've got
20 some certainty in what they can expect from us. And
21 so, we know that change can often be difficult for
22 customers to accept. And so, we want to make sure
23 that we're mindful of that.

24 So, I think there are a lot of factors,
25 not just -- not just from an affordable perspective.

1 I am going to add though, that we also, of course,
2 when we're balancing affordability, we also need to
3 look at accessibility as well. And that's an
4 important component for us as we look at our products,

5 MS. KATRINE DILAY: Would it be fair
6 to say that if the Basic deductible continued to
7 increase, it would make the Basic insurance product
8 less attractive to customers?

9 MS. MARIA CAMPOS: I'm not sure if I
10 would say that it would make the Basic insurance
11 product less attractive to customers. I think, again,
12 we need to balance our Basic deductibles with what our
13 rates are required, obviously, from a public insurance
14 model. And we also want to be mindful, and I would
15 agree, we'll want to be mindful of Manitobans and what
16 they can afford.

17 You would've heard in some of my
18 opening comments that that is an important factor for
19 us. So, there is a balanced approach that we have to
20 take to make sure that we're offering the
21 comprehensive coverage that Manitobans want, and
22 expect from us, and then balancing that against
23 affordability, which includes, of course, deductible
24 levels as well.

25 MS. KATRINE DILAY: Thank you. Those

1 are my questions for this panel. I can advise Mr.
2 Klassen has maybe between 20 and 30 minutes of cross-
3 examination of this panel. So, we could either go now
4 or take a break.

5 PANEL CHAIRPERSON: Let's take a break
6 now. We've been going since 20 after 12:00, so two
7 hours, and we'll come back at 20 to 3:00, please.

8

9 --- Upon recessing at 2:22 p.m.

10 --- Upon resuming at 2:40 p.m.

11

12 PANEL CHAIRPERSON: Mr. Klassen...?

13

14 CROSS-EXAMINATION BY MR. CHRIS KLASSEN:

15 MR. CHRIS KLASSEN: Thank you, Madam
16 Chair. Good afternoon, MPI witnesses. For the
17 record, this is Chris Klassen, for the Consumers
18 Coalition. And I'll ask Ms. Schubert to take us to
19 Part 8, RC.9.1. That's on page 33 of the risk
20 classification chapter. We'll be at the bottom of the
21 page and the bottom of the page and the top of the
22 next page, if we can swing it. Perfect.

23 I'll ask the Panel to confirm that
24 these three (3) bullets on the screen before you are
25 the three (3) stated objectives of MPI's Driver safety

1 Rating Program, correct?

2 MR. PATRICK SARGINSON: That's
3 correct.

4 MR. CHRIS KLASSEN: And so that we're
5 all on the same page, strengthen the ability to reward
6 safest drivers, correct?

7 MR. PATRICK SARGINSON: Yeah. Sorry,
8 it's Patrick Sarginson. That's correct.

9 MR. CHRIS KLASSEN: Encouraging poor
10 drivers to improve behavior?

11 MR. PATRICK SARGINSON: Yes.

12 MR. CHRIS KLASSEN: And enhancing
13 drivers' understanding of the connection between their
14 behavior and their rates, correct?

15 MR. PATRICK SARGINSON: Yes, indeed.

16 MR. CHRIS KLASSEN: Would MPI agree
17 that the Driver Safety Rating System uses what might
18 be referred to as a price signal to achieve these
19 objectives?

20 MR. PATRICK SARGINSON: Yeah, I think
21 that's fair.

22 MR. CHRIS KLASSEN: And that safer
23 driving is rewarded by saving money?

24 MR. PATRICK SARGINSON: Yes, and in
25 the same way that we're driving -- you know, a driver

1 will move down the DSR scale, and that triggers
2 additional driver premiums once they hit the negative
3 rungs of the scale.

4 MR. CHRIS KLASSEN: And such a driver
5 might be encouraged to improve their practices by the
6 prospect of greater discounts?

7 MR. PATRICK SARGINSON: Yes.

8 MR. CHRIS KLASSEN: Would you agree
9 that in order for these incentives to be effective or
10 to effectively change behavior, there needs to be a
11 link between the price signal and the driving
12 behavior?

13 MR. PATRICK SARGINSON: Right.

14 MR. CHRIS KLASSEN: And you'll agree
15 that MPI accomplishes this in the Driver Safety Rating
16 System by having the rates and the discounts
17 statistically connected to a vehicle's risk, correct?

18 MR. PATRICK SARGINSON: Yes.

19 MR. CHRIS KLASSEN: We're going to
20 turn now to a number of Public Utilities Board orders.
21 Ms. Campos, I'll ask you to confirm that as an
22 executive with MPI, you'll be familiar with a number
23 of the Board's recent orders?

24 MS. MARIA CAMPOS: Yes.

25 MR. CHRIS KLASSEN: We'll begin, Ms.

1 Schubert with Order 130 of 2017.

2 And, Ms. Campos, you'll confirm that
3 this is Order 130 of 17 issued after the 2018 General
4 Rate Application?

5 MS. MARIA CAMPOS: Yes, I can confirm.

6 MR. CHRIS KLASSEN: And we'll go to
7 page 34, Ms. Schubert. And we'll begin here in the
8 second paragraph.

9 And, Ms. Campos, I'll ask you to
10 confirm that the Board found as set out in this
11 section of Board findings as follows.

12 "The Board has previously
13 expressed its concern about the
14 lack of actuarial evidence
15 supporting the evaluation of
16 driver risks so that higher risk
17 drivers pay more than safer
18 drivers for both driver and
19 vehicle premiums."

20 Correct?

21 MS. MARIA CAMPOS: Yes, I can see
22 that.

23 MR. CHRIS KLASSEN: And if you move to
24 the next sentence, you'll see a commitment made by MPI
25 and set out in Order 89 of 2009 to monitor and adjust

1 the Driver Safety Rating System over time in a manner
2 consistent with actuarial evidence on a directional
3 basis, correct?

4 MS. MARIA CAMPOS: Yes, I can see
5 that.

6 MR. CHRIS KLASSEN: And if we could
7 scroll down, Ms. Schubert, I'll give Ms. Campos a
8 moment to -- to review the third paragraph, which is
9 there beginning with, "The Board expects that in
10 future applications..."

11 You'll agree, Ms. Campos, that in the
12 first sentence, we see the Public Utilities Board
13 stating its expectation that MPI use tools to
14 determine driver premium and vehicle premium discounts
15 with a method that is statistically driven, correct?

16 MS. MARIA CAMPOS: Yes, I can see
17 that.

18 MR. CHRIS KLASSEN: And you'll also
19 confirm that the Public Utilities Board expected the
20 method to be performance based, correct?

21 MS. MARIA CAMPOS: Correct.

22 MR. CHRIS KLASSEN: And you'll confirm
23 that in the remainder of that paragraph, the Public
24 Utilities Board identifies two (2) parallel solutions
25 to be pursued by MPI, correct?

1 MS. MARIA CAMPOS: Yes, that's what it
2 says.

3 MR. CHRIS KLASSEN: The first relates
4 to adjusting driver premiums to more -- to more
5 closely reflect average claims costs per driver by DSR
6 level, correct?

7 MS. MARIA CAMPOS: Correct.

8 MR. CHRIS KLASSEN: And the second
9 solution is a direction that within three (3) years
10 MPI should find itself in a position to propose
11 vehicle premium discounts based on the performance of
12 a vehicle's driver, correct?

13 MS. MARIA CAMPOS: That's correct.

14 MR. CHRIS KLASSEN: Ms. Schubert,
15 could you take us now to Public Utilities Board Order
16 1 of 2021. And we'll go to page 67.

17 Ms. Campos, you'll confirm that this is
18 the Board's order following the 2021 General Rate
19 Application?

20 MS. MARIA CAMPOS: Yes.

21 MR. CHRIS KLASSEN: And if Ms.
22 Schubert could just take us back up briefly to see
23 that we're under the heading 'Board findings'. And
24 we'll begin at the end of that first -- very first
25 line under the heading.

1 You'll see that the Board wrote:

2 "Since the 2018 GRA, the Board has
3 expressed concern with the
4 evidence that the current DSR
5 scale does not accurately reflect
6 risk."

7 Correct?

8 MS. MARIA CAMPOS: Yes, that's
9 correct.

10 MR. CHRIS KLASSEN: And if we go to
11 the second paragraph, starting partway through the
12 second line, you'll also see the Board finding that:

13 "Using the register owner -- sorry
14 -- using the registered owner
15 rather than primary driver model
16 means that good drivers who are
17 registered owners of vehicles are
18 subsidizing bad drivers who are
19 not."

20 Correct?

21 MS. MARIA CAMPOS: Yes, I can see
22 that.

23 MR. CHRIS KLASSEN: And then if we go
24 two (2) paragraphs down from there beginning with the
25 word "further," you'll confirm that the Board made a

1 finding that:

2 "The primary driver model would
3 more accurately reflect risk."

4 Correct?

5 MS. MARIA CAMPOS: Yes, I can see that
6 as well.

7 MR. CHRIS KLASSEN: Ms. Schubert will
8 now go to Order 134 of 21 at page 17.

9 And you'll confirm, Ms. Campos, that
10 this is the order following the 2022 GRA?

11 MS. MARIA CAMPOS: Yes.

12 MR. CHRIS KLASSEN: And we'll go right
13 to the very top of page 17, where we see the Board
14 finding, that:

15 "MPI has demonstrated continued
16 reluctance to move ahead with a
17 new DSR rating model."

18 Do you see that on the screen, Ms.
19 Campos?

20 MS. MARIA CAMPOS: Yeah, I can see
21 that on the screen. Yes.

22 MR. CHRIS KLASSEN: And I'll read on.

23 "Insurance is based on risk
24 assessment. And the evidence
25 clearly establishes that premiums

1 based on the primary driver more
2 accurately price risk."

3 Correct?

4 MS. MARIA CAMPOS: I can see that on
5 the screen, yes.

6 MR. CHRIS KLASSEN: Thank you. And if
7 we go to the second sentence of the next paragraph,
8 you'll confirm that it reads:

9 "The Board is perplexed as to why
10 MPI is adamantly apposed to
11 implementing a primary driver
12 model."

13 Do you see that there?

14 MS. MARIA CAMPOS: I do see that.

15 MR. CHRIS KLASSEN: Reading on.

16 "The Board finds that a change in
17 the rating model is required and
18 has directed the corporation in
19 the 2023 GRA to bring forward a
20 five (5) year plan for the
21 implementation of the primary
22 driver rating model."

23 Correct?

24 MS. MARIA CAMPOS: Yes.

25 MR. CHRIS KLASSEN: Ms. Schubert,

1 Order 2 of 25, please. And we'll go to page 78. And
2 we'll stop right there.

3 Ms. Campos, you'll confirm that this is
4 the Board's most recent GRA order following last
5 year's application and hearing?

6 MS. MARIA CAMPOS: Yes.

7 MR. CHRIS KLASSEN: And you'll confirm
8 starting under section 6.5.1, the Board wrote that:

9 "It is a basic principle of
10 insurance that the rating model
11 should reflect risk."

12 Correct?

13 MS. MARIA CAMPOS: Yes.

14 MR. CHRIS KLASSEN: Reading on.

15 "The evidence produced by MPI in
16 this Hearing and previous hearings
17 through its chief actuaries shows
18 that the primary driver model is
19 more actuarially sound than the
20 current registered owner model."

21 Correct?

22 MS. MARIA CAMPOS: Yes, I see that.

23 MR. CHRIS KLASSEN: Thank you. Ms.

24 Schubert, now to Order 29 of 25. And we'll go to page
25 16, please. And we'll stop right into the heading of,

1 "Directive 6 -- of Section 6 of a Directive 15."

2 And, Ms. Campos, you'll confirm that
3 this is an Order of the Board following an application
4 from MPI to vary certain directives issued following
5 last year's General Rate Application?

6 MS. MARIA CAMPOS: Yes, that's
7 correct.

8 MR. CHRIS KLASSEN: And one such
9 directive was this Directive 15 that's in italicized
10 text at the top of the page?

11 MS. MARIA CAMPOS: Yes.

12 MR. CHRIS KLASSEN: And so, we'll
13 scroll down to page 18. And we'll look at that
14 paragraph under, "Board findings." And I'll start
15 with the words, "MPI applied." You'll confirm that
16 the order says that:

17 "MPI applied in the 2025 GRA to
18 pause changes to the existing DSR
19 Discounts citing its desire to
20 provide more affordable rates."

21 Correct?

22 MS. MARIA CAMPOS: That's correct.

23 MR. CHRIS KLASSEN: And if we go to
24 the next paragraph, starting in the second sentence,
25 you'll see that the Board notes that:

1 "MPI raised affordability as an
2 argument on numerous occasions in
3 the 2025 GRA and in this
4 Application without evidence,
5 which leaves the Board in a
6 position where it has nothing to
7 consider to determine whether the
8 affordability argument is valid."

9 Correct?

10 MS. MARIA CAMPOS: I see that, yes.

11 MR. CHRIS KLASSEN: Thank you. You'll
12 recall a few minutes ago, Ms. Campos, one of the
13 orders that we reviewed mentioned a five (5) year plan
14 for the implementation and development of a primary
15 driver model.

16 Do you recall that?

17 MS. MARIA CAMPOS: I do recall that.

18 MR. CHRIS KLASSEN: And you'll confirm
19 that MPI did eventually prepare and file such a plan
20 with the Board, correct?

21 MS. MARIA CAMPOS: Yes, I believe
22 that's correct.

23 MR. CHRIS KLASSEN: And you'll recall
24 that that plan included -- the plan included a plan to
25 conduct and report on a pricing study, correct?

1 MS. MARIA CAMPOS: Yes.

2 MR. CHRIS KLASSEN: And that pricing
3 study was to identify the potential rate impacts,
4 including by DSR level, of a change to the primary
5 driver model, correct?

6 MS. MARIA CAMPOS: That's correct.

7 MR. CHRIS KLASSEN: And that study was
8 not done, correct?

9 MS. MARIA CAMPOS: No, I believe that
10 study was not done. We were -- and my colleagues will
11 correct me, but I believe we were waiting for the
12 regulatory changes to be able to collect accurate
13 information from customers.

14 MR. CHRIS KLASSEN: And you'll confirm
15 that because that study was not done, MPI does not
16 have information on what rates or vehicle premium
17 discounts might be under a primary driver model,
18 correct?

19 MS. MARIA CAMPOS: Yes. I would say
20 that we have a responsibility to ensure that a model
21 that we propose is founded on information that we can
22 collect, accurate information. And so, we are not in
23 a position to propose a rate -- a rate model change to
24 the Board because we don't have the ability to compel
25 Manitobans to provide us information.

1 MR. CHRIS KLASSEN: And the point, Ms.
2 Campos, is that MPI does not know what the rates would
3 be under a primary driver model, correct?

4 MS. MARIA CAMPOS: That's fair.

5 MR. CHRIS KLASSEN: Ms. Schubert,
6 could you pull up on screen the media article provided
7 to you earlier today. It was also provided to MPI and
8 its witnesses.

9 Madam Chair, my intent is only to use
10 this document as an aid to cross. If the Board
11 prefers that it be an exhibit, I'm happy to file it,
12 but from my perspective, that's not necessary.

13 PANEL CHAIRPERSON: That's fine, Mr.
14 Klassen. Please proceed.

15

16 CONTINUED BY MR. CHRIS KLASSEN:

17 MR. CHRIS KLASSEN: And, Ms. Schubert,
18 if you scroll either up or down, we'll find the date
19 on this page. And I'd just like to -- I -- I think
20 down. There we go.

21 Ms. Campos, you'll confirm that this is
22 an article published by CBC News on October 8th, 2025?

23 MS. MARIA CAMPOS: Yes, I can confirm
24 that.

25 MR. CHRIS KLASSEN: And if we scroll

1 up, we'll just confirm the headline so that we know
2 what we're looking at. A little bit further. You'll
3 see that this article was published under the heading:
4 "Manitoba Seniors, Consumer Groups
5 say proposed MPI legislation would
6 enshrine unfair insurance regime."

7 Correct?

8 MS. MARIA CAMPOS: Yes, I see that.

9 MR. CHRIS KLASSEN: And if you scroll
10 all the way to the bottom of the document, Ms.
11 Schubert. We'll scroll just up ever so slightly so
12 that we can see the very bottom of page 3. There we
13 go.

14 Ms. Campos, you'll confirm that Tara
15 Seel is a spokesperson for MPI?

16 MS. MARIA CAMPOS: Yes, that's
17 correct.

18 MR. CHRIS KLASSEN: And you'll confirm
19 that this article quotes Tara Seel as saying that
20 Manitobans aren't interested in changing the
21 registered owner model, correct?

22 MS. MARIA CAMPOS: I see that just to
23 draw -- just to be concrete about it. So, I'm not
24 sure if it's a quotation that she -- how she describes
25 it, but I can see that the quotations are around

1 straightforward and user-friendly process for ensuring
2 vehicles.

3 MR. CHRIS KLASSEN: Thank you for
4 being precise, Ms. Campos. You're correct that the
5 words that I provided to you are not inside
6 quotations, but you'll confirm that the article says
7 that:

8 "Tara Seel -- quote -- quoting the
9 article now -- claimed Manitobans
10 aren't interested in changing the
11 registered owner model."

12 Correct?

13 MS. MARIA CAMPOS: Yes, that's
14 correct. And -- and I'm just going to add a little
15 bit more here. So, that is based on the Leger study
16 that would have been presented the -- to the Board
17 before where over nearly half of Manitobans identified
18 that they would be -- they would prefer keeping the
19 current and existing model.

20 And then I also just want to draw our
21 attention to Ms. Seel's comments around the insurance
22 model. A change would be disruptive for customers,
23 MPI, and its partners. That model has been in
24 existence for decades.

25 And again, from an MPI perspective, it

1 is, I would say, impossible for us to put forward a
2 recommendation on what a model could look like and
3 should look like without being able to collect the
4 appropriate data to inform that decision.

5 MR. CHRIS KLASSEN: Thanks, Ms.
6 Campos. And so, there was a lot there and a bit more
7 than I asked for. And so just to -- to parse out the
8 -- the point that I -- I would like to come back to,
9 is just to confirm that the information relied upon by
10 Tara Seel in making that statement was the Leger study
11 prepared by MPI and filed with the Board in last
12 year's GRA, correct?

13 MS. MARIA CAMPOS: Yes, that would be
14 my assumption, that that would be where that comment
15 would be grounded in.

16 MR. CHRIS KLASSEN: Thank you very
17 much. Ms. Schubert, could you take us back to Order 2
18 of 25. And we'll go to page 78 this time. And we're
19 going to go to that first paragraph under the heading,
20 "Rating model." And we'll start at the last sentence,
21 three (3) or four (4) lines up from the bottom. And
22 I'll ask you to confirm that the Board found here
23 that:

24 "The Board agrees with CAC's
25 recommendation that the Board

1 place little to no weight on
2 Legge's findings regarding
3 customer's views of the current
4 rating model, satisfaction with
5 the current rating model, or any
6 relative assessment comparing
7 models."

8 Do you see that on the screen before
9 you, Ms. Campos?

10 MS. MARIA CAMPOS: I do see that on
11 the screen.

12 MR. CHRIS KLASSEN: You'll confirm
13 that it was MPI's evidence in this application that
14 the results of the Legge public consultation were
15 shared with the government of Manitoba, correct?

16 MS. MARIA CAMPOS: That is correct.

17 MR. CHRIS KLASSEN: Can you please
18 confirm for the Board that when MPI shared the Legge
19 study with the government of Manitoba, MPI also
20 highlighted for Manitoba this finding of the Board
21 that's on the screen before you?

22 MS. MARIA CAMPOS: I can confirm that
23 the government of Manitoba received the Leger study.
24 And they also received the findings from the Board
25 along with the order.

1 MR. CHRIS KLASSEN: And to clarify a
2 little bit further, when MPI was bringing the Leger
3 study to government's attention, did it specifically
4 highlight that Leger's findings had been undermined by
5 the findings of the Public Utilities Board?

6 MS. MARIA CAMPOS: We highlight all of
7 the order when we're speaking to government, so we
8 provide full order to government along with the study
9 that's in question. So, I would -- I would suggest
10 and I would confirm that we provided the order to the
11 government of Manitoba that would have included the
12 findings and the recommendations from the public
13 Utilities Board.

14 MR. CHRIS KLASSEN: Ms. Campos, we've
15 -- we've reviewed a number of PUB orders in the last
16 few minutes.

17 Would it be fair also to assume that
18 MPI shared these other findings of the Board with
19 government when discussing the contents of Bill 49
20 which was introduced earlier this month?

21 MS. MARIA CAMPOS: That would be an
22 assumption based on previous direction that would have
23 been relayed by the Board. I can make the assumption
24 that the Corporation would have previously provided
25 those findings as well to government, but I wasn't in

1 the position that I'm in right now, so it would only
2 be an assumption.

3 MR. CHRIS KLASSEN: Understood. Thank
4 you very much, Ms. Campos.

5 Can you confirm that Bill 49 wasn't
6 drafted by government independent of input from MPI?

7

8 (BRIEF PAUSE)

9

10 MS. MARIA CAMPOS: What I can confirm
11 is that there have been several discussions with
12 government on the request for the regulatory changes
13 to be able to collect the data that we would require
14 in order to be able to inform a new rating model.

15 Absent that decision and direction from
16 government, there's not much else I can say in
17 relation to the bill itself. So, we would've had
18 several conversations. And -- and what I can confirm
19 is that, you know, when presented with the option of
20 if -- if government did not want to allow us that
21 authority to be able to do that, that they would have
22 to then make the decision as to whether the registered
23 owner model is the model that they would like MPI to
24 continue to administer or not.

25 MR. CHRIS KLASSEN: Thanks very much.

1 Ms. Campos, are you aware that over the course of the
2 multiple PUB Orders that we've been discussing over
3 the last few minutes, at one point in time MPI tried
4 to appeal a decision of the Public Utilities Board to
5 the Manitoba Court of Appeal?

6 MS. MARIA CAMPOS: Yes, I am aware.

7 MR. CHRIS KLASSEN: Ms. Schubert,
8 could you bring up that decision onto the screen
9 before us. And that would be 2022 MBCA 86 as provided
10 to you through your counsel earlier. And to confirm
11 for everyone's benefit, we're not seeking legal
12 opinions here, just interested in the contents. And
13 if we could just briefly go to paragraph 1, Ms.
14 Schubert. We'll go straight to paragraph 64 after we
15 confirm the document on the first page.

16 My error, Ms. Campos. What's been
17 provided here is an excerpt. And so, you'll see on
18 the first page confirming that this is a decision of
19 the Court of Appeal of Manitoba.

20 And you see that at the top of the
21 screen?

22 MS. MARIA CAMPOS: Yes, I do.

23 MR. CHRIS KLASSEN: And you'll see
24 that this is a decision pertaining to a matter between
25 the Manitoba Public Insurance Corporation and the

1 Public Utilities Board?

2 MS. MARIA CAMPOS: Yes.

3 MR. CHRIS KLASSEN: And based on your
4 understanding of MPI's history related to this issue,
5 it's your understanding that this decision of the
6 Court of Appeal flows from MPI's attempt to appeal the
7 decision of the public Utilities Board to the Court
8 related to the Driver Safety Rating and the Basic
9 insurance model, correct?

10 MS. MARIA CAMPOS: Yes, I can confirm
11 that.

12 MR. CHRIS KLASSEN: Thank you. And
13 we'll scroll down to the end of the decision, which,
14 thanks to this being an excerpt is only a little bit
15 down the page. And in paragraph 64, Ms. Campos,
16 you'll confirm that the highlighted text reads that:

17 "If the PUB were to require MPIC
18 to change plan premium discounts
19 or additional amounts based not on
20 the registered owner but on the
21 primary driver, that would be a
22 change in rate-setting methodology
23 over which the PUB has
24 jurisdiction."

25 Correct?

1 MS. MARIA CAMPOS: Yes, I can see
2 that.

3 MR. CHRIS KLASSEN: Thanks very much.
4 And, Ms. Schubert, we don't need this document before
5 us anymore.

6 You're familiar, of course, with the
7 contents of Bill 49, Ms. Campos?

8 MS. MARIA CAMPOS: Yes.

9 MR. CHRIS KLASSEN: And you'll confirm
10 your understanding that, if passed, the bill would add
11 to the Manitoba Public Insurance Corporation Act a
12 requirement that any discounts on vehicle premiums be
13 based on the Driver Safety Rating of a vehicle's
14 registered owner, correct?

15 MS. MARIA CAMPOS: Yes, that's my
16 understanding.

17 MR. CHRIS KLASSEN: And is it MPI's
18 position that, if this bill passes, it will no longer
19 be required to pursue the Basic insurance model
20 project?

21 MR. ANTHONY GUERRA: Yes, counsel,
22 that is MPI's position.

23 MR. CHRIS KLASSEN: Thank you,
24 Counsel. Madam Chair, those are my questions.

25 PANEL CHAIRPERSON: Thank you, Mr.

1 Klassen. Ms. Meek...?

2 MS. CHARLOTTE MEEK: Yes. Thank you,
3 Madam Chair.

4

5 CROSS-EXAMINATION BY MS. CHARLOTTE MEEK:

6 MS. CHARLOTTE MEEK: Good afternoon to
7 the panel. My name is Charlotte Meek. I'm
8 representing the Coalition of Manitoba Motorcycle
9 Groups. I have a few brief questions and I'll just
10 pose them to the panel generally.

11 I want to start talking about the Basic
12 deductible increase. MPI, in your presentation today
13 and in the Application, discussed affordability as
14 being a prime factor in the justification for
15 increasing the Basic deductible. Is that correct?

16 MS. MARIA CAMPOS: Yes, that's
17 correct.

18 MS. CHARLOTTE MEEK: And while
19 initially that sounds counterintuitive to suggest
20 increasing costs will assist in affordability, in
21 MPI's view affordability is promoted because, by
22 increasing the deductible, it will allow for a
23 reduction in the overall rate indication of almost 3
24 percent. Is that correct?

25 MS. MARIA CAMPOS: Yes, that's

1 correct. And I would say that, you know, we sure --
2 we insure a million plus vehicles a year, and not all
3 of those vehicles are involved in collisions and not
4 all those vehicles are involved in at-fault
5 collisions.

6 So, we believe that the level of
7 deductible is an affordable measure in order to keep
8 the Basic rates as stable as possible.

9 MS. CHARLOTTE MEEK: Thank you. And
10 if we could please pull up CMMG/MPI-1-2. So, we'll
11 just look at the first two (2) questions here. If we
12 could scroll down. Thank you. So, the questions here
13 were asking MPI whether the rationale provided for the
14 deductible increase applied equally to motorcycles as
15 they do to private passenger vehicles.

16 Do you see that in question 'A' and
17 'B'?

18 MR. PATRICK SARGINSON: Yes. Patrick
19 here, for MPI. Yes, I see that.

20 MS. CHARLOTTE MEEK: Thank you. And
21 if we could go down to the answers, please, through
22 'A' and 'B'. That's perfect.

23 And so, we can see here in the answers
24 MPI references an answer to another IR, which we'll
25 look at briefly in a moment. And then in answer to

1 'B', the last sentence there reads:

2 "The adjustment is being made to
3 provide consistent coverage
4 options across vehicle types while
5 at the same time providing more
6 options for customers to purchase
7 levels of coverage that best meet
8 their needs."

9 Do you see that there?

10 MR. PATRICK SARGINSON: I do.

11 MS. CHARLOTTE MEEK: Okay. And if we
12 can scroll down a little bit to the answer to 'C'.
13 Perfect. Thank you.

14 And here, MPI also draws our attention
15 to distinctions between the motorcycle class and the
16 private passenger class, identifying that:

17 "Motorcycle Basic coverage is
18 limited to collisions and third
19 party liability only."

20 Do you see that there?

21 MR. PATRICK SARGINSON: M-hm. Yes.

22 MS. CHARLOTTE MEEK: And that differs
23 from private passenger Basic coverage, which also
24 includes comprehensive coverage. Is that correct?

25 MR. PATRICK SARGINSON: Correct, yeah.

1 MS. CHARLOTTE MEEK: Okay.

2 MR. PATRICK SARGINSON: We have all
3 perils coverage for passenger vehicles and light
4 trucks.

5 MS. CHARLOTTE MEEK: Thank you. And
6 if we could now turn to CMMG/MPI-1-5. Thank you.

7 And so, in this IR, questions were
8 posed to MPI regarding the rate increases to
9 motorcycle class. If we can maybe scroll up just so
10 that we can see the questions. So, questions were
11 posed about what factors contributed to the rate
12 increase for the motorcycle class this year. Do you
13 see that there?

14 MR. PATRICK SARGINSON: Yes.

15 MS. CHARLOTTE MEEK: Okay. And if we
16 could now go down to the answer to question 'A', and
17 here MPI is explaining what factors contributed to the
18 rate increase for motorcycles in this year's
19 Application.

20 And at number 3 under 'A' -- perfect,
21 thank you -- MPI notes:

22 "MPI will be implementing a
23 product change that would increase
24 the Basic deductible from seven
25 fifty (750) to a thousand (1,000).

1 This product adjustment more
2 significantly impacts
3 comprehensive claims where average
4 claim size is generally lower,
5 under one thousand (1,000).
6 However, comprehensive coverage is
7 not available to major class 4
8 under Basic. Accordingly, this
9 measure also does not reduce their
10 indicated rate increase."

11 Do you see that there?

12 MR. PATRICK SARGINSON: I do.

13 MS. CHARLOTTE MEEK: And so, you'd
14 agree that motorcycles will incur the deductible
15 increase but receive little benefit in terms of
16 reduction to the indicated rate, agreed?

17 MR. PATRICK SARGINSON: I don't know
18 if I would agree entirely with that. I think that
19 they are receiving a reduction in the overall rate. I
20 think it's important to understand that PIPP costs is
21 the largest part of motorcycle rates.

22 We understand that -- sorry. Bodily
23 injuries, the frequency is down slightly, but the
24 severity of those accidents is up. And my
25 understanding is that, although motorcycle rates are

1 being impacted by this deductible change, the increase
2 would be much -- much higher if it weren't for the
3 deductible change.

4 Does that answer -- sorry. Did that
5 answer your question?

6 MS. CHARLOTTE MEEK: I'm not sure, but
7 --

8 MR. PATRICK SARGINSON: Excellent.

9 MS. CHARLOTTE MEEK: So, I understand
10 you're saying there are other factors which led to the
11 motorcycle rate increase, right?

12 MR. PATRICK SARGINSON: Right.

13 MS. CHARLOTTE MEEK: And earlier in
14 the question, a little bit higher up -- Kristen, if we
15 could maybe scroll up to see maybe 1 to 3 there
16 because we can zoom out a tiny bit.

17 So, there are -- there are other
18 indicators, right, as to why the motorcycle rate
19 indication did increase this year. You'll see that.

20 MR. PATRICK SARGINSON: Right?

21 MS. CHARLOTTE MEEK: Okay. But you'll
22 agree that, in this statement at number 3, MPI is
23 accepting or indicating to us that the Basic
24 deductible change is not one of the factors that is
25 assisted to reduce the motorcycle rate indication?

1 MR. PATRICK SARGINSON: Yes, that's
2 what it says.

3 MS. CHARLOTTE MEEK: Thank you. And
4 now I'd like to talk a little bit just about the --
5 the DSR model and scale briefly. So, the DSR model
6 includes a scale which provides discounts to positive
7 level DSR drivers from the base rate.

8 Is that correct?

9 MR. PATRICK SARGINSON: Correct.

10 MS. CHARLOTTE MEEK: And the discount
11 is a benefit that individuals obtain by driving safely
12 year over year, agreed?

13 MR. PATRICK SARGINSON: Agreed.

14 MS. CHARLOTTE MEEK: Okay. And the
15 discount is intended to incentivize safer driving
16 behaviour, correct?

17 MR. PATRICK SARGINSON: It is.

18 MS. CHARLOTTE MEEK: The discount's
19 not provided because the base rate is unaffordable.
20 Is that correct?

21 MR. PATRICK SARGINSON: No, that's
22 correct. It's to incentivize safe driving.

23 MS. CHARLOTTE MEEK: Thank you. And
24 so, discounts are not provided for individuals who are
25 low income earners, for example?

1 MR. PATRICK SARGINSON: No.

2 MS. CHARLOTTE MEEK: And discounts are
3 not provided to seniors who may struggle with
4 insurance costs?

5 MR. PATRICK SARGINSON: That's not a
6 basis for -- for the DSR discount, no.

7 MS. CHARLOTTE MEEK: Okay. And
8 there's no evidence in this proceeding that indicates
9 that drivers who do not qualify for a discount are
10 unable to afford their vehicle insurance.

11 Is that correct?

12 MR. PATRICK SARGINSON: That's
13 correct.

14 MS. CHARLOTTE MEEK: So, it'd be fair
15 to say that the DSR discounts are not an affordability
16 measure. Is that correct?

17 MR. PATRICK SARGINSON: I'd say that
18 the DSR discounts are a way to incentivize safe
19 driving, and that's the primary consideration of the
20 DSR scale.

21 MS. CHARLOTTE MEEK: Right. And they
22 were not created as an affordability measure. Would
23 you agree with that statement?

24 MR. PATRICK SARGINSON: Yeah.

25 MS. CHARLOTTE MEEK: Thank you. I

1 apologize for jumping around a little bit, but I'm
2 just tying up some little loose ends after My Friends
3 have asked some questions here.

4 My final question here is: Given the
5 introduction of Bill 49, is it MPI's understanding
6 that government does not intend to pursue any
7 legislative changes to allow the collection of driver
8 data for a pricing analysis?

9 MR. PATRICK SARGINSON: I think at
10 this point in time, we will follow whatever
11 legislative amendments the government makes, whether
12 it's by -- yeah, by Bill 49. It appears that the
13 government has decided to legislate the registered
14 owner model, and MPI has no plans to do any kind of
15 data collection. We wouldn't be authorized on the
16 regulations to do that data collection. So, I suppose
17 the answer is, no, we have no plans to continue.

18 MS. CHARLOTTE MEEK: Thank you. Those
19 are my questions.

20 Thank you, Madam Chair.

21 PANEL CHAIRPERSON: Thank you, Ms.
22 Meek. Ms. Kotyk...?

23

24 CROSS-EXAMINATION BY MS. ALISEN KOTYK:

25 MS. ALISEN KOTYK: All right. Good

1 afternoon, Madam Chair, PUB members, MPI, and other
2 counsel. My name is Alisen Kotyk, appearing on behalf
3 of the Taxi Coalition. My questions will be primarily
4 directed towards Mr. Smithson, but if anyone else
5 feels better equipped to answer a question, please
6 feel free.

7 In the last year's GRA and in this
8 year's GRA, MPI did not put forward a new Vehicle for
9 Hire framework. Is that correct?

10 MR. PATRICK SARGINSON: Correct.

11 MS. ALISEN KOTYK: Does MPI intend to
12 put forward a Vehicle for Hire framework in the 2027
13 GRA?

14 MR. PATRICK SARGINSON: Not at this
15 time, no.

16 MS. ALISEN KOTYK: Does MPI intend to
17 put forward a Vehicle for Hire framework at some
18 point?

19 MR. PATRICK SARGINSON: One moment.
20 At this time, we have no plans, but it'll be based off
21 of stakeholder feedback and interaction.

22 MS. ALISEN KOTYK: So, it's possible
23 that MPI may put forward a Vehicle for Hire framework?

24 MR. PATRICK SARGINSON: It's possible,
25 yes.

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(BRIEF PAUSE)

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MS. ALISEN KOTYK: Is MPI not putting forward a new Vehicle for Hire framework as a result of lack of response from the TNCs? Sorry. Is that part of the reason that MPI has not put forward a new framework?

MR. PATRICK SARGINSON: One moment.

(BRIEF PAUSE)

MR. PATRICK SARGINSON: Sorry. Can you restate the question?

MS. ALISEN KOTYK: Sure. Is MPI not putting forward a new Vehicle for Hire framework as a result of the lack of response from TNCs?

MR. PATRICK SARGINSON: We are not putting forward a new passenger Vehicle for Hire frameworks based off of lack of stakeholder response. All of our model development and framework development comes through our interactions with our stakeholders.

MS. ALISEN KOTYK: Thank you. Since last year's GRA, has -- has MPI reached out at all to TNCs -- or sorry. Strike that.

1 Have TNCs reached out or followed up
2 with MPI on any sort of Vehicle for Hire framework?

3

4 (BRIEF PAUSE)

5

6 MR. PATRICK SARGINSON: Sorry about
7 that. MPI can confirm they have not reached out for
8 response or proceeded to contact us since then, no.

9 MS. ALISEN KOTYK: Has MPI followed up
10 with TNCs on any new Vehicle for Hire framework?

11 MR. PATRICK SARGINSON: No, we have
12 not, not since the last GRA.

13 MS. ALISEN KOTYK: And why has MPI not
14 followed up with TNCs?

15 MR. PATRICK SARGINSON: It was with --
16 left with the TNC to respond. They provided the
17 framework and the information they needed, and we're
18 waiting to hear from them.

19 MS. ALISEN KOTYK: So MPI could follow
20 up with TNCs, but at this time it has chosen not to?

21 MR. PATRICK SARGINSON: One moment.

22

23 (BRIEF PAUSE)

24

25 MR. PATRICK SARGINSON: Sorry about

1 that. So, when we initially presented the information
2 to them, we did follow up with them several times, but
3 since then have not followed up. The ball's in their
4 court for them to, you know, engage with us when they
5 desire.

6 MS. ALISEN KOTYK: So MPI could follow
7 up with TNCs again, but at this time has chosen not
8 to?

9 MR. PATRICK SARGINSON: We're not
10 expecting a different result at this time, so.

11 MS. ALISEN KOTYK: Thank you.

12 MS. SATVIR JATANA: If I may just
13 here, I'm -- I'm very passionate about this subject
14 and -- and interacting with our stakeholders and
15 customers.

16 I just want to put on the record that
17 there's no lack of collaboration or our willingness to
18 work with TNC. We have provided a framework, we've
19 had multiple conversations, and in my opinion, the
20 ball is in their court.

21 Now, if TNC or your clients really
22 would like to see -- move this product forward, we
23 welcome them to come back to the table, give us their
24 feedback. We're willing to work with them, but all
25 parties have to agree to work on this.

1 This is not just MPI's problem. If --
2 if our product is lacking a customer's need and we put
3 something forward, it is onto them to provide us the
4 feedback. We're really working in isolation and on
5 our own.

6 So, I -- I really -- I really want to
7 ensure that this is not coming across that we're not
8 reaching out or we're not willing to understand
9 customers' need. Thank you.

10 MS. ALISEN KOTYK: Thank you. Mr.
11 Smithson, that gives me sort of a good segue into what
12 you said earlier. I think in response to one of my
13 first questions, whether MPI intends to put forward a
14 Vehicle for Hire framework at some point, you'd said
15 that you would need -- stakeholders would have to
16 indicate interest I believe is what you said?

17 MR. ROB SMITHSON: Yes. We're willing
18 to work with all of our stakeholders and continue
19 development of the products that meet their needs.
20 They need to engage with us to do so.

21 MS. ALISEN KOTYK: Would that require
22 interest from all stakeholders, or would it be
23 sufficient to see interest from a single stakeholder?

24 MR. ROB SMITHSON: No. We're -- we're
25 prepared to engage with each industry individually and

1 stakeholders individually to develop those products.

2 Over the last year, we worked very
3 closely with the Taxi Coalition in absence of
4 interaction with any of the peer-to-peer TNCs in
5 development of their product, asking them questions
6 and helping them inform the offering.

7 MS. ALISEN KOTYK: Thank you. I think
8 I'm going to jump now to my questions about the time
9 ban model. Currently, the time ban model is what's in
10 place for the vehicle for -- for all Vehicle for Hire
11 in Manitoba, correct?

12 MR. ROB SMITHSON: Correct.

13 MS. ALISEN KOTYK: If MPI is not
14 putting a new Vehicle for Hire framework forward, does
15 that mean that, by default, the time ban model will --
16 will remain in place indefinitely?

17 MR. ROB SMITHSON: For the time being
18 it'll remain in place, yes.

19 MS. ALISEN KOTYK: Ms. Schubert, could
20 you please take us to the Part 2 Vehicle for Hire,
21 page 3 and 4 if you could, in the 2022 GRA? Sorry.
22 If you could scroll -- sorry. I see where we are now.
23 Could you scroll down, please? A little bit more.
24 Just a bit more, please. If we could get just the top
25 of the next page on as well, if that's possible.

1 Mr. Smithson, you can see at the top of
2 page 4 we're talking about MPI time ban options are
3 ineffective/unpopular.

4 MR. ROB SMITHSON: I see that.

5 MS. ALISEN KOTYK: MPI is aware that
6 the time ban model is not popular with customers and
7 that customers consider the time ban model
8 ineffective, correct?

9 MR. ROB SMITHSON: I believe that's
10 what it says there. However, the Taxi Coalition has
11 expressed to us a desire to remain with the current
12 time ban and model when they're presented with
13 alternative options.

14 MS. ALISEN KOTYK: Is it still MPI's
15 view that the time ban model remains ineffective?

16 MR. ROBERT SMITHSON: One moment.

17

18 (BRIEF PAUSE)

19

20 MR. ROB SMITHSON: Sorry about that.
21 So, we've evaluated this with the Taxi Coalition, work
22 with them, presenting them variations of it. And I
23 would say right now, this option, the Time Ban Model
24 is meeting their needs and the needs of our customers.
25 So, would be considered ineffective or unpopular, not

1 at this time.

2 MS. ALISEN KOTYK: Sorry -- sorry,
3 could you repeat that last part?

4 MR. ROB SMITHSON: Would we still
5 continue to consider it ineffective or unpopular,
6 based off the Taxi Coalition statement that they want
7 to remain with the current Time Ban Model, I -- I'd
8 probably say that's -- that would be -- be untrue
9 today.

10 MS. ALISEN KOTYK: I'm going to ask a
11 question that you -- you may not be comfortable asking
12 -- answering.

13 In terms of a Vehicle for Hire
14 framework, it -- could a blanket policy concern
15 physical damage only? In other words, could -- is MPI
16 open to there being partial coverage?

17 MR. ROB SMITHSON: One moment.

18

19 (BRIEF PAUSE)

20

21 MR. ROB SMITHSON: Sorry, no, we would
22 not consider that.

23 MS. ALISEN KOTYK: Thank you. Thank
24 you, Mr. Smithson.

25 Madam Chair, those are my questions.

1 PANEL CHAIRPERSON: Thank you, Ms.
2 Kotyk. Mr. Ireland...?

3 BOARD MEMBER IRELAND: Just a couple
4 of quick questions. Ms. Schubert, could I get the
5 panel's presentation. And can we go to slide 9.
6 Great, thanks.

7 I guess, Ms. Campos, just a couple of
8 points of clarification. The seven-hundred and fifty
9 (750) group -- the existing seven hundred and fifty
10 dollar (\$750) deductible group, were referenced today
11 as 6 percent of the population and 6 percent of the
12 extended -- or the Extension eligible.

13 Is -- are they one and the same?

14

15 (BRIEF PAUSE)

16

17 MS. MARIA CAMPOS: Yes, I can confirm.
18 So, it's 6 percent of customers that are eligible to
19 purchase the buy-down deductible that remain to stay
20 within the seven hundred and fifty dollar (\$750)
21 limit.

22 BOARD MEMBER IRELAND: So, there would
23 be some who aren't eligible?

24 MS. MARIA CAMPOS: Yes, and I will ask
25 maybe Mr. Smithson to explain that.

1 BOARD MEMBER IRELAND: Okay.

2 MR. ROB SMITHSON: Yeah, some of our
3 insurance uses are not Extension eligible. It's a
4 product MPI's not developed -- or a product MPI has
5 not developed in our Extension line of business. Uses
6 could be repair plates, dealer plates, U-Drive uses
7 out there. Some of the larger common carriers would
8 also fall in that.

9 BOARD MEMBER IRELAND: So, it's --
10 okay.

11 MR. ROB SMITHSON: More commercial
12 test -- type of users.

13 BOARD MEMBER IRELAND: Okay. So, the
14 commercial ones, but wouldn't they fall under, help me
15 out there, heavy vehicles or do they fall under
16 regular --

17 MR. ROB SMITHSON: Some are private
18 passenger vehicles, so the dealer plates are the ones
19 that go on to the cars when you go for a test drive.
20 Or the car's rented out by any rental car company in
21 Manitoba.

22 BOARD MEMBER IRELAND: So, what's
23 happening with them, with the deductible change?

24 MR. ROB SMITHSON: They will move to
25 the new Basic deductible, one thousand dollars

1 (\$1,000) --

2 BOARD MEMBER IRELAND: With no option
3 to purchase --

4 MR. ROB SMITHSON: Yeah.
5 BOARD MEMBER IRELAND: Well from MPI --

6 MR. ROB SMITHSON: Yeah. Correct.

7 BOARD MEMBER IRELAND: -- from MPI.

8 MR. ROB SMITHSON: From MPI's
9 Extension line of business know there could be other
10 suppliers out there who they seek insurance from.

11 BOARD MEMBER IRELAND: Okay. So, bear
12 with me here. We have a collection of 6 percent
13 Extension eligible, who are going to move to the
14 seven-fifty (750). I'm looking at the presentation.
15 I was going to ask you about the presentation because
16 it looked like there was a split and I guess there is.

17 MR. ROB SMITHSON: Yeah.

18 BOARD MEMBER IRELAND: Out of the
19 current seven hundred and fifty dollar (\$750)
20 deductible, you have a group moving to the Extension
21 eligible and you have a secondary group moving to the
22 one-thousand (1,000).

23 MR. ROB SMITHSON: Correct.

24 BOARD MEMBER IRELAND: Okay. Do we
25 have the numbers of each?

1 MR. ROB SMITHSON: One moment.

2 BOARD MEMBER IRELAND: How many are in
3 each of the groups?

4

5 (BRIEF PAUSE)

6

7 MR. ANTHONY GUERRA: Mr. Ireland, we
8 could provide that by way of undertaking, if we want
9 to confirm specifically what you're looking for, in
10 the record, we can certainly undertake to provide
11 that.

12 BOARD MEMBER IRELAND: I was actually
13 just -- yeah, looking for the numbers, the physical
14 numbers, of how many people are going to be in each
15 group.

16 And maybe because I don't know if
17 you've got this either, I was going to ask about the
18 group that moves to the seven-fifty (750). I'm
19 assuming, just on gross numbers, it's 60-70,000 people
20 thinking of your total population 6 percent, and
21 they'll be in there somewhere. That you've sliced the
22 data and you have a sense of the attributes of the
23 group that are being moved to that seven-fifty (750)
24 deductible with the option to purchase.

25

1 (BRIEF PAUSE)

2

3 MR. ANTHONY GUERRA: Okay. So, Mr.
4 Smithson's going to identify what information can be
5 provided, and if that's agreeable, we'll provide that
6 by way of undertaking.

7 BOARD MEMBER IRELAND: Sure.

8 MR. ANTHONY GUERRA: Thank you.

9 MR. ROB SMITHSON: Yeah. So, what we
10 can provide is the number of customers who fit into
11 that Extension eligible pool who'd be migrated into
12 the new seven hundred fifty dollar (\$750) Extension
13 product and all the customers who would move from the
14 seven hundred fifty (750) into the one thousand
15 (1000), the non-Extension eligible group. We can
16 present you both groups there.

17 BOARD MEMBER IRELAND: Do you have any
18 of the attributes though, for those individuals?

19 MR. ROB SMITHSON: What attributes
20 would you be looking for, sir?

21 BOARD MEMBER IRELAND: Just generally,
22 you know, the basic ones, age, gender, age of car, a
23 sense of who's being moved into this group. This new
24 group who's now going to be possibly subject to paying
25 an extra load.

1 MR. ROB SMITHSON: One moment, please.

2 BOARD MEMBER IRELAND: Or a fee.

3 Sorry.

4

5 (BRIEF PAUSE)

6

7 MR. ROB SMITHSON: Sorry about that.

8 What we could provide would be the use of the

9 insurance itself, the vehicle type. And that would

10 probably ...

11 BOARD MEMBER IRELAND: Just the most

12 common characteristics kind, you know. You don't want

13 10 pages of data.

14 MR. ROB SMITHSON: Yeah, we don't --

15 as far as age and gender, those are not in numbers.

16 BOARD MEMBER IRELAND: No, they're

17 not. Oh, okay. Well, that's good. Thank you.

18 Appreciate that.

19 MR. ANTHONY GUERRA: So, we will

20 provide that by way of undertaking, subject obviously,

21 to the attributes that we can provide.

22 BOARD MEMBER IRELAND: Yes. Thank

23 you. Of course.

24 MR. ROB SMITHSON: Thank you.

25 BOARD MEMBER IRELAND: Thank you very

1 much.
2
3 --- UNDERTAKING NO. 4: MPI to provide the number of
4 customers who fit into that Extension
5 eligible pool who'd be migrated into
6 the new seven hundred fifty dollar
7 (\$750) Extension product and all the
8 customers who would move from the seven
9 hundred fifty (750) into the one
10 thousand (1000), the non-Extension
11 eligible group and any other attributes
12 that can be provided.

13
14 PANEL CHAIRPERSON: Ms. Sharman ...?

15 BOARD MEMBER SHARMAN: I have no
16 additional questions. My questions have been asked.

17 PANEL CHAIRPERSON: Thank you. I have
18 one question that arises from a question posed by
19 Board Counsel, I think to Mr. Smithson and that
20 related to the negative option marketing.

21 And I just wondered whether MPI has
22 considered the application of the provisions of the
23 Consumer Protection Act of Manitoba sections 174 to
24 176 in relation to the negative option marketing.

25

1 (BRIEF PAUSE)

2

3 MR. ROB SMITHSON: Sorry about that.

4 As part of our transition plan, we work with the
5 Government of Manitoba in development of transition
6 regulations that are evaluated by the Government of
7 Manitoba's legal team as well as MPI's legal team to
8 ensure we're complying with the law.

9 PANEL CHAIRPERSON: Thank you.

10 MR. ROB SMITHSON: It's also the same
11 -- sorry. The same methodology used last time with
12 SIRF. At that same time transition regulations were
13 developed in the same way.

14 PANEL CHAIRPERSON: Okay. Thank you.
15 Mr. Guerra...?

16 MR. ANTHONY GUERRA: Thank you, Madam
17 Chair. I just have a couple of questions on redirect.
18

19 RE-DIRECT EXAMINATION BY MR. ANTHONY GUERRA:

20 MR. ANTHONY GUERRA: Perhaps I'll pose
21 this first to you, Mr. Sarginson.

22 Would you agree with the statement that
23 a driver who is at fault for a motor vehicle accident
24 where they are not the registered owner of the vehicle
25 they are driving, suffers no negative financial

1 consequences as a result of the accident?

2 MR. PATRICK SARGINSON: No. So, the
3 Driver Safety Rating assigns minus 5 penalty to any
4 driver who is in an at-fault accident. So, if that
5 driver then, you know, moves further down the scale,
6 they could have an additional driver premium and those
7 additional driver premiums can add up to almost three
8 thousand dollars (\$3,000) for the worst drivers who
9 are at minus 20.

10 MR. ANTHONY GUERRA: And sorry, keep
11 your mic on, please. Would you agree with the
12 statement that the Driver Safety Rating or DSR as
13 currently constituted does not incentivize safer
14 driving?

15 MR. PATRICK SARGINSON: No, I would
16 say the opposite actually, I think it does incentivize
17 safer driving. And I think even through the IRs that
18 we received this year, there was one specifically that
19 spoke to how drivers actually improved on the DSR
20 scale after they received an at-fault claim or a
21 conviction that hit their driver record.

22 So, I think this was in response, I
23 think to a CMMG IR where we pulled data that showed
24 that 90 percent of the drivers who had received an at-
25 fault accident or a conviction on their record

1 improved the following year and moved up the scale as
2 a result. So maybe I -- I'll just leave it there.

3 But I think that that sort of gives
4 some evidence of the fact that it is an effective tool
5 at incentivizing safer driving.

6 MR. ANTHONY GUERRA: And just for the
7 benefit of the panel, which Information Request are
8 you referring to?

9 MR. PATRICK SARGINSON: Sorry, that's
10 CMMG-2-4.

11 MR. ANTHONY GUERRA: Thank you. And
12 this question is to you, Ms. Campos.

13 My Friend from the Consumers Coalition
14 was previously asking you questions in regards to a
15 news article that had been posted by the Canadian
16 Broadcasting Corporation or CBC.

17 Do you recall that?

18 MS. MARIA CAMPOS: I do.

19 MR. ANTHONY GUERRA: And there was a
20 discussion between My Friend and yourself in regards
21 to a position that had been presented by Ms. Seel on
22 behalf of MPI. Do you recall that?

23 MS. MARIA CAMPOS: I do.

24 MR. ANTHONY GUERRA: And I understand
25 that you have had subsequent communications with Ms.

1 Seel in regards to the statement that was provided to
2 the Canadian Broadcasting Corporation.

3 Is that correct?

4 MS. MARIA CAMPOS: Yes, that's
5 correct.

6 MR. ANTHONY GUERRA: And based on your
7 communications with Ms. Seel, would you indicate that
8 the -- or would you characterize the response
9 attributed to her by the CBC as being accurate?

10 MS. MARIA CAMPOS: Not wholly.

11 MR. ANTHONY GUERRA: Okay. And do you
12 have the precise response that Ms. Seel provided to
13 the CBC in response to that article?

14 MS. MARIA CAMPOS: I do. And I'm
15 happy to read it in.

16 MR. ANTHONY GUERRA: Please do

17 MS. MARIA CAMPOS: So, the proposed --
18 the response that was provided to CBC was:

19 "The proposed bill would formally
20 establish the use of the Driver's
21 Safety Rating of a vehicle's
22 registered owner for determining
23 premiums and/or discounts. This
24 approach commonly known as the
25 'Registered Owner Model' is the

1 only model many Manitobans have
2 ever known. Accordingly, the bill
3 would confirm that Manitoba Public
4 Insurance must apply this model
5 when calculating vehicle premium
6 discounts.
7 The DSR of the registered owner is
8 one of four factors used to dist -
9 - determine insurance premiums.
10 The other factors include: vehicle
11 use, for example, all purpose,
12 pleasure; vehicle type and
13 geographic location where the
14 vehicle is being driven. While no
15 model is without limitations. All
16 models used across Canada,
17 including the registered owner
18 model, are consistent with
19 accepted actuarial practice.
20 Although private insurers do not
21 use this model, MPI is not alone
22 among public insurers.
23 Saskatchewan government insurance
24 also applies it. On the matter of
25 fairness, MPI notes, that in a

1 public survey conducted last year,
2 a majority of Manitobans expressed
3 confidence in the fairness of the
4 current DSR system. When
5 presented with alternative
6 insurance models, Manitobans
7 showed the strongest support for
8 retaining the registered owner
9 model. This result was not
10 surprising. The registered owner
11 model offers a straightforward and
12 user-friendly process for ensuring
13 vehicles and changing from the
14 tried and true system would be
15 very disruptive for customers, MPI
16 and its partners.
17 Importantly, regardless of the
18 model used, drivers found at-fault
19 in an accident will still face a
20 surcharge on their driver's
21 license. MPI regularly updates
22 the DSR scale to improve its
23 fairness by ensuring that the
24 safest drivers receive the highest
25 discounts."

1 MR. ANTHONY GUERRA: Thank you, Ms.
2 Campos. And just for the record, would you agree that
3 this sentiment shared by Ms. Seel to the Canadian
4 Broadcasting Corporation is a fair and accurate
5 representation of MPI's position with respect to the
6 registered owner model?

7 MS. MARIA CAMPOS: Yes, I would.

8 MR. ANTHONY GUERRA: Thank you. I
9 have no further questions.

10 PANEL CHAIRPERSON: Thank you, Mr.
11 Guerra. And thank you very much to the panel for
12 appearing this afternoon and providing your evidence.

13 The day tomorrow was labeled as
14 'contingency', and it appears that we will not require
15 any of the time that has been set aside for tomorrow.
16 So, we will adjourn now until Monday, on October 20th,
17 at nine o'clock in the morning and come back with the
18 MPI Expenses and Financial Forecasting Panel. Thank
19 you.

20

21 --- Upon adjourning at 3:38 p.m.

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Certified Correct,

Wendy Woodworth, Ms.