



“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

Oct 22, 2025

Pages 1242 to 1451

1 APPEARANCES

2

3 Todd Andres) Board Counsel

4 Kara Moore) Board Counsel

5 Trevor Yakimchuk) Board Counsel

6 Darren Christle) Board Staff

7 Jennifer Dubois) Board Staff

8 Kristen Schubert) Board Staff

9 Christie Dweh) Board Staff

10 Roger Cathcart) Advisor

11 Michael Gandhi) Advisor

12 Blair Manktelow) Advisor

13

14 Steve Scarfone (Counsel)) Manitoba Public

15 Ted Meira (Counsel) (np)) Insurance

16 Eric Wishnowski (np)) Counsel

17 Anthony Guerra (np)) Counsel

18

19 Chris Klassen) CAC (Manitoba)

20 Katrine Dilay)

21 Victoria Cloutis)

22

23 Charlotte Meek) CMMG

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

APPEARANCES (cont'd)

Karen Wittman (np)) Taxi Coalition
Alisen Kotyk (np))

1	Table of Contents	
2		Page No.
3	List of Exhibits	1246
4	List of Undertakings	1247
5		
6	MPI PANEL: RATEMAKING	
7		
8	CARA LOW, previously Affirmed	
9	KHURRAM MASUD, previously Affirmed	
10		
11	Examination-in-Chief by Mr. Steve Scarfone	1250
12	Cross-Examination by Mr. Todd Andres	1278
13	Cross-Examination by Ms. Katrine Dilay	1392
14	Cross-Examination by Ms. Charlotte Meek	1434
15	Re-direct Examination by Mr. Steve Scarfone	1444
16		
17		
18		
19		
20		
21		
22	Certificate of Transcript	1451
23		
24		
25		

1	LIST OF EXHIBITS		
2	Exhibit No.	Description	Page No.
3	MPI-46	Ratemaking presentation	1250
4	MPI-47	Sales of fuel used for road	
5		motor vehicles.	1448
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

1		LIST OF UNDERTAKINGS	
2	No.	Description	Page No.
3	11	MPI to explain an increase	
4		of \$1.961 million to towing and other	
5		things. Contract towing was based on	
6		best estimates provided by the business	
7		at the time of budget preparation, not	
8		necessarily due to due to the	
9		Diversified Towing Model.	1298
10	12	Commission flat fees for the	
11		2025/26 rating year were 7,392,000, an	
12		increase of 23.8 percent. MPI to	
13		explain what caused this increase.	1305
14	13	MPI to provide a breakdown by	
15		Activity	1327
16	14	It would be anticipated that	
17		there would be a greater number	
18		captured in the uncapped rate groups as	
19		opposed to the capped rate groups.	
20		Explain the difference between the	
21		uncapped and capped.	1365
22	15	MPI to advise with respect to figure	
23		BDC-3, is that the median or the	
24		average price indicated in the figures,	
25		under the lines 2024 and 2019.	1369

1	LIST OF UNDERTAKINGS		
2	No.	Description	Page No.
3	16	MPI to provide the impact of the deductible change on the rate indication broken down by major class	1437
4	17	MPI to provide historically how the changes in the new money yield have impacted the motorcycle rate specifically.	
5		(TAKEN UNDER ADVISEMENT)	1444
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

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

2

3 PANEL CHAIRPERSON: Good morning,
4 everyone. This morning we'll continue with the MPI
5 Ratemaking Panel.

6 Mr. Scarfone, would you please
7 introduce your Panel?

8 MR. STEVE SCARFONE: Yes. Good
9 morning, Madam Chair. The Ratemaking Panel before
10 you, Madam Chair, is comprised in the front row of
11 Cara Low, Vice President and Chief Actuary, and
12 Khurram Masud, Director of Pricing and Actuarial
13 Forecasting.

14 In the back row at the -- at my --
15 behind me at my far right is Maria Campos, Vice
16 President and Chief Customer and Product Officer.
17 Beside Ms. Campos is Simmi Mann, our customer product
18 design and specialty program lead.

19 Beside her is Satvir Jatana, President
20 and Chief Executive Officer. Also in the back row is
21 Rino Trunzo, Actuarial Analyst. And beside that
22 gentlemen, Ms. Ngoc Ly, Manager of Pricing Operations.
23 And lastly, Paolo Medina, Asset Liability Manager
24 Lead.

25 PANEL CHAIRPERSON: Thank you very

1 much. And your witnesses have been sworn, so please
2 proceed.

3

4 MPI PANEL: RATEMAKING:

5

6 CARA LOW, previously Affirmed

7 KHURRAM MASUD, previously Affirmed

8

9 MR. STEVE SCARFONE: Yes. And just
10 before we begin, a couple housekeeping matters, the
11 first of which is to mark as MPI Exhibit number 46 the
12 ratemaking presentation that the Panel will hear this
13 morning.

14

15 --- EXHIBIT NO. MPI-46: Ratemaking presentation

16

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

18 MR. STEVE SCARFONE: And is it Ms.
19 Schubert or Ms. Dweh working the controls? If we
20 could have her bring up before us the transcript from
21 October 16 at line -- or at page 774, please. We have
22 a correction to make to the record, Madam Chair.

23

24 Thank you. If we can scroll down to
25 the question that was put to Mr. Sarginson by counsel
for the CMMG, Ms. Meek. And so, you'll see there Ms.

1 Meek was asking questions of the Panel. Mr. Sarginson
2 answered. So, she was asking about motorcycle rates
3 and how the deductible would impact upon those
4 motorcycle rates. And you'll see his response there,
5 scrolling down a bit.

6 "We understand that bodily
7 injuries, the frequency is down
8 slightly, but the severity of
9 those accidents is up. And my
10 understanding is that, although
11 motorcycle rates are -- if we can
12 scroll down, please -- in my
13 understanding, that although
14 motorcycle rates are being
15 impacted by this deductible
16 change, the increase would be much
17 higher if it weren't for the
18 deductible change."

19 And so that response requires some
20 clarification, as I understand it.

21 MS. CARA LOW: Good morning. We just
22 wanted put on record that they increase for the -- or,
23 like, the savings from the deductible change is at a
24 90 basis point. So, the AAP for motorcycles would've
25 been plus 0.9 percent higher if it wasn't for the

1 deductible change, so.

2 And your interpretation of whether
3 that's much higher or not, I'll leave that up to you.

4 MR. STEVE SCARFONE: So, it may not be
5 much higher. It could be higher. So, we just didn't
6 want to leave that adjective out there without some
7 clarification.

8 And with that, we will begin our
9 presentation this morning. I believe Ms. Low is
10 starting it off.

11 MS. CARA LOW: Good morning. If we
12 could go to the next slide, please. Yeah, that one
13 there.

14 So, yesterday we were talking about
15 claim forecasting, which has the largest impact on the
16 premiums being charged. This Panel is going -- billed
17 on the claims forecast and we're going to discuss the
18 overall AAP rate indication.

19 So, an AAP rate indication is a
20 required rate change determined by the actuaries based
21 on the best estimate at the time the work is being
22 completed. That number could change as if you had new
23 information. But we have a time -- point in time, and
24 that's best estimate at that time.

25 And when I say "best estimate," there

1 is no bias to being too low or too high in our
2 pricing. It's our best estimate. You will often hear
3 this referred to as AAP since it's completed within an
4 accepted actuarial practice as per the Canadian
5 Institute of Actuary Standards of Practice.

6 So, today we're going to be reviewing
7 the AAP rate indication of plus 2.07 percent. It was
8 based on March 31st, 2025, data for the most part.
9 And we filed this AAP in this past June. The 2.07
10 percent rate indication includes the impact of the
11 move to a thousand dollar deductible, which reduces
12 the AAP by roughly 3 percent.

13 MPI is requesting that the rate
14 indication that is filed in the June submission is a
15 final rate indication and to discontinue the practice
16 of updating the rate indication in the fall.

17 The only assumption updated in the fall
18 in the AAP is a new money yield, which is a discount
19 rate used to reflect the time value of money as claims
20 are paid in the future.

21 MPI has provided evidence that the
22 updated new money yield used in the fall filing is not
23 more predictive than the yield used in the June
24 filing, yet there is a heavy workload for the
25 Corporation to complete the update.

1 After the AAP rate indication is
2 completed, the amount of premium that needs to be
3 collected is known. From there, the actuarial team
4 works on how that will be achieved.

5 So, basically, I always like to think
6 of it as we know how big the pie needs to be. Then we
7 need to slice and dice the pie between the ratepayers.
8 MPI has two ratemaking initiatives filed in this
9 year's GRA that will impact this process.

10 The first is the expansion of rate
11 groups so that more expensive vehicles are paying a
12 more equitable premium. The other is expansion of the
13 DSR scale up to DSR level 20 and expanding the
14 discounts for DSR level plus two (2) and upwards.
15 These initiatives assist with fairness and rates and
16 ensuring that the premium charge reflects the risk of
17 the exposure.

18 MPI will also be discussing the
19 parallel rates that were filed created through the
20 generalized linear model to increase the accuracy of
21 risk classification and to modernize the pricing
22 methodology.

23 These rates were submitted, not for
24 approval at this time, but for information,
25 discussion, and feedback with the intention of using

1 this new model next year in the '27 GRA.

2 So now, if we can go to slide 4. We
3 see a summary of the overall AAP rate indication.
4 When we talk about AAP rate -- rating, we're talking
5 about all expected claims and expenses being factored
6 into the pricing. As a Basic line of business, it is
7 not-for-profit. There is no profit provision built
8 into the pricing.

9 So, on this slide, we can see the loss
10 cost. The loss cost is a claims forecast that we
11 talked about yesterday divided by the number of
12 forecasted vehicles. This is discounted to reflect
13 the time value of money.

14 So, you'll see that on average, we need
15 to collect eight hundred and two dollars and sixty-
16 four (\$802.64) cents to cover the cost of claims. But
17 we also have expenses. The expenses do vary by
18 expenses to run the claims team, and also operating
19 expenses.

20 So, when we add in the claims -- or
21 when we add in expenses -- sorry -- and the variable
22 expenses, and those are the expenses that vary by the
23 size of the premium collected. So, those are your
24 broker commission and your premium tax. So, when you
25 add in the claims costs and all the expenses, on

1 average, we need to collect one thousand one hundred
2 and thirty-three dollars and 94 cents (\$1,134.94). So
3 that's your required premium.

4 Then you'll see something called the
5 adjusted required premium. That's adjusted for the
6 fact that we collect premiums before a claim happens.
7 So, we have some investment income there that can
8 reduce the claim down; also reflects the fact that
9 there is some additional revenue coming from service
10 fees and the premium on your driver's licence.

11 So, the adjusted required premium is
12 one thousand thirty-three dollars and eighty-six cents
13 (\$1,033.86). So, that's a final number that the
14 actuaries have estimated that we need to collect in
15 the '26 rating year.

16 Now, if you look at the recurrent
17 premium, this is how much we expect to collect if we
18 didn't do any rate change. So, it's a thousand
19 dollars -- a thousand and twelve dollars and eighty-
20 eight cents (\$1,012.88). And if you compare those two
21 (2) numbers, it's showing that there's going to be a
22 deficit of 2.07 percent. So, that's your AAP. This
23 is the rate deficiency and the rate ask for next year.

24 So, if you can go on to the next slide,
25 we can talk about the impact of the Basic deductible.

1 So, the loss cost per vehicle is reduced by twenty-
2 five dollars (\$25) per vehicle because of the
3 introduction of the eight thousand dollar (\$8,000)
4 deductible.

5 The claim expenses and variable
6 expenses are reduced as well as a proportional to
7 claim dollars and premium dollars respectively. The
8 fixed expenses remain the same.

9 So, if MPI had not made the decision to
10 move to a thousand dollars deductible, the AAP rate
11 indication would have been 5.01 percent. The decision
12 was made for affordability and to offer choice as
13 ratepayers can have the option of purchasing the seven
14 hundred and fifty dollar (\$750) deductible through the
15 Extension line of business. On to the next slide.

16 So, once again, after we determine the
17 size of the pie, we need to figure out how to slice
18 and dice the pie. The first step is looking at major
19 classes. You see the six (6) major classes on the
20 slide here.

21 The rate indication varies a fair bit
22 between the major classes due to the composition of
23 the type of claims, the claims experience, and the
24 credibility attached to the data. And in addition,
25 this year the expansion of the rate groups and the

1 introduction of the deductible doesn't impact each
2 major class the same. Sometimes there's no impact.
3 For example, trailers, you don't have a DSR discount.
4 So, as you expand the DSR discount, there's no impact
5 to trailers. So, if we go to the next slide now.

6 We're going to move our attention away
7 from the current AAP to talk about the rate update
8 that's done in the fall time. The only assumption --
9 one (1) more slide, please.

10 So, the only assumption that changes in
11 the AAP is a new money yield. So, I just want to talk
12 about the new money yield for a minute. This slide
13 shows how the new money yield is determined and
14 compares the March 31st calculation used in the June
15 filing to the August 31st calculation used in the
16 September rate update.

17 The new money yield is a weighted
18 average of the actual yields of the asset classes
19 within the Basic claims investment portfolio based on
20 the duration of the assets held. The yields are
21 naive, which means that the current yields are used
22 and there's no forecasted change to the yield.

23 So, in this case, a new money yield is
24 used as a proxy for the yield that'll be starting
25 March 31st, 2027, until all claims are paid out, which

1 could be decades down the road.

2 The March 31st new money yield net of
3 expenses is 4.09 percent. The August 31st new money
4 yield is a blend of August and July. Because of the
5 rate update being due for -- in the third week of
6 September, we don't always have the August actuals
7 available depending on the asset class. But we call
8 it the August new money yield, but it's a blend of
9 August and July, and that landed at 4.38 percent.

10 The increase over the five (5) months
11 was due to the change in the ten (10) year government
12 of Canada Bonds. They rose over that period. So,
13 this means that AAP rate indication reduced from 2.07
14 percent to 1.57 percent because if you have higher
15 investment expectations coming in, you can collect
16 less from insurance premium.

17 So, if you look at this slide, it seems
18 pretty easy. You just update the discount rate. So,
19 let's -- the question became -- sorry. The question
20 became whether the yield twenty-four (24) months in
21 advance of when the claim is going to occur is more
22 predictive or less predictive of the discount rate
23 nineteen (19) months in advance of when the claim was
24 going to occur.

25 So, then if you go to the next page.

1 We did an analysis comparing the historical March and
2 August new money yields restated to be on the current
3 asset mix, and we compared it to the actual results.
4 The March new money yield actually outperformed the
5 August new money yield six (6) out of nine (9) years
6 by an -- by an average of 15 basis points.

7 The conclusion was there was no
8 compelling evidence that August new money yield
9 consistently delivered more accurate results.

10 Now in the past, my understanding,
11 prior to 2020, there was a forecasted yield being
12 used, and maybe that was a case back in those days.
13 But because it's a naive yield at this time, there is
14 no predictability between March -- August versus March
15 new money yield. Now, if we go to that next slide.

16 It seems that if you just update one
17 (1) number, it should be a very quick exercise and
18 this shouldn't be a big deal. But -- but we can see
19 here that the Corporation actually tracked the number
20 of hours to do the rate update. And we landed at two
21 hundred and fifty-seven (257) hours over a number of
22 teams.

23 So, the -- the teams are working on the
24 rate update. But in the meantime, they're also
25 working on things like finalizing Round 2 of IRs,

1 reviewing Intervener evidence, preparing for these
2 Panels, completing pre-asks, and, of course, doing
3 non-PUB related work that always is there.

4 So, what are we doing for these two
5 hundred and fifty-seven (257) hours? If we go to the
6 next slide, I can give you a little bit of insight.

7 When we do the rate update, there's
8 really two (2) work products you're going to see.
9 You're going to see the updated AAP, but you're also
10 going to see updated proformas.

11 The updated AAP is relatively easy.
12 The investment team updates a new money yield that you
13 just saw in a couple of slides previously. They take
14 that one (1) discount yield. They hand it over to the
15 pricing team. They pop it into a spreadsheet, and we
16 can get that really quickly.

17 However, then that is kind of the tip
18 of the iceberg and the pricing team then has to go and
19 recalculate rate tables for every single premium out
20 there. So, you think about all the different rate
21 groups, uses, and territories, and DSR. There's tens
22 of thousands of rates they have to recalculate.

23 So, then you have your current rate
24 tables. You have your proposed rate table. You have
25 about 1.3 million vehicles. You have to rerate every

1 single vehicle in order to do what we call a
2 dislocation analysis to know the impact on every
3 single individual vehicle within the province.

4 So, yes, it takes only an hour maybe to
5 update the new money yield. It takes two (2) weeks
6 then to redo all the exhibits attached to that.

7 Now, the second work product is an
8 updated proformas conduct by our finance team. They
9 get updated investment assumptions from the investment
10 team. They also get the updated AAP from the pricing
11 team. Then they also get updated unpaid claim
12 liabilities updated with new discounting yield curves
13 from the valuation team.

14 They have to consume all of that, and
15 then put it through their proformas and make sure all
16 the checks and balances are completed.

17 And then for the last slide -- oh, I
18 guess we missed the slide, sorry. The next slide is a
19 financial model that we just talked about. And then
20 the last slide, of course, is our Regulatory Affairs.
21 They support us all the way through.

22 So, you have all these exhibits coming
23 from these various team members. Our Regulatory
24 Affairs team then has to work very hard to make sure
25 everything's formatted correctly, labels are proper,

1 everything's been reviewed, workflow check, and put it
2 all together so that you guys can consume the
3 information.

4 So, overall, the August update filed in
5 September is not more predictive, but it's a very,
6 very onerous burden and it's done in very much of a
7 rushed fashion compared to our June filing, so very
8 difficult to get out. It's very difficult to get out
9 without errors and provides no predictive value. All
10 it does is create a burden on the Corporation, which
11 is then for -- the costs of passed on to ratepayers.

12 I'm going to now hand it over to Mr.
13 Masud.

14 MR. KHURRAM MASUD: Thank you very
15 much. My name is Khurram Masud. And I'll be taking
16 you through the initiatives that Cara alluded to in
17 her presentation earlier. And I'll also talk about
18 the implementation or the Transition Plan of
19 generalized linear models.

20 Rate group expansion is the first
21 initiatives I'll walk you through. In 2026 GRA, MPI's
22 proposing to expand the clear rate groups from zero to
23 41, as it currently stands, to zero to 45. That is an
24 increase of four (4) rate groups; 42, 43, 44, and 45.

25 This expansion also increases the rate

1 group cap of plus one (1) currently, two (2) plus five
2 (5), allowing vehicles to move more than one (1) group
3 per year if warranted.

4 So, what are these rate groups? Rate
5 groups represent the relative costliness of a vehicle
6 to insure. Vehicles that are riskier or more
7 expensive to repair are assigned to higher rate
8 groups.

9 CLEAR rate groups, as we call it, come
10 from IBC Insurance Bureau of Canada, and Industry
11 Association, which has ninety-nine (99) rate groups.
12 MPI, however, currently caps the rate groups to 42,
13 resulting in large concentration in the highest rate
14 group.

15 For instance, rate group 41, which is
16 our -- currently the highest rate group, includes both
17 high-end vehicles such as Rolls-Royce Cullinan and
18 Ferrari California, as well as mainstream models like
19 Chevrolet Blazer and Dodge Charger.

20 By expanding the rate group to 45, MPI
21 will be able to better differentiate vehicles --
22 better differentiate costlier vehicles, allowing
23 vehicles such as Rolls-Royce Cullinan and Ferrari to
24 move up to rate group 45.

25 We believe this expansion improves

1 fairness by better aligning vehicle classification
2 with their two (2) risk profiles. It will also help
3 reduce cross-subsidization, ensuring that higher
4 vehicles -- higher -- higher risk vehicles and costly
5 vehicles are no longer subsidized by low risk ones.

6 Similar to last year, the additional
7 premium generated from vehicles moving into these new
8 rate groups is not revenue neutral. What does this
9 mean? This means the extra premium collected is
10 allowed to flow through as additional revenue. As a
11 result, the change is expected to increase the
12 projected premium by approximately 3.1 percent.

13 MPI does recognize that a plus five (5)
14 rate group movement may result in premium dislocation
15 for some vehicles. However, this change addresses the
16 prior limitation of plus one (1) cap which prevented
17 some vehicles from reaching their appropriate risk-
18 based classification and paying a lower premium than
19 warranted. Next slide, please.

20 The other rate -- ratemaking initiative
21 is DSR. As for the PUB order, MPI expanded the DSR to
22 twenty (20) levels and moved one third of the way
23 towards actuarially indicated discounts. The additional
24 discounts and introduction of new DSR leads to a
25 revenue reduction of 4.62 percent, implying that the

1 base premium with no DSR discount at level zero
2 experience of 4.62 percent positive offset.

3 We continue to treat DSR as a
4 continuous variable rather than discrete steps. This
5 approach allows us to smooth out volatility,
6 particularly in DSR levels with low volumes.

7 Treating DSR as discrete steps can
8 result in volatile discount changes between adjacent
9 DSR levels, and also from one year to the next year.
10 Moreover, manually smoothing twenty (20) DSR --
11 eligible DSR levels would not only be tedious, but
12 would also introduce a fair bit of subjectivity into
13 the process.

14 The continuous treatment is also
15 consistent with how we handle rate groups, which are
16 similarly treated as numerical variables rather than
17 categorical variables, to support stable and objective
18 pricing. Next slide, please. And another one. Next
19 one, please.

20 In last year's GRA, MPI presented an
21 alternate analysis of relativities to the PUB,
22 focusing only on major class one. This year, we
23 expanded the analysis to all major classes as part of
24 our broader transition plan towards implementation of
25 GLM.

1 MPI anticipates full implementation of
2 GLM in next year's GRA, where GLM drive relativities
3 will be used to file premium for all major classes.
4 This is a significant step in modernizing our
5 ratemaking approach while maintaining stability and
6 fairness. Next slide, please.

7 To minimize dislocation and disruption
8 to any other part of the ratemaking process, MPI has
9 maintained all other processes around relativity
10 calculation in their current state. Under the
11 proposed GLM approach, MPI intends to use same rating
12 variables currently being used in the minimum bias
13 procedure.

14 GLMs will be applied to determine both
15 rate line relativities and experience adjustments
16 within the existing classification framework. This
17 ensures smooth transition to GLMs while preserving the
18 structure and integrity of the current ratemaking
19 process. Next slide, please.

20 Our analysis shows that about 93
21 percent of vehicles have premiums within plus or --
22 plus or minus 5 percent of those calculated using
23 minimum bias procedure.

24 And within this table, you might notice
25 that right at the top, there's a dislocation of 3.1

1 percent of vehicles that will experience a decrease of
2 between 30 and 25 percent. Who are these vehicles?
3 These are predominantly trailers whose premiums are
4 typically less than a hundred dollar per year.

5 These vehicles are highly sensitive to
6 small changes in relativities, which can appear as
7 large numbers in percentage terms, but are modest in
8 absolute dollar. Next slide, please.

9 To summarize, MPI intends to implement
10 GLM for all major classes in the next year's GRA. As
11 part of model validation, we intend to use a holdout
12 dataset alongside the modeling dataset to ensure
13 robustness and reliability of the process.

14 Looking ahead, future refinements will
15 focus on enhanced predictive accuracy and improving
16 transparency as we transition over to GLMs. Next
17 slide, please.

18 Here's a recap of the ratemaking
19 portion of 2026. MPI is seeking an approval of 2.07
20 percent rate indication for the rating year 2026/'27,
21 based on actually accepted principles practice.

22 We are not filing for a rate update
23 based on August new money yield. As part of the DSR
24 changes we are adding DSR level 20 and have moved one
25 third of the way towards the actually indicated

1 discounts. The deductible under Basic coverage
2 increases to a thousand dollars.

3 And we are expanding the rate group
4 scale from the current forty-two (42) rate groups to
5 forty-six (46) rate groups with a plus five (5) rate
6 group cap to allow for more accurate vehicle
7 classification.

8 In the next year's GRA, MPI intends to
9 implement GLM for the next -- for the rate
10 application. This concludes the presentation. And
11 happy to take your questions. Thank you very much for
12 your time and attention.

13 PANEL CHAIRPERSON: Thank you. Mr.
14 Scarfone...?

15 MR. STEVE SCARFONE: Thank you, Madam
16 Chair.

17

18 CONTINUED BY MR. STEVE SCARFONE:

19 MR. STEVE SCARFONE: Thank you for the
20 presentation, Ms. Low and Mr. Masud, sorry. We have -
21 - I want to follow up with you, Ms. Low, on the part
22 about MPI's request of this Board to discontinue its
23 October update.

24 And there was an appendix filed with
25 respect to that, Ms. Low, attached the update that was

1 filed in this proceeding, yes?

2 MS. CARA LOW: That is correct.

3 MR. STEVE SCARFONE: And you're
4 familiar with that submission?

5 MS. CARA LOW: I have read it.

6 MR. STEVE SCARFONE: And, Ms. Dweh,
7 could we have brought up before us PUB order 151/13,
8 please. Thank you.

9 And we'll be going through some of this
10 order with respect to the submission to discontinue
11 the October update, Ms. Low, but, firstly, let me just
12 confirm.

13 Is it your understanding that the
14 update -- the practice of updating MPIC's rate
15 Application first began in 2013, so that would be with
16 the 2014 General Rate Application?

17 MS. CARA LOW: That is my
18 understanding, yes.

19 MR. STEVE SCARFONE: And we heard from
20 your presentation evidence about the concerns the
21 Corporation has with respect to the accuracy of one
22 forecast versus another, correct?

23 MS. CARA LOW: Correct. But again,
24 we're not forecasting the new money yield. It's a
25 naive yield.

1 MR. STEVE SCARFONE: Yes. And I'll --
2 I'll get to that --

3 MS. CARA LOW: M-hm.

4 MR. STEVE SCARFONE: -- briefly. But
5 if we can go back to 2013 and look at the rationale
6 for the Board having started this practice of -- of
7 having the Corporation update its Rate Application, so
8 on page 12, please, of this particular order. Thank
9 you.

10 And you'll see there at the first
11 bullet the Board has some concern about MPI's, at the
12 time, new interest rate forecasting methodology?

13 MS. CARA LOW: I see that.

14 MR. STEVE SCARFONE: And can you go
15 down now to play -- page 28 where that's more fully
16 explained, please. Thank you. And scrolling down
17 please.

18

19 (BRIEF PAUSE)

20

21 MR. STEVE SCARFONE: And therein,
22 you'll see they detail their concern, where MPI had
23 proposed a new methodology by which to forecast its
24 investment income.

25 It now measured the impact of interest

1 rate changes on investment income and claims
2 liabilities whereas the methodology employed by the
3 Corporation before did not do so.

4 It previously relied upon a matching
5 strategy pursuant to which changes in the valuation of
6 claims liabilities were assumed to be offset to a
7 significant degree by changes in the valuation of
8 marketable bonds.

9 Do you see that now?

10 MS. CARA LOW: I do see that.

11 MR. STEVE SCARFONE: There's a lot of
12 words there. Can you explain what your understanding
13 of that proposed change back then was?

14 MS. CARA LOW: Just reading through
15 this and my understanding -- but this was before my
16 time -- was that they used to try to forecast what the
17 interest rate changes was going to be in the future,
18 which is a very difficult thing for anyone to do. And
19 we certainly don't have the expertise at MPI to
20 forecast interest rate changes.

21 MR. STEVE SCARFONE: Thank you. And
22 you made reference to a naive yield, correct?

23 MS. CARA LOW: Correct.

24 MR. STEVE SCARFONE: And that
25 particular methodology has been in use now by MPIC for

1 some time?

2 MS. CARA LOW: Yes.

3 MR. STEVE SCARFONE: And in 2013, I
4 understand that the Corporation was making use of
5 another interest rate forecasting methodology,
6 correct?

7 MS. CARA LOW: Correct.

8 MR. STEVE SCARFONE: And that was
9 known as the Standard Interest Rate Forecasting
10 methodology?

11 MS. CARA LOW: That is my
12 understanding, yes.

13 MR. STEVE SCARFONE: Or known as SIRF?

14 MS. CARA LOW: Yes.

15 MR. STEVE SCARFONE: And can you
16 explain the differences just briefly between the two
17 (2) forecasting methodologies and why the Corporation
18 moved away from the SIRF to make use of naive?

19 MS. CARA LOW: One minute, please.

20

21 (BRIEF PAUSE)

22

23 MS. CARA LOW: My understanding is the
24 SIRF would be based on the major banks and their
25 interest rate forecasting, which tend to be sometimes

1 optimistic. And so, there was one year, I can't
2 recall which year, there was a significant loss by MPI
3 because we didn't of course get the yields that were
4 forecasted.

5 MR. STEVE SCARFONE: And in your view,
6 has movement to the naive forecasting methodology
7 improved MPIC's ability to forecast interest rates,
8 changes in interest rates?

9 MS. CARA LOW: I think it just creates
10 somewhat more stability, but it also just creates the
11 fact that we're not trying to assume something that
12 we're not capable of assuming, right. So, we can't
13 forecast interest rates, so let's not pretend we can
14 forecast interest rates. It's based on known data at
15 the point in time.

16 MR. STEVE SCARFONE: Thank you. And
17 to page 27, please. Thank you.

18 Beginning with the paragraph reading,
19 "The effectiveness," you'll see there that another
20 concern that this Board had back in 2013 was that the
21 effectiveness of the Corporation's duration matching
22 was complicated by the fact that the Corporation's
23 investment portfolio is managed as a whole and Basic's
24 portfolio is not separately managed.

25 Do you see that?

1 MS. CARA LOW: I do see that.

2 MR. STEVE SCARFONE: And does that
3 remain the case today?

4 MS. CARA LOW: No. We do now have
5 five (5) separate investment portfolios. We have one
6 that backs the claim liabilities of the Basic line of
7 business, which is what we use to derive the new money
8 yield. And, of course, we have the rate stabilization
9 reserve. We have the EFB, the employee future
10 benefits, and then for the Extension and for the SRE.

11 MR. STEVE SCARFONE: And further into
12 that paragraph, it reads that:

13 "A big part, as described by this
14 Board, of the fixed income
15 portfolio support and the claims
16 liabilities, is in non-marketable
17 MUSH bonds."

18 Does that remain the case today?

19 MS. CARA LOW: No. MUSH bonds are not
20 now marked to market. They're at market value on the
21 balance sheet.

22 MR. STEVE SCARFONE: So, it just --
23 you just got ahead of me there a bit, but do we still
24 have MUSH bonds in our port --

25 MS. CARA LOW: Oh, we still do have

1 MUSH bonds, yes.

2 MR. STEVE SCARFONE: But their --
3 their status, if I can call it that, has changed since
4 2013?

5 MS. CARA LOW: Right. Under IFRS-9,
6 they changed.

7 MR. STEVE SCARFONE: And what was the
8 effect of the Corporation's implementation of that
9 financial reporting standard on how MUSH bonds are
10 treated?

11 MS. CARA LOW: They're now held at
12 market value, so marked to market.

13 MR. STEVE SCARFONE: And what were
14 they previously?

15 MS. CARA LOW: They were amortized
16 value.

17 MR. STEVE SCARFONE: And how does that
18 change impact upon MPIC's ability to accurately
19 forecast interest rate changes, if at all?

20

21 (BRIEF PAUSE)

22

23 MS. CARA LOW: We used to carve out
24 the MUSH bonds, but now that they're marked to market,
25 we can include the actual yield of the bonds.

1 MR. STEVE SCARFONE: Thank you. And
2 then lastly, if you just look to the first full
3 paragraph on the screen where it reads:

4 "Duration matching of investments
5 in claims liabilities does not
6 mean that net income is immunized
7 against interest rate changes."

8 You see that?

9 MS. CARA LOW: I do see that.

10 MR. STEVE SCARFONE:

11 "Since only average durations are
12 being matched, the Board was
13 concerned there that the cashflows
14 underlying those durations were
15 not being matched."

16 Do you see that?

17 MS. CARA LOW: I do see that.

18 MR. STEVE SCARFONE: And how does the
19 adoption of IFRS-9 change that dynamic, Ms. Low, in
20 terms of cashflow matching?

21 MS. CARA LOW: Well, both claims and
22 assets are marked to market, so they're both market
23 value.

24 MR. STEVE SCARFONE: Okay. Can you
25 help us to understand that further, please.

1 MS. CARA LOW: We would've seen an
2 investment panel, but we have a strong interest rate
3 hedging, and that includes a dollar matching because
4 we have market value. So -- and we also match our
5 duration for our fixed income. Does that help?

6 MR. STEVE SCARFONE: That does help.
7 Thank you. And so, is it your view then, based on
8 those concerns that we've gone through that were
9 raised by this Board back in 2013, that each of those
10 four (4) concerns have since then been addressed in
11 some manner by the Corporation?

12 MS. CARA LOW: Correct.

13 MR. STEVE SCARFONE: Thank you.
14 Those are my questions for this panel.

15 PANEL CHAIRPERSON: Thank you, Mr.
16 Scarfone.

17 Mr. Andres...?

18 MR. TODD ANDRES: Thank you, Madam
19 Chair.

20

21 CROSS-EXAMINATION BY MR. TODD ANDRES:

22 MR. TODD ANDRES: So just a few
23 questions about things that have been said this
24 morning. And actually, before we even get there, in
25 Exhibits 43 and 44 that were filed yesterday -- and I

1 don't know if this panel is well positioned to speak
2 on those -- I can say we're -- we're a touch confused.

3 It was documents that were essentially
4 just blacklined. And perhaps if not this panel, a
5 subsequent panel can just talk about the rationale for
6 those amendments to Exhibit 17.

7 MR. STEVE SCARFONE: Counsel, are you
8 -- are you making reference to an undertaking that we
9 provided to explain some blacklined document?

10 MR. TODD ANDRES: No. There was two
11 (2). It could be. There were two (2) additional
12 exhibits filed yesterday, Exhibits 43 and 44, which
13 are purporting to amend the October update.

14 Perhaps what we'll do is we'll take a
15 moment to chat about this at the break.

16 MR. STEVE SCARFONE: Sure.

17 MR. TODD ANDRES: Thank you.

18

19 CONTINUED BY MR. TODD ANDRES:

20 MR. TODD ANDRES: A couple of
21 questions just following out of your discussion with
22 Mr. Scarfone and then about your presentation this
23 morning.

24 Ms. Low, you'll agree forecast for
25 investment income and the financial statements do not

1 affect the AAP rate indication, correct?

2 MS. CARA LOW: Correct.

3 MR. TODD ANDRES: Thank you. And, Ms.
4 Dweh, could you please pull up slide 4 in the
5 presentation this morning? Right.

6 And so, in the presentation this
7 morning, reference was made to the adjust -- adjusted
8 required premium, correct?

9 MS. CARA LOW: Correct.

10 MR. TODD ANDRES: Thank you. And you
11 indicated that included investment income received
12 from the time the premium was received until the time
13 the claims are paid, correct?

14 MS. CARA LOW: Till -- when the claim
15 occurs.

16 MR. TODD ANDRES: Okay. Thank you.

17 MS. CARA LOW: And the loss cost is
18 when the claim incurs until it's paid.

19 MR. TODD ANDRES: Thank you for that
20 clarification.

21 MS. CARA LOW: Perhaps I misspoke, but
22 --

23 MR. TODD ANDRES: Yeah, that's
24 perfect.

25

1 (BRIEF PAUSE)

2

3 MR. TODD ANDRES: Ms. Dweh, could you
4 please pull up -- it's Part 8, Figure RMO-1, please.

5

6 (BRIEF PAUSE)

7

8 MR. TODD ANDRES: Right. It's Figure
9 RMO-1, so it's a little bit further down. Perfect.
10 Thank you, Ms. Dweh.

11 All right. So, in line 8, column C,
12 you'll agree, MPI is applied for a 2.07 percent rate
13 increase, correct?

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

16 MR. TODD ANDRES: Thank you. And
17 we'll come back to this, but, Ms. Dweh, could you
18 please pull up Figure RI-13 in Part 8 as well?

19

20 (BRIEF PAUSE)

21

22 MR. TODD ANDRES: Perhaps I'll just
23 ask the question. Oh, there we are. And so, if we're
24 looking at line 15, the 2.07 percent does not include
25 the increase to customers who -- who will have

1 vehicles that move rate groups -- move up to rate
2 groups 42 to 45, correct?

3 MR. KHURRAM MASUD: Can you please
4 repeat that?

5 MR. TODD ANDRES: Thank you. Yes.
6 Appreciate the invitation to do that. So, the 2.07
7 percent does not include the increase the customers
8 will get who have vehicles that will move up to rate
9 groups 42 through 45, correct?

10 MR. KHURRAM MASUD: That is correct.

11 MR. TODD ANDRES: Thank you. And
12 that's worth about 3.1 percent overall?

13 MR. KHURRAM MASUD: That's correct.

14 MR. TODD ANDRES: Thank you. And the
15 -- I can take you to a figure, but I don't know if
16 it's necessary. The 2.07 percent increase also
17 doesn't include the additional premium that vehicle
18 owners are expected to pay to Extension to maintain
19 their current deductible levels, correct?

20 MR. KHURRAM MASUD: That is correct,
21 yes.

22 MR. TODD ANDRES: Thank you. And
23 that's equivalent to another 2.94 percent, yes?

24 MR. KHURRAM MASUD: More or less, yes.

25 MR. TODD ANDRES: Thank you. And

1 again, I can take you there if I need to, but the
2 impact or the expected combined impact of that 2.07
3 percent Basic rate change and the change to the
4 Extension premium results in a combined rate change of
5 5.01 percent, correct?

6 MR. KHURRAM MASUD: That's right, yes.

7 MR. TODD ANDRES: Thank you. And if
8 we add the impact of the deductible increase, that
9 2.94 percent, and the impact of the rate group
10 increase of 3.1 percent onto the 2.07 percent rate
11 change, what is effectively being requested is the
12 equivalent of an 8.2 percent rate increase, correct?

13 MR. KHURRAM MASUD: Effectively being
14 requested? So, 3.1 applies only to those vehicles who
15 will move up the rate groups.

16 MR. TODD ANDRES: Understood. So
17 that's -- that's who we're talking about here. Those
18 that go -- so we're talking about the overall average.

19 MR. KHURRAM MASUD: The overall
20 average I believe still remains 2.07 percent unless
21 you choose to buy down your deductible to seven fifty
22 dollars (\$750).

23 MR. TODD ANDRES: But you'll agree
24 that MPI has said in its testimony that it expects 100
25 percent of the people who are at that seven fifty

1 (750) deductible right now to also purchase the seven
2 hundred and fifty (750) from Extension, correct?

3 MR. KHURRAM MASUD: That is an
4 assumption, but the choice still remains with the
5 customer.

6 MR. TODD ANDRES: Understood, but the
7 evidence already has been that they expect everyone to
8 get that, correct?

9 MR. KHURRAM MASUD: Again, as I said,
10 that is an assumption, but the choice still remains
11 with the customer. They can choose not to opt for a
12 seven fifty dollar (\$750) deductible, in which case
13 they'll move up to -- their deductible will move up to
14 a thousand dollars (\$1,000).

15 MR. TODD ANDRES: MS. Dweh, could you
16 please pull up -- it's Part 5, PUB/MPI-1-2, Figure PUB
17 -- pardon me. It's IR PUB/MPI1-2, and within that
18 it's Figure PUB-1-002A1.

19

20 (BRIEF PAUSE)

21

22 MR. TODD ANDRES: So, scroll down a
23 little bit further. It's -- it's -- there's an 'A'
24 beside the figure number. That's the one. Thank you,
25 Ms. Dweh.

1 So, if we look at line 8, and it's
2 column C, the indicated rate change is 8.26 percent.
3 Do you see that?

4 MR. KHURRAM MASUD: I see that.

5 MR. TODD ANDRES: Thank you. And
6 that's the impact of the deductible increase, 2.94,
7 the impact of the rate group increase, 3.1, onto the
8 2.07 rate change, correct?

9 MR. KHURRAM MASUD: That is correct.

10 MR. TODD ANDRES: Thank you. Any
11 increase does not include vehicle -- vehicle upgrades,
12 correct?

13 MR. KHURRAM MASUD: Sorry, can you
14 repeat that? Vehicle upgrade, do you mean ---

15 MR. TODD ANDRES: So, it doesn't
16 include vehicle upgrades at additional premium. So,
17 vehicle upgrades would add additional premiums,
18 correct?

19 MR. KHURRAM MASUD: Sorry, just give
20 me a second.

21 MR. TODD ANDRES: The 2.5 percent of
22 revenue growth.

23 MS. CARA LOW: Yes, it would.

24 MR. TODD ANDRES: Thank you. Ms.
25 Dweh, could you please pull up -- t's Part 8, Figure

1 RI, Appendix 3-1. Thank you. And if you could expand
2 the table at the bottom, please. Thank you, Ms. Dweh.

3 And so, I'm going to be referencing
4 this and then going back and forth between this and
5 the compliance filing, which is Order number 18/25.
6 But I'll start here. And again, anyone who wants to
7 answer is fine.

8 So, the required premium per unit with
9 no change in deductible was one thousand sixty-three
10 fifty-nine (1,63.59), correct? Sorry. It's line 11,
11 left-hand column, and --

12 MR. KHURRAM MASUD: Correct, yes.

13 MR. TODD ANDRES: Thank you. And so
14 now if we do go to Order 18/25, which is the 2025 GRA
15 compliance filing, and it's the PDF, page 120. Thank
16 you. Thank you, Ms. Dweh.

17 And again, looking at line 11 here, the
18 required premium per unit, when this was produced was
19 nine forty-two sixty-seven (942.67). Do you see that?

20 MR. KHURRAM MASUD: Yes.

21 MR. TODD ANDRES: Thank you. And so,
22 moving from the 2025 GRA compliance filing to the 2026
23 GRA, there's been an increase of one hundred and
24 twenty dollars and ninety-two cents (\$120.92),
25 correct?

1 MR. KHURRAM MASUD: Can you flip back
2 to the other exhibit? I just want to see

3 MR. TODD ANDRES: Certainly. Ms.
4 Dweh...?

5 MR. KHURRAM MASUD: -- nine forty-two
6 point six seven (742.67).

7 MR. TODD ANDRES: So that was the
8 previous page. So, you'll agree the -- the increase
9 was a hundred and ninety (190) -- so, pardon me, a
10 hundred and twenty dollars and ninety-two cents
11 (\$120.92) in the required premium before the impact of
12 increasing the Basic deductible, correct?

13 MR. KHURRAM MASUD: Yes.

14 MR. TODD ANDRES: Thank you. And so,
15 Ms. Dweh, if we could jump now to Part 8, Figure RI,
16 Appendix 3-2. So that's just down from the other
17 table we were at just moments ago. Perfect. Thank
18 you.

19 And so, is it fair to assume that the
20 Extension premium for the deductible buydown will be
21 increased by an average of twenty-nine seventy-three
22 (29.73)?

23 MR. KHURRAM MASUD: Yes. Yes.

24 MR. TODD ANDRES: Thank you. And with
25 the increase in deductible being reduced--pardon me,

1 reducing the required premium for Basic by the same
2 twenty-nine seventy-three (29.73), correct?

3 MR. KHURRAM MASUD: That is correct.

4 MR. TODD ANDRES: Thank you. So, if
5 the policyholder accepts the Extension buydown
6 coverage, reducing the Basic deductible from one
7 thousand (1,000) to seven fifty (750), they'll
8 effectively be seeing an average premium increase of
9 12.83 percent, correct? That's the one twenty sixty-
10 nine (120.69) over nine forty-two sixty-seven
11 (942.67).

12 MR. KHURRAM MASUD: Sorry, just a
13 second.

14

15 (BRIEF PAUSE)

16

17 MS. CARA LOW: I think we're having
18 trouble following the math.

19 MR. TODD ANDRES: Sure. So, we
20 started with the one thousand sixty-three fifty-nine
21 (1,063.59), correct?

22 MR. KHURRAM MASUD: That we
23 understand.

24 MR. TODD ANDRES: Okay. And --

25 MR. KHURRAM MASUD: The nine forty-two

1 (942), the one that you're comparing this to.

2 MR. TODD ANDRES: Yes. So, it's
3 comparing that to the nine forty-two sixty-seven
4 (942. 67)?

5 MR. KHURRAM MASUD: Yes. That's part
6 we are not quite sure. If we can just, sorry, go back
7 to the exhibit that you were showing before which had
8 nine forty-two (942).

9 MR. TODD ANDRES: Sure. Ms. Dweh,
10 could you please pull up the Order 18/'25? And again,
11 this is the 2025 compliance filing. So that's the one
12 there. It's the Figure RI-12, 'Calculation of Average
13 Required Premium for Rating Year 2025/'26'.

14 MR. KHURRAM MASUD: Right. This does
15 not have the vehicle upgrade, though, the premium
16 drift, the natural upgrade because newer vehicles are
17 coming into the pool.

18 MR. TODD ANDRES: Okay. But -- but
19 that was the amount of premium that was expected at
20 that time required.

21 MR. KHURRAM MASUD: During the rating
22 year, but the premium typically increases over time
23 even if there is no rate increase. That's what we
24 generally refer to as premium drift.

25 MR. TODD ANDRES: But it is still a

1 change in the average premium received, correct?

2 MR. KHURRAM MASUD: That is correct,
3 without any rate indication.

4 MR. TODD ANDRES: So, in other words,
5 part of it is an organic growth --

6 MR. KHURRAM MASUD: That's correct.

7 MR. TODD ANDRES: -- and part of it is
8 due to rate action, correct?

9 MR. KHURRAM MASUD: Yes, that is
10 correct. Yeah.

11 MR. TODD ANDRES: And again, so we are
12 talking about a one hundred and twenty dollar and
13 ninety-two cent (\$120.92) difference, correct?

14 MR. KHURRAM MASUD: Subject to check,
15 yes. That is the increase that the policyholder --
16 the average premium because this also -- this excludes
17 the organic growth.

18

19 (BRIEF PAUSE)

20

21 MR. TODD ANDRES: Right. But I guess
22 the point being it remains a 12.83 percent increase on
23 average, correct?

24 MR. KHURRAM MASUD: That is correct,
25 yes.

1 MR. TODD ANDRES: Thank you. And it's
2 been stated more than once keeping rates affordable
3 for Manitobans is a central component of MPI's
4 mission, yes?

5 MR. KHURRAM MASUD: Yes. That remains
6 true.

7 MR. TODD ANDRES: Thank you. And
8 appreciating that MPI has not yet established exact
9 metrics, is a 12.83 percent increase considered to be
10 affordable?

11

12 (BRIEF PAUSE)

13

14 MS. CARA LOW: The Ask by the
15 Corporation is 2.07 percent. It's not 12 percent.
16 And we do believe that 2.07 percent is affordable, and
17 that is the average.

18 Not every -- when you talk about
19 averages, there are going to be who pay more, there's
20 going to be people who pay less than the 2 percent.
21 But that is the average rate ask, which is in line
22 with CPI. So, we think that is very affordable.

23 MR. TODD ANDRES: Ms. Dweh, if we can
24 go back to Part 8, Figure RI-13, please. I don't know
25 that we've been here before. It is in the GRA, so the

1 tab-just to the left.

2 Sorry. This will be a -- a new
3 exhibit. So, if you can bring up -- it's Part 8,
4 Figure RI-13.

5

6 (BRIEF PAUSE)

7

8 MR. TODD ANDRES: That's the one.
9 Thank you, Ms. Dweh, and we're going to be going back
10 and forth between this document and the 2025
11 compliance filing.

12 So, looking at the overall values and
13 not those of a particular major class. So, if we look
14 at line 1, which is projected units, right, they've
15 increased from thirteen twenty-one thirty-six
16 (132,136) and I'll take you to that figure there to --
17 we have thirteen fifty-nine nine seventy-four
18 (1,359,974). So, you see the left-hand column says,

19 "Overall, on line 1 projected
20 units thirteen fifty-nine nine
21 seventy-four (1,359,974)."

22 Do you see that?

23 MR. KHURRAM MASUD: I see that, yeah.

24 MR. TODD ANDRES: Thank you. And, Ms.
25 Dweh, if we could pull up from -- it's Order 18/'25

1 that's up on the screen, again, back to Figure RI-12,
2 which I believe you scroll up, you'll get there.

3 That's the one. Thank you, Ms. Dweh.

4 So projected units, there was thirteen
5 twenty-one three thirty-six (1,321,336); yes?

6 MR. KHURRAM MASUD: That's correct.

7 That's for the previous year, though, I believe,

8 MR. TODD ANDRES: Correct.

9 MR. KHURRAM MASUD: Yeah.

10 MR. TODD ANDRES: So that's the two
11 (2) we're comparing. And so, the thirteen twenty-one
12 three thirty-six (1,321,336) to the thirteen fifty-one
13 (1,350) -- pardon me, thirteen fifty-nine nine
14 seventy-four (1,359,974) gives a 2.92 percent
15 increase, correct?

16 MR. KHURRAM MASUD: That's correct.

17 That's two (2) different points in time, though.

18 MR. TODD ANDRES: Thank you. Yep.

19 And that's due to the volume increase as there are
20 more vehicles being insured, correct?

21 A That is correct.

22 MR. TODD ANDRES: Thank you. So, line
23 2 -- and again, starting -- we'll start with 2025 this
24 time -- claims cost per unit, they've increased from
25 seven forty-one eighty-five (741.85). You see that?

1 MR. KHURRAM MASUD: I see that.

2 MR. TODD ANDRES: That's line number
3 2; claims cost per unit. And, Ms. Dweh, if we can go
4 back to the previous document. Thank you.

5 We've got eight-o-two sixty-four
6 (802.64), correct?

7 MR. KHURRAM MASUD: That is right.

8 MR. TODD ANDRES: That's an increase
9 of -- and we'll maybe make a note of these figures --
10 sixty dollars and seventy-nine cents (\$60.79).

11 MR. KHURRAM MASUD: That is correct.

12 MR. TODD ANDRES: So that's Figure
13 number 1, sixty dollars and seventy-nine cents
14 (\$60.79) for the claims cost per unit. That's the
15 increase, correct?

16 MR. KHURRAM MASUD: Correct, yes.

17 MR. TODD ANDRES: And that's about
18 8.19 percent, yes?

19 MR. KHURRAM MASUD: Yeah.

20 MR. TODD ANDRES: Thank you. And in
21 terms of claims cost per unit, we covered that in the
22 claims forecasting panel, so I don't necessarily need
23 to go back there.

24 Line 3, 'Fixed Claims Expense Per
25 Unit', again, Ms. Dweh, if we can jump back to the

1 2025 compliance filing. It's Order 18/25. Thank you.

2 So fixed -- "Fixed Claims Expense Per
3 Unit" has increased from twenty-six twenty-nine
4 (26.29) to twenty-nine eighty-three (29.83).

5 So that twenty-six twenty-nine (26.29)
6 is right there on line 3. You see that?

7 MR. KHURRAM MASUD: I see that.

8 MR. TODD ANDRES: Thank you. And, Ms.
9 Dweh, if we can jump back to the previous document.
10 Thank you.

11 And again, fixed claims expense per
12 unit that's increased now to twenty-nine eighty-three
13 (29.83), correct?

14 MR. KHURRAM MASUD: Yes, that is
15 correct.

16 MR. TODD ANDRES: Thank you. And that
17 increase is three dollars and fifty-four cents
18 (\$3.54), correct?

19 MR. KHURRAM MASUD: Right.

20 MR. TODD ANDRES: Percentage change is
21 13.45 percent?

22 MR. KHURRAM MASUD: Subject to check,
23 yeah.

24 MR. TODD ANDRES: Thank you. And the
25 main drivers of this -- I can take you there if you

1 wish -- but main drivers are the Manitoba Health Levy?

2 MR. KHURRAM MASUD: That is right.

3 MR. TODD ANDRES: Correct?

4 MR. KHURRAM MASUD: Yeah.

5 MR. TODD ANDRES: Thank you. As well
6 as the towing contract fees?

7 MR. KHURRAM MASUD: That is correct.

8 MR. TODD ANDRES: Thank you. And the
9 -- the towing contract fees increased as a result of
10 the Diversified Towing Model, correct?

11

12 (BRIEF PAUSE)

13

14 MS. CARA LOW: We can look for that
15 information, but in the meantime, the Manitoba Health
16 Service cost is outside of our control 'cause there is
17 a formula driven. And we did do some digging through
18 the shared health annual reports. It's really driven
19 by the contracts being negotiated for healthcare.

20 MR. TODD ANDRES: Oh, sure. Yeah.

21 And I'm not -- I don't need an answer as to why
22 they've gone up.

23 MS. CARA LOW: Yeah.

24 MR. TODD ANDRES: I'm just noting that
25 that's one of the major increases.

1 MS. CARA LOW: Yeah, but we're pretty
2 sure there was some information that went into the IRs
3 on towing, so we're just looking for that IR.

4 MR. TODD ANDRES: Sure.

5

6 (BRIEF PAUSE)

7

8 MR. STEVE SCARFONE: Mr. Andres. I'm
9 now aware of that document to which you referred
10 earlier, the blackline versions. Was there a question
11 with respect to it?

12 If you have one for -- like, I can -- I
13 can assist the panel in that regard if there's a
14 question.

15 MR. TODD ANDRES: Sure. Let's --
16 we'll -- we'll chat about it on the break and -- and --
17 -

18 MR. STEVE SCARFONE: Okay.

19 MR. TODD ANDRES: -- go through that.
20 Thank you, Mr. Scarfone.

21

22 (BRIEF PAUSE)

23

24 CONTINUED BY MR. TODD ANDRES:

25 MR. TODD ANDRES: So, we can -- we can

1 return to this question later if -- if you wish. One
2 of the things we did find in an IR, it was a -- a
3 response to IR PUB/MPI-2-6 Appendix 1.

4 We do note that the -- there's \$1.961
5 million increase to the towing and other things, but
6 the -- it indicates that the contract towing was based
7 on best estimates provided by the business at the time
8 of budget preparation. So, it -- it doesn't
9 necessarily indicate that it was due to the
10 Diversified Towing Model.

11 So, that's -- that's the question and
12 perhaps if you need to undertake that, take that away
13 and get a response after the break, that would be
14 fine.

15 MR. STEVE SCARFONE: Yeah, we will
16 take that undertaking, Counsel.

17 MR. TODD ANDRES: Thank you, Mr.
18 Scarfone.

19

20 --- UNDERTAKING NO. 11: MPI to explain an increase
21 of \$1.961 million to towing and other
22 things. Contract towing was based on
23 best estimates provided by the business
24 at the time of budget preparation, not
25 necessarily due to due to the

1 Diversified Towing Model.

2

3 CONTINUED BY MR. TODD ANDRES:

4 MR. TODD ANDRES: So, Ms. Dweh, we'll

5 go back to our routine of jumping back and forth

6 between the two (2) documents. So, if we can go back

7 to Part 8, figure RI-13. Thank you, Ms. Dweh.

8 So, line 4 is the line that addresses

9 the Variable Claims Expense per unit. Correct?

10 MR. KHURRAM MASUD: Correct.

11 MR. TODD ANDRES: And we see the

12 number there, which is one-o-four thirty-four

13 (104.34). Correct?

14 MR. KHURRAM MASUD: That is correct.

15 MR. TODD ANDRES: And then if we look

16 back to the 2025 Compliance Filing, line 4, again,

17 variable claimed expense per unit, that was a hundred

18 dollars and forty-four cents (\$100.44). Correct?

19 MR. KHURRAM MASUD: Correct.

20 MR. TODD ANDRES: And the difference

21 between those two (2) numbers is three dollars and

22 ninety-one cents (\$3.91)?

23 MR. KHURRAM MASUD: That is correct,

24 that proportional to the claims. So, if the loss

25 costs for claims go up, it will proportionally go up.

1 MR. TODD ANDRES: Thank you for that.

2 And -- and just to tie a ribbon on it, the -- the
3 increase is 3.89 percent, or thereabouts.

4 MR. KHURRAM MASUD: Yes. Correct.

5 MR. TODD ANDRES: Thank you.

6

7 (BRIEF PAUSE)

8

9 MR. TODD ANDRES: And so, with respect
10 to the incurred claims allocator, do you know if that
11 includes the current year or is that the four (4)
12 years prior?

13 MR. KHURRAM MASUD: Are you, sir,
14 referring specifically to the variable claims expense?

15 MR. TODD ANDRES: It -- it goes into
16 the variable claims.

17 MS. CARA LOW: My understanding, it's
18 four historical years, but we can receive confirmation
19 from our finance team.

20 MR. TODD ANDRES: And -- and just if
21 you -- if you could get confirmation of that, that
22 would be appreciated. Thank you.

23 So, your understanding though, is that
24 it does not include the current year? I think I saw a
25 nod.

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

3 MR. TODD ANDRES: Thank you. And so,
4 if you receive a response that's different from that,
5 we can revisit it in subsequent questions or
6 testimony. Thank you.

7 All right, so we'll stay on what we're
8 looking at right now, which is, again, the 2025
9 compliance filing. And if we look at line 5, it says
10 fixed operating expense per unit. The figure we see
11 there under overall is ninety dollars and thirty cents
12 (\$90.30). Correct?

13 MR. KHURRAM MASUD: Yes.

14 MR. TODD ANDRES: And then if we jump
15 back to the other document, which is figure RI-13, in
16 the 2026 GRA that jumps up to one-o-two fifty
17 (102.50). Correct?

18 MR. KHURRAM MASUD: Line 5,
19 extrapolating a hundred and two point five (102.5).
20 Correct.

21 MR. TODD ANDRES: Yes. Thank you.

22 MR. KHURRAM MASUD: Yes.

23 MR. TODD ANDRES: And that includes
24 operating expenses, commission, flat fees, reinsurance
25 and the anti-theft discount?

1 MR. KHURRAM MASUD: Sorry.

2

3 (BRIEF PAUSE)

4

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

7 MR. TODD ANDRES: Thank you for that.

8 MS. CARA LOW: I do have confirmation
9 on the 4-year historical.

10 MR. TODD ANDRES: Okay. So, it does
11 not include the current year?

12 MS. CARA LOW: Current year. There's
13 a one (1) year lag. Yes.

14 MR. TODD ANDRES: Thank you, Ms. Low.
15 So, in terms of fixed operating expenses, Ms. Dweh, if
16 you could pull up -- and this is from the 2026 GRA,
17 it's not a figure, it's rate indication, page 11.
18 It's the RI section. Thank you. And if we scroll
19 down to the bottom paragraph.

20 So, we see that in the GRA, the
21 information provided by MPI was the fixed operating
22 expense of the 2026/'27 rating year are 100,670,261.

23 Do you see that?

24 MR. KHURRAM MASUD: I see that.

25 MR. TODD ANDRES: Thank you. And now,

1 Ms. Dweh, if we could pull up the 2025 GRA Part 7 rate
2 indication, page 10.

3

4 (BRIEF PAUSE)

5

6 MR. TODD ANDRES: Thank you, Ms. --
7 Ms. Dweh. And so, we can see that the corresponding
8 value in 2025 was 89,395,000. Correct?

9 MR. KHURRAM MASUD: Yes, that's
10 correct.

11 MR. TODD ANDRES: Thank you. And so
12 that's an increase of \$11,275,961?

13

14 MR. KHURRAM MASUD: Yes.
15 MR. TODD ANDRES: Subject to check.

16 MR. KHURRAM MASUD: Yeah.

17 MR. TODD ANDRES: Thank you. An
18 increase of 12.61 percent, subject to check.

19 MR. KHURRAM MASUD: Subject to check.

20 MR. TODD ANDRES: Thank you, Mr. Masud.
21 And so, the -- the increase is due to natural economic
22 increase in cost over time, changes and cost
23 assumptions and changes in data inputs used for
24 allocators. Correct?

25 MS. CARA LOW: Can you repeat that,
please?

1 MR. TODD ANDRES: Certainly. And I
2 can take you to the source if you like, but the
3 increase is due to natural economic increases in costs
4 over time, changes in cost assumptions and changes in
5 data inputs used for allocators. Correct?

6 MS. CARA LOW: Correct.

7 MR. TODD ANDRES: Thank you. Now, Ms.
8 Dweh, if we can go back to the 2026 GRA part 8 rate
9 indication, page 12. Again, it's at the bottom of the
10 following page. Thank you. Yeah, scroll right down
11 to the bottom. Thank you, Ms. Dweh.

12 So, commission flat fees are
13 \$9,142,472. Correct?

14 MR. KHURRAM MASUD: Yes.

15 MR. TODD ANDRES: Thank you. And then
16 if we look at the corresponding figure in the 2025
17 GRA, which is part 7, rate indication, page 10. So,
18 if we can just scroll down a little bit, Ms. Dweh.
19 There we are. Thank you.

20 And so, you'll see there that the
21 commission flat fees for the 2025/26 rating year were
22 7,392,000?

23 MR. KHURRAM MASUD: Yes. I see that.

24 MR. TODD ANDRES: Thank you. And that
25 increase is 23.68 percent?

1 MR. KHURRAM MASUD: Subject to check,
2 yes.

3 MR. TODD ANDRES: Thank you, Mr.
4 Masud. Can MPI explain what caused this increase?

5 MR. KHURRAM MASUD: Sorry, can you
6 repeat the question?

7 MR. TODD ANDRES: Sure. Can you
8 explain what caused this increase?

9 MR. KHURRAM MASUD: Just a second.

10 MR. TODD ANDRES: Thank you.

11

12 (BRIEF PAUSE)

13

14 MR. STEVE SCARFONE: Mr. Andres, we'll
15 volunteer to undertake to provide that response.

16 MR. TODD ANDRES: Thank you, Mr.
17 Scarfone.

18

19 --- UNDERTAKING NO. 12: Commission flat fees for the
20 2025/26 rating year were 7,392,000, an
21 increase of 23.8 percent. MPI to
22 explain what caused this increase.

23

24 CONTINUED BY MR. TODD ANDRES:

25 MR. TODD ANDRES: Ms. Dweh, if we can

1 now pull up from the 2026 GRA figure REV-31. Thank
2 you. So, we're dealing here with reinsurance,
3 generally. Correct?

4 MS. CARA LOW: Correct.

5 MR. TODD ANDRES: And the reinsurance
6 total cost is twenty-seven (27) for the 2025/'26
7 years, 27,465,000. Correct?

8 MS. CARA LOW: Correct.

9 MR. TODD ANDRES: Thank you. And then
10 if we look at the column to the right, 2026/'27, the
11 number is 27,466,000. Correct?

12 MS. CARA LOW: Correct.

13 MR. TODD ANDRES: Pardon me,
14 27,466,000.

15 MS. CARA LOW: Yeah, that would be
16 correct.

17 MR. TODD ANDRES: Thank you. And now,
18 Ms. Dweh, if we can pull up the 2025 GRA part 7 rate
19 indication, page 11. Right. If we can scroll about
20 halfway down the page. There we are.

21 And if we add, there are -- there are
22 two (2) figures there, so it says:

23 "The projected cost of reinsurance
24 for the 2025/'26 rating year are
25 1.36 million and 19.067 million

1 for casualty reinsurance and
2 catastrophe insurance,
3 respectfully."

4 Do you see that?

5 MS. CARA LOW: Yes. I see that.

6 MR. TODD ANDRES: And so, if we add
7 those two (2) figures up, it ends up with 20,427,000.
8 Correct?

9 MS. CARA LOW: Correct.

10 MR. TODD ANDRES: And that's an
11 increase year over year between those two (2) figures,
12 the 27.466 that we just looked at -- and 20.427
13 million, the increase is about 7.039 million.

14 Correct?

15 MS. CARA LOW: Subject to check, but
16 that sounds reasonable. Yeah.

17 MR. TODD ANDRES: Thank you. And
18 that's an increase of 34.45 percent. Correct?

19 MS. CARA LOW: Correct.

20 MR. TODD ANDRES: Thank you. Ms.
21 Dweh, if we can pull up again, part 8 rate indication,
22 page 14. Thank you, Ms. Dweh.

23 The rate -- pardon me, the anti-theft
24 discount for the 2026/'27 rating year, MPI forecast to
25 be -- sorry, it says is 541,000, correct?

1 MR. KHURRAM MASUD: Correct.

2 MR. TODD ANDRES: Thank you. And then
3 if we go back to the previous page, Ms. Dweh, that's
4 2025 GRA part 7, rate indication page 11. The number
5 is six hundred and thirty thousand (630,000).

6 Correct?

7 MR. KHURRAM MASUD: Correct.

8 MR. TODD ANDRES: So, Ms. Dweh, if we
9 can go back to RI-13 from the 2020 -- 2026 GRA,
10 please.

11

12 (BRIEF PAUSE)

13

14 MR. TODD ANDRES: All right. If we
15 can scroll down. I think just one more page, Ms.
16 Dweh. Thank you. That's the one.

17 So, figure RI-3, this is the document
18 we were looking at before. So, line 6, variable
19 operating expenses per unit. We see here as seventy-
20 six fifty-four (\$76.54). Correct?

21 MR. KHURRAM MASUD: That's correct.

22 MR. TODD ANDRES: Thank you. And if
23 we go back to the 2025 compliance filing, which is
24 Order 18/'25, figure RI-12. The figure in the same
25 category in line 6 is seventy dollars and fifty-one

1 cents (\$70.51). You see that?

2 MR. KHURRAM MASUD: I see that.

3 MR. TODD ANDRES: And so that's --
4 it's increased year-over-year by six dollars and three
5 cents (\$6.03).

6 MR. KHURRAM MASUD: Correct? That's
7 right. It's proportional to the premium. So, the
8 moment the premium increases it grows proportionally.

9 MR. TODD ANDRES: Thank you. And the
10 difference is 8.55 percent. Correct?

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

13 MR. TODD ANDRES: Thank you. And so,
14 this is the combination of the 3 percent premium tax
15 and an effective 3.75 percent commission rate.

16 Correct?

17 MR. KHURRAM MASUD: That is correct.

18 MR. TODD ANDRES: Thank you. And so,
19 we'll just start here, Ms. Dweh, on the same document.
20 We're in Order 18/'25, compliance filing RI-12. And
21 if we look at line 7, the fleet rebate per unit was at
22 15.23 -- fifteen dollars and twenty-three cents
23 (\$15.23) in 2025. Correct?

24 MR. KHURRAM MASUD: Yes.

25 MR. TODD ANDRES: And then if we skip

1 forward again to the 2026 GRA, figure RI-13, thank
2 you. On line 7, that figure has gone up to eighteen
3 dollars and ten cents (\$18.10). Correct?

4 MR. KHURRAM MASUD: That is correct.

5 MR. TODD ANDRES: An increase of two
6 dollars and eighty-seven cents (\$2.87).

7 MR. KHURRAM MASUD: Correct.

8 MR. TODD ANDRES: Or 18.84 percent.
9 Correct?

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

12 MR. TODD ANDRES: Thank you. All
13 right. So, Ms. Dweh, if we can pull up 2025 GRA
14 figure REV-11. And we're going to compare that to --
15 figure REV-11 and the 2026 GRA.

16

17 (BRIEF PAUSE)

18

19 MR. TODD ANDRES: Okay. So, we can
20 start with this one. We look at the total premiums in
21 the last column, line 6. We see the number is eighty-
22 three million one hundred seventy-six (83,000,176).

23 MR. KHURRAM MASUD: Right. Yes, I see
24 that.

25 MR. TODD ANDRES: And then for -- it

1 increases -- okay, and then the forecast, you'll see
2 for '24/'25 -- pardon me, for '25/'26 is eighty-nine
3 point seven two three million (89.723 million).

4 Correct?

5 MR. KHURRAM MASUD: Sorry, can you
6 repeat that? You said '25/'26?

7 MR. TODD ANDRES: Pardon me. '24/'25.
8 It's gone up to eighty-six point three seven eight
9 (86.378).

10 MR. KHURRAM MASUD: Yes.

11 MR. TODD ANDRES: Thank you. Okay.
12 So now, Ms. Dweh, we -- we'll go to the current GRA
13 figure REV-11, please.

14 And starting with line 5, we're now at
15 eighty-nine point one four three million (89.143
16 million) in total premiums. Correct?

17 MR. KHURRAM MASUD: That's correct.

18 MR. TODD ANDRES: Thank you.

19 MR. KHURRAM MASUD: The reason that
20 you saw that drop in last year's GRA was because of
21 labour interruption. So, we're not able to process
22 the fleet rebates in time. It was subsequently
23 processed. That's why you see the difference in the
24 numbers between '25 and '26 GRA.

25 MR. TODD ANDRES: Thank you for that.

1 And just to clarify then, on line 6 we see premiums
2 increase to one hundred point one million (100.1
3 million) or thereabouts. Correct?

4 MR. KHURRAM MASUD: Yes.

5 MR. TODD ANDRES: Sorry, one hundred
6 point nine million (100.9 million) Thank you.

7 Is that correct?

8 MR. KHURRAM MASUD: Yes, that's
9 correct.

10 MR. TODD ANDRES: Thank you, Mr.
11 Masud. So, I think you may have hinted at it, but
12 perhaps you can explain why the fleet premiums
13 increased this much in '24/'25, as well as forecast to
14 be higher into the future.?

15 MR. KHURRAM MASUD: Sorry, can you
16 repeat the question?

17 MR. TODD ANDRES: Certainly. So why
18 did fleet premiums increase this much in '24/'25 and
19 are forecast to increase further in the future?

20 MR. KHURRAM MASUD: Just a second.

21

22 (BRIEF PAUSE)

23

24 MR. KHURRAM MASUD: The premiums for
25 fleets are higher because the DSR offset off-- affects

1 their premium. So, they're paying a higher premium,
2 but their loss ratios are not affected by the DSR
3 offset. That's why the rebate is higher.

4 MR. TODD ANDRES: Right. But the
5 actual premium has gone from 89 million to a hundred
6 and one (101). Correct?

7 MR. KHURRAM MASUD: That is correct.
8 And that's partially explained by the DSR offset.

9 MR. TODD ANDRES: And for the 2026
10 GRA, is this higher premium volume the main driver of
11 the increased fleet rebate per unit?

12 MR. KHURRAM MASUD: That would be --
13 that would be one of the contributing factors.

14 MR. TODD ANDRES: Thank you, Mr.
15 Masud. So, I'm going to summarize some of the numbers
16 that we talked about over the course of the last few
17 minutes.

18 So, the required premium per unit has
19 increased by a total of eighty-nine thirty-two year-
20 over-year. Correct? That was one of the calculations
21 we did moments ago comparing --

22 MR. KHURRAM MASUD: Are you
23 specifically referring to fleets?

24 MR. TODD ANDRES: We're not talking --
25 no, no --

1 MR. KHURRAM MASUD: Not about fleets
2 anymore? Okay, okay.

3 MR. TODD ANDRES: We are no longer
4 speaking about fleets anymore. These are just the
5 things we discussed moments ago, comparing between the
6 2025 compliance filing in RI and the current GRA.

7 Okay. So, if we review the required
8 premium per unit has increased by a total of eighty-
9 nine dollars and thirty-two cents (\$89.32). Correct?

10 MR. KHURRAM MASUD: How did you
11 calculate the eighty-nine (89)? Can you --

12 MR. TODD ANDRES: Sure, we can go back
13 there --

14 MR. KHURRAM MASUD: So, the required
15 premium --

16 MR. TODD ANDRES: I apologize. Yeah.
17 Sorry. These are some --

18 MR. KHURRAM MASUD: If you can just
19 put two (2) numbers, the required premium and what
20 you're comparing it against.

21 MR. TODD ANDRES: Sure. So, these are
22 some of the things we've been discussing moments ago.
23 Okay. So, Ms. Dweh, I think it might be helpful if we
24 do pull up the figure RI-13 in the current year, and
25 compliance filing figure RI-12, and maybe if we can

1 stack them one on top of the other.

2

3

(BRIEF PAUSE)

4

5

MR. TODD ANDRES: Thanks kindly for
6 your assistance. So, we have here, Mr. Masud and Ms.

7

Low, top half of your screen is the 2026 GRA figure

8

RI-13. And then the bottom half of your screen is the

9

2025 compliance filing figure RI-12. And so, just to

10

walk you through the calculation. All right.

11

So, the required premium per unit, that

12

was line 8. So that's increased by eighty-nine

13

thirty-two (89.32) year-over-year. Correct?

14

If we're comparing line 8 in the two

15

documents. That's the eleven-thirty three ninety-four

16

(\$1,133.94), minus ten forty-four-sixty-two

17

(\$1,044.62).

18

MS. CARA LOW: That is correct.

19

MR. TODD ANDRES: Increase year-over-

20

year eighty-nine thirty-two (\$89.32). Thank you.

21

And that's due to increase in the --

22

increases of sixty dollars and seventy-nine cents

23

(\$60.79) in claim costs.

24

MS. CARA LOW: Correct.

25

MR. TODD ANDRES: Year-over-year.

1 Thank you. Thirty -- three dollars and fifty-four
2 cents (\$3.54) in fixed claims expenses, year-over-
3 year.

4 MS. CARA LOW: Sorry, what was I that
5 amount?

6 MR. TODD ANDRES: Three dollars and
7 fifty-four cents (\$3.54).

8 MS. CARA LOW: Thank you.

9 MR. TODD ANDRES: Thank you. Three
10 dollars and ninety-one cents (\$3.91) in variable
11 claims expenses.

12 MS. CARA LOW: That's right, yes.

13 MR. TODD ANDRES: Thank you. Twelve
14 dollars and twenty cents (\$12.20) cents in fixed
15 operating expenses. Correct?

16 MS. CARA LOW: Correct.

17 MR. TODD ANDRES: Six dollars and
18 three cents (\$6.03) in variable operating expenses.

19 Correct?

20 MS. CARA LOW: Correct.

21 MR. TODD ANDRES: And two dollars and
22 eighty-seven cents (\$2.87) in fleet rebate. Correct?

23 MS. CARA LOW: Correct.

24 MR. TODD ANDRES: And line 9, so,
25 apologize for doing this to you, Ms. Dweh. You're

1 going to have to scroll down. There we are.

2 Line 9, additional revenue per unit has
3 decreased year-over-year from eighty-one fifty (81.50)
4 to seventy-nine o-seven (79.07) or a decrease of 2.4 -
5 - two dollars and forty-three (\$2.43) cents. Correct?

6 MS. CARA LOW: That is correct.

7 MR. TODD ANDRES: And that's worth
8 2.98 percent. Correct?

9 MS. CARA LOW: Yes.

10 MR. TODD ANDRES: Thank you. So,
11 noting, Madam Chair, that we are at 10:30, I think
12 this would be a good time to have a break subject to
13 the Panel's desires.

14 PANEL CHAIRPERSON: Okay. Thank you,
15 Mr. Andres. Can we reconvene at quarter to 11:00,
16 please.

17

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

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

20

21 PANEL CHAIRPERSON: Thank You. Mr.
22 Andres...?

23 MR. TODD ANDRES: Thank you, Madam
24 Chair.

25

1 CONTINUED BY MR. TODD ANDRES:

2 MR. TODD ANDRES: All right. So, the
3 94 percent current...

4

5 (BRIEF PAUSE)

6

7 MR. TODD ANDRES: Pardon me. So,
8 we'll talk a little bit about the change in rate
9 indication as -- as a result in the increased
10 deductible.

11 My understanding is that there's -- 94
12 percent of Basic customers have an Extension
13 deductible buydown.

14 Is that correct?

15 MR. KHURRAM MASUD: That is correct.

16 MR. TODD ANDRES: I am sorry. To be
17 clear, it's Extension eligible customers, correct?

18 MR. KHURRAM MASUD: Yes. We are going
19 to make that correction. Thank you very much.

20 MR. TODD ANDRES: And just to verify,
21 they are not expected to accept -- to increase their
22 deductible to a thousand dollars market, correct?

23 MR. KHURRAM MASUD: Sorry, can you
24 repeat that?

25 MR. TODD ANDRES: They're not

1 anticipated to go to a lesser coverage at the one
2 thousand dollar (\$1,000) deductible point, correct?

3 MR. KHURRAM MASUD: That is correct,
4 yes.

5 MR. TODD ANDRES: And I guess another
6 way of saying that, and just to clarify, the entirety
7 of that 6 percent that currently does not have the
8 Extension deductible is forecasted by MPI to be
9 getting to -- to be purchasing through Extension the
10 seven hundred and fifty dollar (\$750) deductible,
11 correct?

12 MR. KHURRAM MASUD: That is correct.
13 That is one (1) of the assumptions in the forecasting.

14 MR. TODD ANDRES: Thank you.

15

16 (BRIEF PAUSE)

17

18 MR. TODD ANDRES: So, the cost of the
19 Corporation -- and just so I'm ensuring that I
20 understand this correctly, the cost to the Corporation
21 to in -- pardon me, increase the Basic deductible
22 includes six hundred and thirty-thousand dollars
23 (\$640,000) of project costs, correct?

24 MR. KHURRAM MASUD: Yes, that is
25 correct.

1 MR. TODD ANDRES: Thank you. And
2 there's also \$5.4 million of property damage claims?

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

5 MR. TODD ANDRES: Thank you. So, just
6 over \$6 million, correct?

7 MR. KHURRAM MASUD: Yes.
8 MR. TODD ANDRES: Thank you. Ms.
9 Dweh, could you please pull up figure RI-1? It's part
10 10, Figure RI-1. Thank you.

11

12 (BRIEF PAUSE)

13

14 MR. TODD ANDRES: That's the one.
15 Thank you. So, Figure IR-1 shows the new money yield
16 calculation resulting in a yield after investment
17 management fees of 4.09 percent based on March 31
18 yields, correct?

19 MS. CARA LOW: That is correct.

20 MR. TODD ANDRES: Correct. Thank you.
21 And, Ms. Dweh, if you could kindly pull up MPI Exhibit
22 17, please. That's the rate update. And if we can
23 scroll down to page 4, Figure 1, please. There we
24 are.

25 And so, it shows the new money yield

1 calculation as of August 31st, 2025, to be 4.38
2 percent after investment management fees, correct?

3 MS. CARA LOW: Correct.

4 MR. TODD ANDRES: Real estate
5 mortgages and asset durations were based upon July
6 31st data as data to August 31st was not available
7 until late September, correct?

8 MS. CARA LOW: That is correct.

9 MR. TODD ANDRES: Thank you. And MPI
10 has also provided a new money yield estimate using the
11 ten (1) year average of the return of the MSCI
12 quarterly property fund instead of the CPI plus 4
13 percent, resulting in a new money -- pardon me, new
14 money yield of 4.23 percent, correct?

15 MS. CARA LOW: That is correct.

16 MR. TODD ANDRES: Thank you. And the
17 original rate indication was 2.07, we've established?

18 MS. CARA LOW: Yes.

19 MR. TODD ANDRES: And so, with the new
20 money yields shown in Figure 1, it ended up being 1.57
21 percent, which is a reduction of 0.5 percent, correct?

22 MS. CARA LOW: Correct.

23 MR. TODD ANDRES: And replacing the
24 real estate return of CPI plus 4 percent with the ten
25 (10) year average of the QPF resulted in a rate

1 indication of 1.83 percent, which is an increase of
2 0.26 percent from the -- I guess the September update
3 of 1.57, correct?

4 MS. CARA LOW: That is correct.

5 MR. TODD ANDRES: All correct?

6 MS. CARA LOW: That is all correct.

7 MR. TODD ANDRES: Thank you, Ms. Low.

8

9 (BRIEF PAUSE)

10

11 MR. TODD ANDRES: So, MPI Exhibit 17,
12 Appendix 1, that was a submission on the request to
13 discontinue the rate update practice, correct?

14 MS. CARA LOW: I believe so.

15 MR. TODD ANDRES: And the rate update
16 this year reflected changes in interest rates,
17 including expected returns on other assets, correct?

18 MS. CARA LOW: Correct. Yes.

19 MR. TODD ANDRES: Thank you. And to
20 the extent that these changes affected the new money
21 yield, the rate indication was updated, correct?

22 MS. CARA LOW: Correct.

23 MR. TODD ANDRES: And the revised rate
24 indication necessitated updated -- updating the
25 written premiums, earned premiums, and associated

1 expenses, correct?

2 MS. CARA LOW: Correct.

3 MR. TODD ANDRES: Thank you. The
4 claims forecast was not updated, correct?

5 MS. CARA LOW: The claims forecast was
6 not updated other than the discounting, the present
7 value of the claims. But the end present value and
8 discounted was not changed, no.

9 MR. TODD ANDRES: Right. So, the --
10 the insurance finance expense was updated, correct?

11 MS. CARA LOW: Yes.

12 MR. TODD ANDRES: Thank you. So, the
13 changes in interest rates required updates to
14 investment income, correct?

15 MS. CARA LOW: Right. In the
16 financial model, we update the pricing, the investment
17 assumptions, and the discounting yield curve.

18 MR. TODD ANDRES: Yeah. So, to the
19 extent that the interest rate changes, the incurred
20 claims in the premium and expense changes affected the
21 net income and excess capital of Extension.

22 This also affected the transfers from
23 Extension, correct?

24 MS. CARA LOW: Correct. I mean, it
25 could also have reallocation of investment assets

1 depending on target weights. So, there's a lot of
2 checks and balances there of what needs to change.

3 MR. TODD ANDRES: So -- so, this
4 morning in your presentation, you'd given an updated
5 figure in terms of the number of hours required in
6 order to prepare the October update, correct?

7 MS. CARA LOW: Correct.

8 MR. TODD ANDRES: In the initial
9 submission, it was two hundred and twenty-two, but the
10 updated figure from this morning was two fifty-seven
11 (257), correct?

12 MS. CARA LOW: Right, because if you
13 go to the read update, that was the number of hours
14 from various teams. And then underneath there was a
15 footnote saying the Regulatory Affairs also had I
16 think it was thirty-five (35) hours.

17 MR. TODD ANDRES: Okay.

18 MS. CARA LOW: So, I added those hours
19 in.

20 MR. TODD ANDRES: I see. And so, we
21 did hear this morning that the number of hours -- so,
22 we -- we heard about some of the splits, but the
23 number of hours to determine the revised new -- new
24 money yield was very small, so maybe an hour I think
25 you said?

1 MS. CARA LOW: I think a half a day.

2 MR. TODD ANDRES: Half a day. Okay.

3 MS. CARA LOW: Tops, yeah.

4 MR. TODD ANDRES: Two (2) or three (3)
5 hours?

6 MS. CARA LOW: Yeah, exactly.

7 MR. TODD ANDRES: And then to update
8 the financial forecast?

9 MS. CARA LOW: I have to go back to
10 the presentation.

11 MR. TODD ANDRES: Sure.

12 MS. CARA LOW: Do we have that?

13 MR. TODD ANDRES: Ms. Dweh, if you
14 could pull up the presentation this morning, please.

15 MR. STEVE SCARFONE: Exhibit 17

16 MS. CARA LOW: Or even the rate update
17 itself where we have the table.

18 MR. TODD ANDRES: Yeah, that's figure
19 -- we can -- we can do it here or there. And I
20 apologize. I don't recall which slide the breakdown
21 of ours was.

22 MS. CARA LOW: It would be one (1) or
23 two (2) slides down. One (1) more. Yeah.

24 MR. TODD ANDRES: There it is.

25 MS. CARA LOW: So, there we have

1 myself, as I review all the exhibits coming out of
2 both the investment team and the actuarial team. We
3 have the investment team who has to recalculate the
4 new money yield to give to the pricing. And then they
5 also review all the capital market assumptions that go
6 into the financial model and the output out of the
7 financial model.

8 The valuation and capital management
9 team, they rediscount the claim liabilities that go
10 into the valuation -- or into the financial model.
11 Then my pricing team, so Khurram's team, they're the
12 ones that redo these thousands of rates in order to
13 get these new rate tables. And then they recalculate
14 for every vehicle at a static point in time in order
15 to understand for each vehicle what the rate would
16 change by.

17 Then the finance division, they are
18 rerunning the proformas. And then, of course, the --
19 you have the lawyers and the Regulatory Affairs that's
20 putting everything together.

21 MR. TODD ANDRES: Thank you for that.
22 And just, I'm -- I'm wondering if it's possible just
23 for our purposes when we're considering this, to
24 provide a breakdown between three (3) categories. So,
25 one (1) would be the determination of the new money

1 yield. The second is the determination of the revised
2 rate indication. And then the third would be update
3 to the financial forecast.

4 So, if we can get the breakdown in the
5 number of hours spent in each. And then we'll have
6 sort of an other category. And if you can sort of
7 asterisk that and say what falls into the other, I
8 think that would be appreciated.

9 MR. STEVE SCARFONE: So, just to
10 clarify, Mr. Andres, it would be a breakdown of the
11 pricing and actuarial forecasting team that we see
12 there, the 114?

13 MR. TODD ANDRES: Yeah. So, it's not
14 so much breakdown by teams, it's breakdown by
15 activity.

16 MR. STEVE SCARFONE: Oh, I see.

17 MR. TODD ANDRES: Yeah. So, you take
18 the two fifty-seven (257) total at the bottom, and
19 then breakdown by activity. So, I'm just wondering if
20 we can get that.

21 MR. STEVE SCARFONE: Yeah, we'll make
22 that undertaking.

23

24 --- UNDERTAKING NO. 13: MPI to provide a
25 breakdown by activity

1

2 MR. TODD ANDRES: Thank you, Mr.

3 Scarfone.

4

5 CONTINUED BY MR. TODD ANDRES:

6 MR. TODD ANDRES: Okay. So, in the

7 Investment Panel -- in the Investment Panel, we

8 discussed MPI's observation that the October update

9 has not appeared to be any more accurate than the

10 March value, correct?

11 MS. CARA LOW: Correct.

12 MR. TODD ANDRES: And this was based

13 on evidence provided in the rate update as well as

14 that provided in PUB-MPI-2-15, correct?

15 MS. CARA LOW: Correct. Yes.

16 MR. TODD ANDRES: Thank you. And MPI

17 considers the October update to be neither a better

18 nor worse predictor than the March new money yield,

19 correct?

20 MS. CARA LOW: Correct.

21 MR. TODD ANDRES: Thank you. And MPI

22 still considers the naive forecast to be more accurate

23 than an average of bank forecast, correct?

24 MS. CARA LOW: Correct.

25 MR. TODD ANDRES: Thank you. Does MPI

1 have any ideas on how to improve the accuracy of the
2 new money yield estimate?

3 MS. CARA LOW: No, not at this time.
4 Yeah, because, again, you know, when we're looking at
5 the new money yield, and it's a yield at a point in
6 time, it's a proxy for a forecast that's two (2) plus
7 years into the future. So, we don't have any insight
8 into, you know, what the yields are going to be in
9 three (3), four (4), or five (5) years from now. So,
10 I can't imagine how we would come up with anything
11 better.

12 MR. TODD ANDRES: Thank you for that,
13 Ms. Low. Turning now to the rate group expansion.

14 This year, we have rate groups 42
15 through 45 being added, correct?

16 MR. KHURRAM MASUD: That is correct.

17 MR. TODD ANDRES: And that's along
18 with the capping of maximum change of five (5),
19 correct?

20 MR. KHURRAM MASUD: That is correct.

21 MR. TODD ANDRES: Thank you. And MPI
22 has proposed increases in the number of vehicle rate
23 groups twice in the last ten (10) GRAs, correct?

24 MR. KHURRAM MASUD: Sorry, let me just
25 confirm that.

1 MR. TODD ANDRES: And just to be
2 clear, that's not including this current proposal, so
3 it's been included twice, yes?

4 MR. KHURRAM MASUD: Thanks. Yes, that
5 clarifies. It's been twice in the last ten (10) years
6 that we've asked for expansion of the rate group scale
7 --

8 MR. TODD ANDRES: Before this current
9 --

10 MR. KHURRAM MASUD: -- before this
11 current year.

12 MR. TODD ANDRES: Thank you for that.
13 Yes. And there was no proposed change in the 2015 or
14 2016 GRA, correct?

15 MR. KHURRAM MASUD: Sorry, can you
16 repeat?

17 MR. TODD ANDRES: There was no
18 proposed change in the 2015 or 2016 to rate groups,
19 correct?

20 MR. KHURRAM MASUD: Are you referring
21 to 2015 and 2016 GRS?

22 MR. TODD ANDRES: Yeah.

23 MR. KHURRAM MASUD: Yes, that's
24 correct.

25 MR. TODD ANDRES: Does MPI know which

1 GRA prior to 2015 was the last time they added vehicle
2 rate groups?

3

4 (BRIEF PAUSE)

5

6 MR. STEVE SCARFONE: Mr. Andres, the
7 Corporation will undertake to find the person with
8 that institutional memory and provide that to you.

9 MR. TODD ANDRES: Thank you, Mr.
10 Scarfone. So, carrying on. MPI added five (5)
11 vehicle rate groups in 2017 and the 2017 GRA, correct?

12 MR. KHURRAM MASUD: That is correct.

13 MR. TODD ANDRES: Thank you. And this
14 maximum increase of one rate group per year caused
15 this impact to be drawn out over four (4) subsequent
16 rating years for existing vehicles, correct?

17 MR. KHURRAM MASUD: That is correct,
18 except for the new vehicles entering into the fleet.
19 They would automatically qualify for a higher rate
20 group.

21 MR. TODD ANDRES: Right. So, for
22 existing vehicles?

23 MR. KHURRAM MASUD: That is correct.

24 MR. TODD ANDRES: Thank you. And MPI
25 added one (1) vehicle rate group in the 2025 GRA,

1 correct?

2 MR. KHURRAM MASUD: That is correct.

3 MR. TODD ANDRES: Now, Ms. Dweh, I'm
4 going to ask you to work your magic and try to bring
5 up from the 2017 GRA Volume 3AI.4. That's PDF number
6 page 1,638. Thank you, Ms. Dweh. So, I'll read this
7 in.

8 "For the 2017/2018 -- for
9 2017/2018, the Corporation is
10 expanding the number of rate
11 groups for passenger vehicles and
12 light trucks from the thirty-six
13 (36) rate groups zero to thirty-
14 five (35) to forty-one (41) rate
15 groups zero to forty (40). The
16 number of rate groups being
17 expanded as there are an
18 increasing number of vehicles that
19 based on clear recommended
20 indicators exceed the current
21 maximum rate group of thirty-five
22 (35). As stated in the rules
23 above -- and we'll go to the rules
24 above in just a second -- rate
25 groups can increase by a maximum

1 of one (1) rate group annually."

2 So, if we read the paragraph at the
3 top, it says:

4 "So, for 2017/2018, clear
5 recommended rate group adjustments
6 were applied to passenger vehicles
7 and light trucks as follows."

8 The first bullet:

9 "If the existing rate group is
10 higher than the recommendation,
11 the rate group is adjusted down to
12 the recommended rate group."

13 Second bullet:

14 "If the existing rate group is
15 lower than the recommendation, the
16 rate group is adjusted up to the
17 recommendation to a maximum of one
18 rate group."

19 Do you see that?

20 MR. KHURRAM MASUD: I see that.

21 MR. TODD ANDRES: Right. And you'll
22 see that it was characterized as a rule in the
23 paragraph below. Do you see that?

24 MR. KHURRAM MASUD:

25 MR. TODD ANDRES: It says:

1 "as stated in the rules above,
2 rate groups can be increased by a
3 maximum of one rate group
4 annually."

5 Yes?

6 MR. KHURRAM MASUD: Yes.
7 MR. TODD ANDRES: Thank you. And so,
8 for the 2025 GRA, you'll agree MPI increased the
9 number of rate groups by one (1)?

10 MR. KHURRAM MASUD: Yes.
11 MR. TODD ANDRES: Thank you. And in
12 the 2026 GRA, MPI is proposing to increase the maximum
13 rate group from forty-one (41) to forty-five (45) and
14 cap the maximum change at five (5) rate groups,
15 correct?

16 MR. KHURRAM MASUD: Yes.
17 MR. TODD ANDRES: So, can you explain
18 why MPI has abandoned its what appears to be stated
19 rule that it followed in the 2017 GRA of a maximum of
20 one (1) rate group per increase?

21 MR. KHURRAM MASUD: Okay. One (1) of
22 the reasons is that we haven't increased the rate
23 groups in a number of years. And as a result, there's
24 a large concentration of very high value and moderate
25 value vehicles in the highest rate group.

1 In order to mitigate this cross-
2 subsidization, we believe an immediate action was
3 warranted, which is why we believe that plus five is
4 appropriate given these vehicles were paying less than
5 their fair share of the premiums.

6 MR. TODD ANDRES: So, to confirm, it
7 has not been done regularly then?

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

10 MR. TODD ANDRES: So, to confirm, rate
11 groups have not been added regularly, correct?

12 MR. KHURRAM MASUD: That is correct.

13 MR. TODD ANDRES: And the proposed
14 change is not off balanced, correct?

15 MR. KHURRAM MASUD: Only the new --
16 only for the new rate groups being added.

17 MR. TODD ANDRES: Correct. So, the
18 proposed addition -- the proposed additional rate
19 groups are not off balanced?

20 MR. KHURRAM MASUD: That is correct.

21 MR. TODD ANDRES: Thank you.

22 MS. CARA LOW: Could I just add
23 though, to the new rate groups, vehicles in those rate
24 groups have been under priced for many, many years,
25 too, so they've had their savings.

1 MR. TODD ANDRES: Thank you. And the
2 3.1 percent additional premium that MPI receives due
3 to the rate group additions is subtracted from the
4 rate indication, correct?

5 MR. KHURRAM MASUD: That is correct.
6 Mathematically, it's net of -- the rate indication is
7 net of that additional premium.

8 MR. TODD ANDRES: Thank you. And just
9 to, I guess, sum it up, or summarize, MPI is going to
10 be receiving an additional 3.1 percent in increased
11 premiums, but it will be the customers with rate
12 groups forty-two (42) to forty-five (45), that will be
13 paying for it, correct?

14 MR. KHURRAM MASUD: That is correct.
15 That 3.1 percent additional money will be coming
16 exclusively from those vehicles who are -- who -- who
17 go up the rate group scale from forty-two (42) to
18 forty-five (45) who are currently now in forty-one
19 (41) rate groups, most likely.

20 MR. TODD ANDRES: Thank you, Mr.
21 Masud. Ms. Dweh, could you please pull up PUB/MPI-1-
22 4A, Appendix 1.

23

24 (BRIEF PAUSE)

25

1 MR. TODD ANDRES: Thank you, Ms. Dweh.
2 And I think maybe if we decrease the size just a
3 little bit so we can see the -- there we are.
4 Perfect. Oh, go down just a touch. That would be it.
5 Thank you.

6 And so, what we're looking at here is
7 the 2026 premium after combined rate group and rate
8 line impact, correct?

9 MR. KHURRAM MASUD: Correct.

10 MR. TODD ANDRES: Thank you. And what
11 this table shows is that prior to the addition of rate
12 groups forty-two (42) to forty-five (45), the number
13 of vehicles in each rate group -- so we have the 2025
14 premium as well, correct?

15 MR. KHURRAM MASUD: Correct.

16 MR. TODD ANDRES: And we have the 2026
17 premium, correct?

18 MR. KHURRAM MASUD: Correct.

19 MR. TODD ANDRES: And that's before
20 offset, right?

21 MR. KHURRAM MASUD: Yes.

22 MR. TODD ANDRES: And then we have
23 2026 premium after offset?

24 MR. KHURRAM MASUD: Yes.

25 MR. TODD ANDRES: And then we have

1 premium change in dollars --

2 MR. KHURRAM MASUD: Correct.

3 MR. TODD ANDRES: -- And premium
4 change percentage, correct?

5 MR. KHURRAM MASUD: Right.

6 MR. TODD ANDRES: Thank you. And this
7 table shows the impact of changes in rate line,
8 correct?

9 MR. KHURRAM MASUD: That is correct.

10 And this table also shows what I said earlier, the
11 concentration of a large number of vehicles in rate
12 group 41. So, if you notice, rate group 41 has two
13 hundred and twenty-two thousand (222,000) vehicles,
14 which is by far the most populated rate group.

15 MR. TODD ANDRES: Thank you, Mr.
16 Masud. Yes, you pre-empted me. I was indeed going
17 there. So -- and we will come back to that. So just
18 we'll walk through it step by step.

19 So, the total 2025 premium is one
20 billion one hundred and thirty-three million one
21 hundred and eighty-eight thousand five hundred and
22 forty-eight dollars (\$1,133,188,548), correct?

23 MR. KHURRAM MASUD: Yes.

24 MR. TODD ANDRES: And that's the 2025
25 premium. Thank you. Overall premium change, if we

1 look in the second furthest -- or I guess the -- the
2 column that is second from the right, overall premium
3 change in dollars is two hundred and twelve (212),
4 correct?

5 MR. KHURRAM MASUD: That is correct.

6 MR. TODD ANDRES: So, it's almost --
7 it's basically null?

8 MR. KHURRAM MASUD: Yes.

9 MR. TODD ANDRES: Thank you.

10 MR. KHURRAM MASUD: Yes, That's the
11 intention of the off balance, two zero eight (208).
12 So, we are nearly there, off by two hundred and twelve
13 (212).

14 MR. TODD ANDRES: Off by two hundred
15 and twelve dollars (\$212). Thank you, Mr. Masud.

16 Rate group zero to thirty-five (35), on
17 average, we see a decrease due to rate line impact,
18 correct?

19 MR. KHURRAM MASUD: That is correct.

20 MR. TODD ANDRES: Thank you. And rate
21 groups 36 to 41 on average would see an increase due
22 to rate line impact, correct?

23 MR. KHURRAM MASUD: That is right.

24 MR. TODD ANDRES: Thank you. And this
25 table doesn't take into consideration the overall rate

1 change or change by major class or change by use or
2 territory any change due to the driver safety rating
3 or the additional premium they will be paying if they
4 choose to purchase Extension deductible by a down
5 coverage, correct?

6 MR. KHURRAM MASUD: That is correct.

7 MR. TODD ANDRES: Okay. And so, if we
8 look at rate group 41, and this is where you were
9 going, there are two hundred and twenty-two thousand
10 four hundred and sixteen (222,416) vehicles there,
11 correct?

12 MR. KHURRAM MASUD: That is right.

13 MR. TODD ANDRES: And that's about 25
14 percent of the total number of vehicles, correct?

15 MR. KHURRAM MASUD: More or less, yes.

16 MR. TODD ANDRES: The total being
17 eight hundred and ninety-one thousand seventy,
18 (891,070), correct?

19 MR. KHURRAM MASUD: Yeah.

20 MR. TODD ANDRES: Thank you. And the
21 2025 premium of four hundred and three million five
22 hundred and ninety-eight thousand two hundred
23 (403,598,200) in 2025 is about 35.6 percent of the
24 premium?

25 MR. KHURRAM MASUD: Subject to check,

1 yeah.

2 MR. TODD ANDRES: Thank you. And with
3 the 2026 premium, after offset of four hundred and
4 twenty million four hundred and eighty-eight thousand
5 five hundred and eleven dollars (\$420,488,511),
6 correct?

7 MR. KHURRAM MASUD: That's correct.

8 MR. TODD ANDRES: Or about 37.1
9 percent of the premium?

10 MR. KHURRAM MASUD: Yeah.

11 MR. TODD ANDRES: Thank you. And
12 without rate groups 42 to 45, they're expected to see
13 an average increase of 4.21 percent due to the rate
14 line in impact, correct?

15 MR. KHURRAM MASUD: That is correct.
16 And that is before the rate indication as you earlier
17 pointed out.

18 MR. TODD ANDRES: Yes.

19 MR. KHURRAM MASUD: Yeah.

20 MR. TODD ANDRES: Thank you, Mr.
21 Masud. And so now, Ms. Dweh, if we could scroll down
22 to Appendix 1-4B, Appendix 1. There we are. Thank
23 you.

24 So, we see a similar table, but with
25 the addition of rate groups 42 to 45, correct?

1 MR. KHURRAM MASUD: Can you scroll? I
2 would --
3 MR. TODD ANDRES: If you could scroll
4 up --
5 MR. KHURRAM MASUD: Yeah.
6 MR. TODD ANDRES: -- just a -- so we
7 can see the title, please --
8 MR. KHURRAM MASUD: Yeah.
9 MR. TODD ANDRES: -- Ms. Dweh.
10 MR. KHURRAM MASUD: That would be --
11 MR. TODD ANDRES: Summary report by
12 rate group for CLEAR only vehicles with the addition
13 of rate groups 42 to 45, 2026 premium after combined
14 rate group and rate line impact, correct?
15 MR. KHURRAM MASUD: That is correct.
16 MR. TODD ANDRES: Thank you. So
17 again, it shows after the addition of 40 -- rate
18 groups 42 to 45, the number of vehicles in each rate
19 group, and the premiums, premium change, correct?
20 MR. KHURRAM MASUD: That is correct,
21 yes.
22 MR. TODD ANDRES: It's similar to the
23 previous table, right?
24 MR. KHURRAM MASUD: Yeah.
25 MR. TODD ANDRES: Thank you. And the

1 same number of vehicles and the same 2025 premium,
2 correct?

3 MR. KHURRAM MASUD: Correct.

4 MR. TODD ANDRES: Thank you. So,
5 looking at the 2026 premium after -- premium after
6 offset, three (3) columns from the right, it's now one
7 billion one hundred and seventy-one million two
8 hundred and sixty-eight thousand nine hundred and
9 fourteen dollars (\$1,171,268,914), correct?

10

MR. KHURRAM MASUD: Yes.

11 MR. TODD ANDRES: Thank you. And
12 that's an increase of 38 million, or thereabouts,
13 correct?

14 MR. KHURRAM MASUD: That's right.

15 MR. TODD ANDRES: Or 3.36 percent,
16 yes?

17 MR. KHURRAM MASUD: Yes.

18 MR. TODD ANDRES: Thank you. And that
19 differs from the overall impact of 3.1 percent for the
20 addition of rate groups 42 to 45 as some vehicles are
21 not using the clear rate groups, correct?

22 MR. KHURRAM MASUD: Correct, yes.

23 MR. TODD ANDRES: Thank you. And so,
24 if we look at rate groups zero to 40, we would see
25 that there's no difference in the two (2) tables for

1 the 2021 -- pardon me, the 2026 premium after offset,
2 the premium dollar change, and the premium change with
3 rate groups zero to 35 seeing on average a decrease,
4 and 36 to 40 still seeing an increase, correct?

5

MR. KHURRAM MASUD: Yes.

6 MR. TODD ANDRES: Thank you. So, rate
7 zero groups forty (40) vehicles -- pardon me, rate
8 group zero to forty (40) vehicles are not being
9 affected by this change, correct?

10 MR. KHURRAM MASUD: Sorry, just a
11 second. Can you repeat that, please?

12 MR. TODD ANDRES: Certainly. Rate
13 groups zero to -- rate group zero to forty (40)
14 vehicles are not being affected by the change,
15 correct?

16 MR. KHURRAM MASUD: I believe it's
17 zero to forty-one (41).

18 MR. TODD ANDRES: Pardon me. Yes,
19 zero to forty-one (41).

20 MR. KHURRAM MASUD: Yeah.

21 MR. TODD ANDRES: And there's still
22 thirty-four thousand sixty-two (34,062) vehicles in
23 rate group 41, correct?

24 MR. KHURRAM MASUD: That is correct.

25 MR. TODD ANDRES: With an average

1 premium change of 8.68 percent due to the rate line
2 impact, correct?

3 MR. KHURRAM MASUD: Yes.

4 MR. TODD ANDRES: Thank you. And so,
5 can you explain why the premium change percentage is
6 greater than the first table for these vehicles who
7 have not changed rate group?

8 MR. KHURRAM MASUD: Just one (1)
9 second.

10

11 (BRIEF PAUSE)

12

13 MR. KHURRAM MASUD: This is different
14 from the previous exhibit because we are applying the
15 off balance up to 41 now. Previously, 41 contained
16 all the vehicles that now are in 42 to 45 is -- so the
17 off balance is different.

18 MR. TODD ANDRES: Okay. So, to
19 clarify, do rate group 41 vehicles now have a
20 different group change due to the rate line impact
21 than before?

22 MR. KHURRAM MASUD: There's fewer
23 vehicles to which the off balance is applied because
24 the off balance is applied now from zero to 41 and 40
25 -- zero to 41 has fewer vehicles now because more

1 vehicles are being promoted to -- vehicles are being
2 promoted to 42 to 45 from 41, so that pool is smaller.

3 MR. TODD ANDRES: Thank you. There
4 are thirty-three thousand fourteen (33,014) vehicles
5 with rate group 42, generating sixty-three million
6 eight hundred and forty-five four hundred and twenty-
7 one dollars (\$63,845,421) of premium, correct?

8 MR. KHURRAM MASUD: Correct.

9 MR. TODD ANDRES: And they're
10 receiving on average a 9.76 rate increase, correct?

11 MR. KHURRAM MASUD: That is correct.

12 MR. TODD ANDRES: Due to rate line,
13 yes?

14 MR. KHURRAM MASUD: Yes.

15 MR. TODD ANDRES: Thank you. Twenty-
16 three thousand seven hundred and eleven (23,711)
17 vehicles with rate group 43, correct?

18 MR. KHURRAM MASUD: Correct.

19 MR. TODD ANDRES: With forty-eight
20 million sixty-eight dollar -- sixty -- forty-eight
21 million, sixty-eight thousand six hundred eighteen
22 thousand (sic) dollars (48,068,618) premium, correct?

23 MR. KHURRAM MASUD: Correct.

24 MR. TODD ANDRES: Receiving on average
25 a 13.85 percent increase due to rate line, correct?

1

MR. KHURRAM MASUD: Yes.

2

MR. TODD ANDRES: Thank you. For rate

3

group 44, it's twenty-eight thousand eight hundred and

4

nineteen (28,819) vehicles, correct, with fifty-nine

5

million five hundred and seventeen thousand two

6

hundred and ninety-four dollars (\$59,517,294) in

7

premiums, yes?

8

MR. KHURRAM MASUD: Yes.

9

MR. TODD ANDRES: Receiving on average

10

a 16.21 percent increase due to rate line, correct?

11

MR. KHURRAM MASUD: Yes.

12

MR. TODD ANDRES: Thank you. And then

13

finally, there are one hundred and two thousand eight

14

hundred and ten (102,810) vehicles with rate group 45,

15

correct?

16

MR. KHURRAM MASUD: Correct.

17

MR. TODD ANDRES: \$224 million --

18

pardon me, two hundred and twenty-four million --

19

MR. KHURRAM MASUD: Yeah.

20

MR. TODD ANDRES: -- eighty-seven

21

thousand three hundred and three dollars

22

(\$224,087,303) of premium, correct?

23

MR. KHURRAM MASUD: Correct.

24

MR. TODD ANDRES: All receiving on

25

average about a 15.58 percent rate increase, correct?

1 MR. KHURRAM MASUD: Correct.

2 MR. TODD ANDRES: Thank you. This is
3 about 11.5 percent of the total vehicle is using
4 CLEAR, correct?

5 MR. KHURRAM MASUD: Subject to check,
6 yeah, but sounds about right.

7 MR. TODD ANDRES: Thank you. And
8 again, this table doesn't take into consideration the
9 overall rate change, correct?

10 MR. KHURRAM MASUD: That is right.

11 MR. TODD ANDRES: Nor does it take
12 into consideration change by any major class?

13 MR. KHURRAM MASUD: Correct, yes.

14 MR. TODD ANDRES: Also does not
15 consider the change by use or territory, correct?

16 MR. KHURRAM MASUD: That is correct.

17 MR. TODD ANDRES: And it also doesn't
18 consider any change due to Driver Safety Rating,
19 correct?

20 MR. KHURRAM MASUD: That is correct.

21 MR. TODD ANDRES: Also does not
22 consider or take into consideration the additional
23 premium that they'll be paying if they choose to
24 purchase the Extension deductible buydown coverage,
25 correct?

1 MR. KHURRAM MASUD: That is correct --

2 MR. TODD ANDRES: Thank you.

3 MR. KHURRAM MASUD: -- subject -- this
4 -- his table is restricted to Basic premiums only.

5 MR. TODD ANDRES: Thank you for that,
6 Mr. Masud. So now if we remove the thirty-four
7 thousand sixty-two 3(4,062) vehicles and associated
8 premiums in rate group 41, in PUB/MPI-1-4B, the one we
9 see in front of us, from rate group 41 vehicles in 1-
10 4A, Appendix 1 -- so if we scroll back up to Appendix
11 -- just -- just up to the previous table, please, Ms.
12 Dweh. Right.

13 So, if we were -- if we were to remove
14 the number of vehicles that were shown in the last
15 line -- or in the -- the last exhibit, which was
16 thirty-four thousand sixty-two (34,062), if we remove
17 those from the two hundred and twenty-two four sixteen
18 (222,416) at the bottom there, that would yield one
19 hundred and eight-eight three fifty-four (188,354),
20 correct?

21 MR. KHURRAM MASUD: Sounds right,
22 yeah.

23 MR. TODD ANDRES: Yeah. And they
24 would all be increasing rate groups, correct?

25 MR. KHURRAM MASUD: Sorry, can you

1 repeat this?

2 MR. TODD ANDRES: They're all --
3 they're -- those are all increasing in rate groups,
4 correct?

5 MR. KHURRAM MASUD: I thought you were
6 removing --

7 MR. TODD ANDRES: Yeah. So, if we --
8 if we -- actually, Ms. Dweh, sorry to do this to you.
9 If you jump back down to the next appendix, just the
10 next page again, please.

11 MR. KHURRAM MASUD: Correct. That's
12 right.

13 MR. TODD ANDRES: Right. So, it's
14 effectively adding up rate groups 42 through 45.

15 MR. KHURRAM MASUD: Yeah.

16 MR. TODD ANDRES: So, we've got about
17 a hundred and eighty-eight thousand three hundred and
18 fifty-four (188,354) vehicles increasing in rate
19 groups.

20 MR. KHURRAM MASUD: That is correct,
21 yes.

22 MR. TODD ANDRES: Thank you.

23

24 (BRIEF PAUSE)

25

1 MR. TODD ANDRES: All right. So, Mr.
2 Masud, I'll just ask you to make a note of the 2025
3 premiums for rate group 41. It appears to me to be
4 fifty-eight million one hundred and forty-four
5 thousand seven hundred twenty-five (58,144,725). Do
6 you see that?

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

8 MR. TODD ANDRES: Okay. So now if we
9 scroll up again back to the previous table, which is
10 1-4B -- pardon me. And by 'B', I meant 'A'. So, if
11 we can just scroll up one page, please, Ms. Dweh.
12 Thank you. Right.

13 And if we see that same column, the 41
14 2025 premiums, the total is four hundred and three
15 million five hundred and ninety-eight thousand two
16 hundred and twenty-five dollars (\$403,598,225),
17 correct?

18 MR. KHURRAM MASUD: Yes.

19 MR. TODD ANDRES: And now if we
20 subtract the 58 million and change that I had asked
21 you to remember from that four o three five ninety-
22 eight (403,598) and before adding rate group, ends up
23 at three hundred and forty-five thousand four hundred
24 and -- pardon me, three hundred and forty-five million
25 four hundred and ninety-three thousand five hundred

1 (345,493,500), correct?

2 MR. KHURRAM MASUD: Subject to check.

3 MR. TODD ANDRES: Sounds right?

4 MR. KHURRAM MASUD: Yeah.

5 MR. TODD ANDRES: Thank you. Right.

6 And so now the 2026 premiums after offset, again for
7 rate group 41 on this table 1-4A, is 420 million point
8 420.6 million we'll say, correct?

9

MR. KHURRAM MASUD: Yes.

10 MR. TODD ANDRES: And now, Ms. Dweh,
11 if we can jump back to 1-4B, please, the bottom line
12 again.

13 And in that same column for rate group
14 41, we see that it's sixty-three million one hundred
15 and fifty thousand twenty-nine (63,150,029), correct?

16

MR. KHURRAM MASUD: Yes.

17 MR. TODD ANDRES: And so, if we
18 subtract that sixty-three one fifty (63,150) from the
19 total number in the previous table, that leaves three
20 hundred fifty-seven million four hundred and thirty-
21 eight thousand four hundred and eighty-two dollars
22 (\$357,438,482).

23 MR. KHURRAM MASUD: Correct, yes.

24 MR. TODD ANDRES: Thank you. So, the
25 difference between that three fifty-seven four thirty-

1 eight forty-two (357,438,042) (sic) that we just
2 mentioned and the previous figure we arrived at, which
3 was 345.5 million or thereabouts, the difference
4 between those two is 11.944 million, correct?

5 MR. KHURRAM MASUD: Sounds right, yes.

6 MR. TODD ANDRES: Thank you.

7 Difference of 3.46 percent, correct?

8 MR. KHURRAM MASUD: Yes. Sounds about
9 right.

10 MR. TODD ANDRES: Thank you. And so,
11 after adding rate groups, the 2026 premiums after
12 offset would be three hundred and ninety-five million
13 five hundred and eighteen thousand six hundred and
14 thirty-six (395,518,636). That's -- that's summing up
15 rate groups 42 through 45.

16 MR. KHURRAM MASUD: Sorry. Which
17 column are you summing, from 42 to 45?

18 MR. TODD ANDRES: 2026 premiums after
19 offset.

20 MR. KHURRAM MASUD: After offset.
21 Okay.

22 MR. TODD ANDRES: Yes. So, summing up
23 42 through 45, that gives about 395 and a half
24 million.

25 MR. KHURRAM MASUD: Okay. Yeah.

1 MR. TODD ANDRES: Thank you. And so
2 that's a premium change of about \$50 million or
3 thereabouts, correct?

4 MR. KHURRAM MASUD: More or less, yes.

5 MR. TODD ANDRES: About 14.48 percent,
6 yes?

7
8 MR. KHURRAM MASUD: Yes.
9 MR. TODD ANDRES: And that's about
10 11.02 percent higher than the -- than without the
11 addition of the rate groups, correct? So that's the
12 14.48 minus the 3.46 percent?

13 MR. KHURRAM MASUD: Yeah.

14 MR. TODD ANDRES: Thank you. So, in
15 order to reduce the overall average rate required for
16 all vehicles by 3.1 percent, the one hundred and
17 eighty-eight thousand three hundred and fifty-four
18 (188,354) vehicles moving into the 42 through 45 rate
19 groups will have to pay on average an additional 11.02
20 percent, correct?

21 MR. KHURRAM MASUD: That is correct,
22 yes.

23 MR. TODD ANDRES: Thank you. Ms.
24 Dweh, if you could please pull up PUB/MPI-1-3A.

25

(BRIEF PAUSE)

1

2

3

4

MR. TODD ANDRES: Yeah. And actually, if we can just stop right there on the questions, that would be great. Thanks.

5

So, the question 'A' was:

6

7

8

9

10

11

12

"Please indicate why allowing vehicles to move five (5) rate groups is being requested, given the historical preference to move one rate group per year, and explain how the Corporation will manage the resulting dislocation."

13

Ms. Dweh, if you could scroll down to the response now, please:

15

16

17

18

19

"MPI indicated it's proposing vehicle rate group movements up to plus five (5) groups to enable more accurate alignment with the latest CLEAR tables."

20

MPI goes on to say that:

21

22

23

24

25

"The change will help ensure that premiums more accurately reflect each vehicle's true level of risk and reduce cross-subsidization between lower and higher risk

1 vehicles.
2 And increasing the cap accelerates
3 the transition towards appropriate
4 risk classifications, ensuring
5 that high-risk vehicles are no
6 longer subsidized by low risk
7 ones.
8 Although this change may introduce
9 large dislocations for some
10 vehicles who are significantly
11 under classified, it is a
12 necessary step to promote greater
13 fairness and rate equity."

14 You see that?

15 MR. KHURRAM MASUD: (NO AUDIBLE
16 RESPONSE).

17 MR. TODD ANDRES: Thank you. And so
18 again, if we scroll back up to 'B'.

19 MR. KHURRAM MASUD: Sorry. Can --

20 MR. TODD ANDRES: Oh, I just -- or
21 wondering, I'm not sure if your last answer was
22 captured on the microphone, so if you can just respond
23 to my previous question.

24 You'll -- you'll agree that's MPI's
25 position?

1 MR. KHURRAM MASUD: That is correct,
2 yes.

3 MR. TODD ANDRES: Thank you. And so,
4 the next question is whether MPI has a long-term plan
5 or strategy for the number of vehicle rate groups,
6 correct? Do you see that?

7 MR. KHURRAM MASUD: Yes. I see that.

8 MR. TODD ANDRES: And then if we
9 scroll down to the response. So, if you'll just take
10 a moment to review this response, please, Mr. Masud.

11 MR. KHURRAM MASUD: Yes, I've seen it.

12 MR. TODD ANDRES: Okay. Does MPI have
13 a percentage -- percentage threshold for the number of
14 vehicles they might want to have in the highest rate
15 group given that this proposal would increase their
16 Basic rate payable to 11.5 percent?

17

18 (BRIEF PAUSE)

19

20 MR. TODD ANDRES: Pardon me. I
21 misspoke. So, the proposal would decrease the number
22 in the highest category to 11.5 percent.

23 MR. KHURRAM MASUD: Our intention is
24 to mitigate cross-subsidization. So, we don't really
25 have a threshold as to how many vehicles we will

1 accept in the highest rate groups. But the intention
2 is to mitigate the cross-subsidization as much as
3 possible.

4 MR. TODD ANDRES: All right. Ms.
5 Dweh, if you could please scroll down to Appendix 1,
6 which will be down a page or two (2). So down one
7 more page, please, Ms. Dweh. There we are. So, I
8 think we may need to go even smaller than that, Ms.
9 Dweh. Thank you.

10 So, this is a five (5) year total of
11 this historical experience with vehicles restated into
12 the rate groups they would fall into with a proposed
13 expansion, correct?

14 MR. KHURRAM MASUD: Correct.

15 MR. TODD ANDRES: Thank you. And
16 since it is historical premiums, the premiums for rate
17 groups 41 and higher would not reflect the one rate
18 group added last year or the proposed four (4)
19 additional rate groups this year, correct?

20 MR. KHURRAM MASUD: Right.

21 MR. TODD ANDRES: Thank you. And the
22 last column shows the loss ratio?

23 MR. KHURRAM MASUD: Correct.

24 MR. TODD ANDRES: Thank you. And we
25 can see that the historical loss ratios are higher for

1 the high rate groups, correct?

2 MR. KHURRAM MASUD: That is correct.

3 MR. TODD ANDRES: Thank you. And
4 there is \$253 million of historical premium and one
5 hundred and fifty-nine thousand five hundred and
6 sixty-five -- pardon me, five hundred and sixty
7 (159,560) vehicles in rate group 45 alone, correct?

8 MR. KHURRAM MASUD: That is correct.

9 MR. TODD ANDRES: So, the results have
10 some credibility, correct?

11 MR. KHURRAM MASUD: Can you scroll up?
12 I just want to see the header of this column. How
13 many years are this?

14 MR. TODD ANDRES: We will need to go
15 to the response for that.

16 MR. KHURRAM MASUD: I think, yeah,
17 that would be useful.

18 MR. TODD ANDRES: Scroll up just a
19 little bit, please, Ms. Dweh. There we are. Oh, back
20 down. So earned premium claims and resulting loss
21 ratios on data from January 1st, 2020, to December
22 31st, 2024, with claims developed to December 31st,
23 2024. Do you see that?

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

25 MR. TODD ANDRES: Thank you.

1 MR. KHURRAM MASUD: Yeah.

2 MR. TODD ANDRES: Right. And so, this
3 table does appear to provide some actuarial evidence
4 that the higher rate groups should be receiving larger
5 rate increases than the lower rate groups, correct?

6 MR. KHURRAM MASUD: That is correct,
7 yes.

8 MR. TODD ANDRES: Thank you. And
9 MPI's position is that higher -- high rate group
10 vehicles are currently being subsidized by lower rate
11 group vehicles, right?

12 MR. KHURRAM MASUD: Yes.
13 MR. TODD ANDRES: Thank you. So, Ms.
14 Dweh, if we can now pull up -- it'll be 1-3, Appendix
15 2. All right.

16
17 (BRIEF PAUSE)

18
19 MR. TODD ANDRES: So, Mr. Masud, are
20 you aware of what this page is? I'm happy to take you
21 back to the response just so we can provide context if
22 you wish.

23 MR. KHURRAM MASUD: I think I would
24 like to see the context.

25 MR. TODD ANDRES: Certainly. So, Ms.

1 Dweh, if you could just go back to the PUB-1-3, and
2 this will be question 'D'. Let's go down one page,
3 please. So:

4 "Please provide a distribution of
5 the indicated rate group without
6 capping, i.e., up to one o two
7 (102)."

8 MR. KHURRAM MASUD: Okay.

9 MR. TODD ANDRES: And so, the
10 response, if we go down a page, which I think --
11 here's an appendix: 'Distribution of Indicated Rate
12 Group Without Capping Based on Vehicle Population as
13 per the Rate Model'.

14 So back to this table. This shows the
15 number of vehicles that would fall into each rate
16 group if the maximum rate group was one hundred (100),
17 correct?

18 MR. KHURRAM MASUD: Correct.

19 MR. TODD ANDRES: Thank you. And the
20 total number of vehicles is --

21 MR. KHURRAM MASUD: As before.

22 MR. TODD ANDRES: -- trust the math as
23 before, eight hundred and ninety-one thousand seventy
24 (891,070).

25 MR. KHURRAM MASUD: Yeah.

1 MR. TODD ANDRES: There's a total at
2 the bottom f we scroll down just to touch, please, Ms.
3 Dweh. Have to go all the way down to beneath one
4 hundred (100). There we are. So, eighty-nine --
5 eight hundred and ninety-one thousand seventy
6 (891,070), correct?

7 MR. KHURRAM MASUD: Correct.

8 MR. TODD ANDRES: And that's the same
9 as in PUB/MPI-1-4, correct?

10 MR. KHURRAM MASUD: Correct.

11 MR. TODD ANDRES: Thank you. So, if
12 we add rate groups 45 and higher, you'll agree that
13 about eighty-five thousand two hundred and eighty
14 (85,280) vehicles fall into rate groups 45 and above,
15 correct?

16 MR. KHURRAM MASUD: Yes.

17 MR. TODD ANDRES: Thank you. And so,
18 Ms. Dweh, if we can go to PUB/MPI-1-4B, Appendix 1.
19 See, it's about three (3) tabs over to the left.
20 Right. That's the one there.

21 And if we look at the second line from
22 the bottom and the second column from the left, there
23 were a hundred and two thousand eight hundred and ten
24 (102,810) vehicles and rated group 45 --

25 MR. KHURRAM MASUD: Correct.

1 MR. TODD ANDRES: -- in this table,
2 correct? Thank you. Can you explain this discrepancy
3 -- sorry, between the eighty-five thousand two hundred
4 and eighty (85,280) that we had in the previous table
5 and the one hundred and two thousand eight ten
6 (102,810) that we've got in this table?

7 MR. KHURRAM MASUD: Just -- this is
8 capped at still plus five (5). The other one is
9 uncapped.

10

11 (BRIEF PAUSE)

12

13 MR. TODD ANDRES: So, the example
14 we're looking at here, which is 1-4B, is capped at
15 plus five (5), correct?

16 MR. KHURRAM MASUD: There is a -- t
17 here is a rate group cap of plus five (5).

18 MR. TODD ANDRES: Okay. So, then the
19 one we were looking at just a second ago in Appendix
20 1-3, Appendix 2, and you said this one is uncapped?

21 MR. KHURRAM MASUD: Yes. If you
22 scroll up, I think it says --

23 MR. TODD ANDRES: Yes.

24 MR. KHURRAM MASUD: -- right at the
25 top that it's uncapped.

1 MR. TODD ANDRES: Yeah. Uncapped rate
2 group, right. One would've anticipated the uncapped
3 groups 45 -- pardon me -- 45 and up to be higher than
4 the uncapped rate groups -- pardon me, than the capped
5 rate groups. Right.

6 So, one would've anticipated there to
7 be greater number captured in the uncapped rate groups
8 than in the capped rate groups, correct?

9 MR. KHURRAM MASUD: Let me think about
10 this. The number that you mentioned before eighty-
11 five thousand (85,000), that's 46 -- 45.

12 MR. TODD ANDRES: Forty-five (45) and
13 -- 45 and up, correct, rate groups 45 and above.

14

15 (BRIEF PAUSE)

16

17 MR. TODD ANDRES: And again, if this
18 isn't something that's immediately available, we can
19 also add to your burden of undertakings and you can
20 get back to us if you wish.

21

22 (BRIEF PAUSE)

23

24 MR. STEVE SCARFONE: Yes, you can add
25 to that burden, Mr. Andres. We will undertake to

1 explain the difference between what you intuitively
2 had said about the uncapped and the capped.

3

4 --- UNDERTAKING NO. 14: It would be anticipated that
5 there would be a greater number
6 captured in the uncapped rate groups as
7 opposed to the capped rate groups.
8 Explain the difference between the
9 uncapped and capped.

10

11 MR. STEVE SCARFONE: And, well, before
12 you depart from this line of questioning -- and we'll
13 provide this response in writing, of course, 'cause
14 it's an undertaking, but we can advise that in 2005
15 the rate groups were expanded by four (4).

16 So, from twenty-seven (27) to thirty-
17 one (31) was approved by the Board. And in 2010, a
18 second expansion was approved by the Board from
19 thirty-one (31) to thirty-five (35), and then in 2016,
20 a third expansion from thirty-five (35) to forty (40),
21 and then last year.

22 MR. TODD ANDRES: Thank you, Mr.
23 Scarfone. And that was just in respect of the earlier
24 question about when previously MPI had expanded the
25 CLEAR rate group numbers. Correct?

1 MR. STEVE SCARFONE: Yes, that's
2 correct. So, there's been a total of four (4)
3 expansions to date.

4

5 CONTINUED BY MR. TODD ANDRES:

6 MR. TODD ANDRES: Now, Ms. Dweh, if I
7 can ask that you put on the screen PUB/MPI-1-3,
8 appendix 3. Thank you.

9 And just, in order to establish what is
10 represented in this, Ms. Dweh, if I can just take you
11 back to PUB -- PUB/MPI-1-3, please, question 'E'.

12

13 (BRIEF PAUSE)

14

15 MR. TODD ANDRES: All right, actually,
16 sorry, if you can just scroll back up to the answer --
17 or, sorry, to the question. Scroll back up just a
18 little bit more, please, Ms. Dweh. There we are.

19 So, there is a vehicle description
20 table for CLEAR, which includes MSRP for each vehicle.
21 Please provide the average MSRP for each of the
22 proposed forty-six (46) rate groups. Do you see that?

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

24 MR. TODD ANDRES: Thank you, Mr.
25 Masud. And so, if we scroll down then into the

1 response, which is 'E', please note that in some cases
2 multiple vehicles with the same VICC code and model
3 year may have different MSRP -- MSRP values due to
4 variations in trim levels.

5 And so, MPI indicates that it used the
6 median MSRP for each unique VICC and model year
7 combination. So, you see that?

8 MR. KHURRAM MASUD: I see that.

9 MR. TODD ANDRES: Thank you, Mr.
10 Masud. Okay, so if we can go back to the table, which
11 is Appendix 3 of PUB/MPI-1-3.

12 And if we look at rate group number 45,
13 we can see that a hundred and two thousand seven
14 hundred and nine-six (102,796) vehicles are indicated
15 as being there. Correct?

16 MR. KHURRAM MASUD: Correct.

17 MR. TODD ANDRES: And that's pretty
18 close to the number in PUB/MPI-1-4B, Appendix 1.
19 Correct?

20 MR. KHURRAM MASUD: Right.

21 MR. TODD ANDRES: Thank you. So now,
22 Ms. Dweh, can I ask you to pull up part 9, figure BD-
23 C3, please. It will be figure 3 within this chapter.
24 So, it's figure BD-C3. Thank you, Ms. Dweh.

25 And so, looking at the price for

1 Manitoba and Saskatchewan for new vehicles in line 2,
2 we can see that it is sixty-five thousand forty-nine
3 dollars (\$65,049). Correct? And that's for 2024?

4 MS. CARA LOW: I see that there.

5 MR. TODD ANDRES: Thank you, Ms. Low.
6 And -- and, sorry, in -- in this case, do you know if
7 this is the median or the average?

8 MS. CARA LOW: One minute, please.
9 I'd have to confirm with our customer team.

10 MR. TODD ANDRES: Thank you, yeah, I -
11 - I just noted in the title it says "median slash
12 average" and wondering which one it is.

13 MS. CARA LOW: Yeah, I see that too.
14 I don't have an answer for you.

15 MR. TODD ANDRES: Thank you. Yes, if
16 you'd find that out, that would be appreciated.

17 Sorry, so, the question that may
18 require a future response is in respect of figure BDC-
19 3, whether that's the median or the average price
20 indicated in the figures under the lines 2024 and
21 2019?

22 MR. STEVE SCARFONE: Yeah. No, I was
23 just wondering if you wanted an undertaking for that
24 or --

25 MR. TODD ANDRES: Yes, please.

1 MR. STEVE SCARFONE: -- yes.

2 MR. TODD ANDRES: Thank you.

3 MR. STEVE SCARFONE: We can make that
4 undertaking.

5

6 --- UNDERTAKING NO. 15: MPI to advise with respect
7 to figure BDC-3, is that the median or
8 the average price indicated in the
9 figures, under the lines 2024 and 2019.

10

11 CONTINUED BY MR. TODD ANDRES:

12 MR. TODD ANDRES: And so, you'll see
13 the figure there in line 3 under 2024 is thirty-six
14 thousand two hundred and seventy-two dollars
15 (\$36,272).

16 MS. CARA LOW: I see that.

17 MR. TODD ANDRES: Thank you, Ms. Low.
18 Now, if we go back to the PUB/MPI-1-3, Appendix 3.

19 The average MSRP for rate group 44 is
20 fifty-one thousand five hundred and ninety-nine
21 dollars and eighty-one cents (\$51,599.81). Correct?

22 MS. CARA LOW: Correct.

23 MR. TODD ANDRES: So, we may need to
24 expand it a little bit, or your eyes are better than
25 mine. So, you'll agree?

1 MS. CARA LOW: I agree.

2 MR. TODD ANDRES: Thank you. And for
3 rate group 45, the average MR -- MSRP is sixty
4 thousand eight hundred and sixty-one (60,861) pardon
5 me, I'll start again.

6 For rate group 45, the average MSRP is
7 sixty thousand eight hundred and sixty-nine dollars
8 and ninety-one cents (\$60,869.91). Correct?

9 MS. CARA LOW: Correct.

10 MR. TODD ANDRES: Thank you. And
11 given the average or median price of sixty-five
12 thousand forty-nine dollars (\$65,049) for new vehicles
13 in Saskatchewan and Manitoba, would you expect a large
14 proportion of new vehicles to fall under rate group
15 45?

16 MS. CARA LOW: Not necessarily, but
17 what happens is when a new vehicle comes out, it tends
18 to be high and then it falls down in the table over
19 time. So newer vehicles do tend to be higher in the
20 table.

21 MR. KHURRAM MASUD: And MSRP is just
22 one of the contributing factors to rate groups being
23 higher. So, it's also the cost of repairs, riskiness
24 of the vehicles. It's the basis of how a regroup is
25 assigned by IBC to a particular vehicle.

1 MR. TODD ANDRES: Yeah, we understand.
2 And so, you'll agree that by adding multiple rate
3 groups with a 5-year rate group maximum increase in a
4 single rating year, this would cause significant
5 dislocation. Correct?

6 MR. KHURRAM MASUD: This will cost
7 dislocation, yes.

8 MR. TODD ANDRES: And the annual
9 dislocation would be lessened if the increase was
10 spread over multiple years. Correct?

11 MR. KHURRAM MASUD: That is correct.

12 MR. TODD ANDRES: Thank you. And when
13 multiple rate groups were last added in the 2017 GRA,
14 the maximum rate group change was one (1) per year.
15 Correct?

16 MR. KHURRAM MASUD: That is correct,
17 yes.

18 MR. TODD ANDRES: Thank you.

19 MS. CARA LOW: But this would be a
20 good time to remind everyone that these are very
21 expensive vehicles, as we saw in the presentation.
22 These are Rolls-Royces and Cadillacs and Ferraris who
23 have been under priced for many, many years.

24 MR. TODD ANDRES: Right. And -- and
25 we see then from Appendix 3, that the average vehicle

1 price in rate group 45 is sixty-thousand dollars
2 (\$60,000). Correct?

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

5 MR. TODD ANDRES: And it's not going
6 to be a Rolls-Royce being purchased for sixty-thousand
7 (60,000). Correct?

8 MR. KHURRAM MASUD: An average vehicle
9 within rate group 45 may not be a Rolls-Royce, but
10 certainly there are. And if you notice the uncapped
11 rate groups, there were vehicles that qualified for
12 much higher rate groups --

13 MR. TODD ANDRES: Understood.

14 MR. KHURRAM MASUD: -- would be
15 perhaps more expensive vehicles.

16 MR. TODD ANDRES: Understood. And
17 you'll agree that in the previous table that we were
18 examining, which was figure BDC-3, the average price
19 for a new vehicle was sixty-five thousand dollars
20 (\$65,000). Correct?

21 MR. KHURRAM MASUD: That is correct.

22 MR. TODD ANDRES: And, again, that's
23 not the Rolls-Royce category, that's an average.
24 Correct?

25 MR. KHURRAM MASUD: That's an average,

1 which includes Rolls-Royce as well.

2 MR. TODD ANDRES: Thank you.

3 MS. CARA LOW: Right, but it's going
4 to be very skewed because not -- the average vehicle
5 on the road is not a Rolls-Royce either, right? So --

6 MR. TODD ANDRES: Understood. All
7 right. Ms. Dweh, if you could please pull up PUB/MPI-
8 1-2B, please, and that's page 11 that I'm looking for.

9 So now, if we look at the third column
10 under indicated rate change, it shows the rate
11 indication if there are no increases to the rate
12 groups, but the deductible is increased by a thousand
13 dollars (\$1,000), pardon me, to a thousand dollars
14 (\$1,000), not by.

15 MR. KHURRAM MASUD: Correct. Yes.

16 MR. TODD ANDRES: Thank you. And we
17 see the indicated rate change is 5.23 percent overall.

18 Correct?

19 MR. KHURRAM MASUD: That is correct.

20 MR. TODD ANDRES: Thank you. And now,
21 if we scroll down to PUB/MPI-1-2C. Thank you.

22 If the maximum cap was one rate group,
23 then the indicated rate change would decrease from
24 5.23 percent with no change to 4.52 percent. Correct?

25 MR. KHURRAM MASUD: Correct.

1 MR. TODD ANDRES: Thank you. And that
2 would mean 0.71 percent of the overall increase would
3 move from all vehicles to higher rate group vehicles.

4 Correct?

5 MR. KHURRAM MASUD: Correct.

6 MR. TODD ANDRES: Thank you. And so
7 now, Ms. Dweh, I'll ask that you scroll down to
8 PUB/MPI-1-2D, to figure PUB/MPI-1-002D. Thank you.

9 And it indicates -- this indicates that
10 if the maximum cap was two (2) rate groups, then the
11 indicated rate change would decrease from 5.23 percent
12 to 3.79 percent. Correct?

13 MR. KHURRAM MASUD: Yes, that's
14 correct.

15 MR. TODD ANDRES: Thank you. And that
16 would mean that 1.44 percent of the overall increase
17 would move from all vehicles to the higher rate group
18 vehicles. Correct?

19 MR. KHURRAM MASUD: Correct.

20 MR. TODD ANDRES: Thank you. Ms.
21 Dweh, could you please pull up -- it's the 2025
22 compliance filing, so Order 2 -- 2/'25. Pardon me,
23 this is the last year's Order 2/'25. This is the
24 final Order from last years' GRA. Oh, you had it
25 there, I led you astray. There it is. Thank you, Ms.

1 Dweh.

2 If we could look at page 139, please.

3 Sorry, I think the PDF numbers may be different from
4 the actual numbers. Oh, there we are, just down a
5 little bit, number 15 is what I'm looking for. So,
6 this is Order 14.15 -- 14.15.

7 The Board directed MPI to move one
8 third (1/3) of the way to actuarially indicated
9 discounts for each DSR level and then rounded down to
10 the nearest whole number, with base rates adjusted to
11 off balance these changes. Correct?

12 MR. KHURRAM MASUD: Yes. I see that.

13 MR. TODD ANDRES: Thank you. Now, Ms.
14 Dweh, if you could please pull up, it's part 8 RC
15 Appendix 6.

16

17 (BRIEF PAUSE)

18

19 MR. TODD ANDRES: All right and if we
20 can just scroll down to page 2, please.

21 All right. So, the second paragraph
22 from the bottom for the 2026 GRA, MPI has continued
23 using simulated data and allocated the drivers to plus
24 20 DSR levels.

25 Again, based on their actual driving

1 history, and MPI used simulated data for 5 years
2 comprising accident years, 2018 to 2022, for plus 20
3 DSR levels. Do you see that?

4 MR. KHURRAM MASUD: I see there.

5 MR. TODD ANDRES: Thank you. And so,
6 for the 2026 GRA, MPI has -- so, and this data
7 included merit eligible passenger vehicles and light
8 trucks. Correct?

9 MR. KHURRAM MASUD: Correct.

10 MR. TODD ANDRES: And those count for
11 97 percent of total merit eligible vehicles. Correct?

12 MR. KHURRAM MASUD: Correct.

13 MR. TODD ANDRES: Thank you. And that
14 excludes motorcycles and motorhomes?

15 MR. KHURRAM MASUD: That's right.

16 MR. TODD ANDRES: Thank you. And
17 excludes the data for merit eligible vehicles in major
18 classes, other than private passenger. Correct?

19 MR. KHURRAM MASUD: That is correct.

20 MR. TODD ANDRES: Thank you. And the
21 most recent two (2) accident years are not included
22 due to the immaturity of PIPP claims. Correct?

23 MR. KHURRAM MASUD: Yes.

24 MR. TODD ANDRES: Thank you. And MPI
25 has used the minimum bias procedure and then fit two

1 (2) contiguous straight lines from DSR 0 to plus
2 twenty (+20), shifting the slope change from DSR plus
3 five (+5) plus -- to DSR plus four (+4), to better
4 align with the data and achieve the best possible
5 goodness-of-fit to the observed data with a rated --
6 pardon me, a weighted R-squared value of 95 percent
7 with weights based on driver units. Correct?

8 MR. KHURRAM MASUD: That's correct.

9 MR. TODD ANDRES: Thank you. And so,
10 can you confirm that MPI has moved one-third of the
11 weight to the indicated discount?

12 MR. KHURRAM MASUD: Yes.

13 MR. TODD ANDRES: Thank you. And this
14 change in discount requires an offset to vehicle
15 premiums of plus 4.62 percent to the bal -- sorry,
16 pardon me -- to balance the reduction in revenue.

17 Correct?

18 MR. KHURRAM MASUD: That is correct.

19 MR. TODD ANDRES: Thank you. And as
20 per section 5 of -- well, we don't need to go there.

21 But MPI plans to continue to move to
22 the actuarially indicated discounts, moving halfway into
23 the 2027 GRA, and then the remaining distance in the
24 2028 GRA. Correct?

25 MR. KHURRAM MASUD: That's correct.

1 MR. TODD ANDRES: Thank you. And at
2 this point in time, has MPI performed any analysis of
3 the actuarially indicated surcharges for DSR levels
4 below zero?

5 MR. KHURRAM MASUD: No, we have not.

6 MR. TODD ANDRES: Does MPI have any
7 plans to do so?

8 MR. KHURRAM MASUD: No.

9 MR. TODD ANDRES: Thank you. So, Ms.
10 Dweh, if we can go back to Order 2-25, page 137 again
11 -- sorry, there we are. Thank you.

12 And in this particular Order, the Board
13 approved MPI's request to raise compulsory driver
14 insurance premiums by ten dollars (\$10), and the Board
15 directed MPI to indicate how the money collected for
16 driving premium is spent, and file evidence to
17 demonstrate what the actuarially indicated rates
18 should be for driver premium. You see that?

19 MR. KHURRAM MASUD: I see that.

20 MR. TODD ANDRES: Thank you. And MPI
21 provided a response to this in it's GRA. Correct?

22 MS. CARA LOW: Yes, we did.

23 MR. TODD ANDRES: Thank you. So, Ms.
24 Dweh, if you could please pull up part 2, COM Appendix
25 2. So, if we can just keep scrolling down a little

1 bit, please, Ms. Dweh. There we are. And those three
2 things.

3 So MPI acknowledged that the driver
4 premiums serve three (3) purposes. And these are --
5 if I can summarize, to provide Basic third-party
6 liability coverage to drivers who do not own the
7 vehicle and are unaware that the vehicle is uninsured.
8 Correct? MS. CARA LOW: Correct.

9 MR. TODD ANDRES: And that's called
10 Non-Vergata coverage.

11 MS. CARA LOW: Correct.

12 MR. TODD AN-RES: Thank you. And then
13 we have the second primary purpose to provide Basic
14 third-party liability coverage to drivers when the
15 registered owner is the same for both vehicles
16 involved, each with valid coverage, and the driver is
17 not the registrant of either vehicle, correct?

18 MS. CARA LOW: Correct.

19 MS. CARA LOW: And that's called
20 Vergata coverage.

21 MS. CARA LOW: Correct.

22 MR. TODD ANDRES: Thank you. And then
23 the third purpose is to generally offset the cost of
24 providing personal injury protection plan or PIPP
25 benefits to Manitoba residents injured in automobile

1 accidents occurring in Canada or the United States.

2 Correct?

3 MS. CARA LOW: Correct.

4 MR. TODD ANDRES: An MPI can attribute

5 costs to the first two purposes averaging about three

6 hundred and fifteen thousand dollars (\$315,000) per

7 year over the last ten (10) years.

8 MS. CARA LOW: Yeah. That number

9 sounds reasonable, from what I saw.

10 MR. TODD ANDRES: Sure. I -- I can

11 take you to a source.

12 MS. CARA LOW: Yeah. No, I remember

13 something very similar to that. Yes.

14 MR. TODD ANDRES: Thank you. But it

15 can't accurately allocate costs associated with the

16 third. Is that fair to say?

17 MS. CARA LOW: That would be correct.

18 MR. TODD ANDRES: And that makes it

19 impractic -- impractical to establish a rate in

20 accordance with accepted actuarial practices. Correct?

21 MS. CARA LOW: The actual driver

22 premium, no. Correct. That would be correct.

23 MR. TODD ANDRES: Thank you for that.

24 So, Ms. Dweh, if we can go back again to Order 2-25,

25 please. And still on the same page 137, this is Order

1 Number 5. The Board ordered MPI to provide an
2 implementation timeline in the 2026 GRA with -- with
3 regards to fleet rebate allocation, and directed the
4 -- MPI to present findings and recommendations for
5 approval of its review of the elements of the fleet
6 program. You see that?

7 MS. CARA LOW: I do see that.

8 MR. TODD ANDRES: Thank you. And MPI
9 provided its response in part 9, the fleet page 29.
10 So, if we can scroll down just a bit, please, Ms.
11 Dweh. Actually, scroll up, please, to the top of the
12 page. There we are.

13 So, the paragraph starting with the
14 system changes, I'm not going to read the whole thing,
15 but, as I understand it, this is MPI's attempt to
16 explain and comply with that Order. Correct?

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

19 MR. TODD ANDRES: Thank you. And so,
20 it would be fair to say that due to systems issues,
21 MPI has not yet created an implementation timeline,
22 and has not yet finalized any plan changes to the
23 fleet program. Is that correct?

24 MS. CARA LOW: Nothing's been
25 finalized, but work continues.

1 MR. TODD ANDRES: And what is the
2 maximum rebate currently permitted under the fleet
3 program?

4 MS. CARA LOW: 33 percent.

5 MR. TODD ANDRES: And has this maximum
6 rebate level changed recently?

7 MS. CARA LOW: No.

8 MR. TODD ANDRES: And DSR discounts
9 for positive DSR levels have increased over the last
10 several years. Correct?

11 MS. CARA LOW: Yes, they have.

12 MR. TODD ANDRES: Thank you. And
13 would it be reasonable to consider increasing the
14 maximum rebate permitted under the fleet program to be
15 more consistent with the increase to the DSR discounts
16 available?

17 MS. CARA LOW: It would be a
18 reasonable expectation.

19 MR. TODD ANDRES: Thank you. Ms.
20 Dweh, if we can yet again, go back to Order 2-25.
21 And if you scroll down to the bottom.

22 The Board directed MPI to include the
23 following within its 2026 GRA, and that was an
24 alternative RC Appendix 4, the new relativity creation
25 and DR Appendix 2 table 2 indicated rate calculation

1 applying a 15 percent minimum credibility threshold.

2 And if you can scroll down to the next
3 page, please. And I'm not going to read through the
4 entirety, but you'll see what's been ordered there.

5 Yes?

6 MR. KHURRAM MASUD: Correct. Yes, I
7 see that.

8 MR. TODD ANDRES: Thank you. And
9 that's found the -- the response to this is found in
10 part 8 RC Appendix 10A, 10B, 10C and part ADR Appendix
11 2 table 2. Correct?

12 MR. KHURRAM MASUD: I believe so,

13 MR. TODD ANDRES: Yes. Thank you.

14 And so, I'm not going to go there. I just wanted to
15 ensure that we had on the record that those are the
16 parts that comply with this Order. Correct?

17 MR. KHURRAM MASUD: Correct.

18 MR. TODD ANDRES: Thank you. So now,
19 still on this page, in Order 2-25, page 138, Order
20 Number 7, the Board directed MPI to carry out its
21 transition plan to the use of generalized linear
22 models. Correct?

23 MR. KHURRAM MASUD: That is correct.

24 MR. TODD ANDRES: And that's also
25 found in part 8, generalized linear models. Correct?

1 MR. KHURRAM MASUD: Correct.

2 MR. TODD ANDRES: Thank you. Most of
3 our questions were covered by Information Request, but
4 I do have just a couple of quick questions for you
5 here.

6 The DSR and the rate line GLM model has
7 levels twenty (20) to plus eighteen (+18) minus --
8 pardon minus twenty (-20) to plus eighteen (+18).

9 Correct?

10 MR. KHURRAM MASUD: Correct.

11 MR. TODD ANDRES: But figure -- and I
12 can take you there if you wish. Figure RC Appendix 6-
13 2 only has levels zero (0) through twenty (20). I can
14 take you there if you wish.

15 So, Ms. Dweh, could you pull up,
16 please, figure RC Appendix 6-2. I don't know that I
17 forewarned you about this.

18

19 (BRIEF PAUSE)

20

21 MR. KHURRAM MASUD: What was your
22 question? Or you didn't get to the question yet.

23 MR. TODD ANDRES: So, my question
24 is, figure RC Appendix 6-2 has levels zero (0) through
25 twenty (20) and none of the levels that are below zero

1 (0), so negative twenty (-20) to minus one (-1).

2 Correct?

3 MR. KHURRAM MASUD: Yeah.

4 MR. TODD ANDRES: And so, the question
5 is: How are those levels offset in testing?

6 MR. KHURRAM MASUD: When calculating
7 the rate line relativity --

8 MR. TODD ANDRES: In the GLM.

9 MR. KHURRAM MASUD: In the -- when
10 you're calculating the rate line relativity in the
11 GLM?

12 MR. TODD ANDRES: Yes.

13 MR. KHURRAM MASUD: Yes. So, we use
14 zero (0) to eighteen (18), the actual DSR levels when
15 calculating the rate line relativity.

16 MR. TODD ANDRES: Yeah. And so, what
17 do you do with the minus twenty (-20) to minus one (-
18 1) categories?

19 MR. KHURRAM MASUD: There is no
20 discount applicable to minus twenty (-20) to minus one
21 (-1) category.

22 MR. TODD ANDRES: There is a surcharge
23 applied to those customers. Correct?

24 MR. TODD ANDRES: On the driver
25 premium, not on the vehicle premiums.

1 MR. TODD ANDRES: Thank you. One more
2 question on GLM then -- sorry, two more questions on
3 GLM then. If we can pull up slide 20 of 22 from the
4 presentation this morning.

5 And I believe your evidence was that
6 the decrease 30 percent to 25 percent is primarily
7 trailers in that category.

8 MR. KHURRAM MASUD: Correct.

9 MR. TODD ANDRES: And so, in the 15
10 percent to 20 percent category, the one thousand nine
11 hundred sixty-three (1,963) vehicles, can you give
12 some examples of what vehicles might fit into that
13 category?

14 MR. KHURRAM MASUD: Are you referring
15 to the second line from the top decrease of twenty 20
16 to 15 percent --

17 MR. TODD ANDRES: At the bottom, the
18 increase of --

19 MR. KHURRAM MASUD: Oh, the increase.

20 MR. TODD ANDRES: Yes.

21 MR. KHURRAM MASUD: The 2000 week --
22 close to 2000 vehicles?

23 MR. TODD ANDRES: Yes.

24 MR. KHURRAM MASUD: I'll check
25 quickly, if I can give you that answer. Just give me

1 a minute.

2

3

(BRIEF PAUSE)

4

5 MR. KHURRAM MASUD: It turns out
6 majority of that is trailers.

7

MR. TODD ANDRES: So also trailers.

8

MR. KHURRAM MASUD: Yes.

9

MR. TODD ANDRES: So, trailers on both
10 ends of the spectrum there.

11

MR. KHURRAM MASUD: Correct. The rate
12 line is slightly different -- slightly more different
13 than other major classes.

14

MR. TODD ANDRES: Okay. Thanks for
15 that. All right. So, another surprise for Ms. Dweh,
16 I apologize. From the 2025 GRA, we're going to look
17 at GLM 6.1, which is page 29 of that section.

18

19

(BRIEF PAUSE)

20

MR. TODD ANDRES: Thank you. So, if
21 you can just scroll down slightly.

22

So, the category it says Integration of
23 Major Class One. And obviously, this isn't last
24 year's GRA for major class one:
25

1 "Integrate, the GLM derived rate
2 line relativities and experience
3 adjustments whilst keeping capping
4 flooring rules for smooth
5 transition."

6 You see that?

7 MR. KHURRAM MASUD: I see that.

8 MR. TODD ANDRES: Thank you. And that
9 was intended to be done for this year's GRA. Correct?

10 MR. KHURRAM MASUD: That is correct.

11 MR. TODD ANDRES: Thank you. And
12 you'll confirm that you did not integrate the GLM
13 derived relativity in this year's GRA. Correct?

14 MR. KHURRAM MASUD: Sorry, can you
15 repeat that?

16 MR. TODD ANDRES: You'll confirm that
17 you did not, that MPI did not, integrate the GLM
18 derived relativity in this year's GRA. Correct?

19 MR. KHURRAM MASUD: No, it -- it's
20 still a transition plan for may -- for information.
21 Is that what you mean? And not use GLM relativities
22 for ratemaking.

23 MR. TODD ANDRES: Sorry. All right.
24 So, just confirming you did not use that for
25 ratemaking. Correct?

1 MR. KHURRAM MASUD: That is correct.
2 It's only for information.

3 MR. TODD ANDRES: Only for
4 information. Got it, thank you.

5 MR. KHURRAM MASUD: Just like last
6 year.

7 MR. TODD ANDRES: And so, the current
8 plan then is to implement all classes for next year.
9 Correct?

10 MR. KHURRAM MASUD: That is correct.

11 MR. TODD ANDRES: Thank you. With
12 respect to the RDA, the regulatory deferral account,
13 considering the forecast initiative expenses, so those
14 things that are not deferred, what is the current
15 expected amount of money that MPI would want to
16 include in the 2027 GRA?

17

18 (BRIEF PAUSE)

19

20 MS. CARA LOW: The actual dollar has
21 not yet been determined, but we can say that it's
22 going to be this year's initiative expenses inflated
23 for inflation.

24 MR. TODD ANDRES: So, about \$27
25 million or so.

1 MS. CARA LOW: Approximately.

2 MR. TODD ANDRES: Thank you. And how
3 much would that change the 0.87 rate increase shown in
4 the current forecast?

5 MS. CARA LOW: The rule of thumb is
6 \$10 million is a percent so.

7 MR. TODD ANDRES: So, about 2.7
8 percent or so.

9 MS. CARA LOW: That would be a rough
10 estimate.

11 MR. TODD ANDRES: Thank you, Ms. Low.
12 I think one more question.

13 And I believe I heard you say this
14 morning, Ms. Low, that once MPI decides on the size of
15 the pie, it then decides how to slice and dice it.

16 Correct?

17 MS. CARA LOW: Correct.

18 MR. TODD ANDRES: And so, is the
19 philosophy that MPI is employing, to start with a rate
20 in mind, and then to determine what level of coverage
21 MPI can offer within the rate?

22 MS. CARA LOW: Well, we don't decide
23 on a rate. We determine a rate based on expected
24 costs and expenses. So that's your rate indication,
25 and then some of the allocation down, whether it's by

1 major class, or rate group, or territory. And some of
2 that's just science, and we just work through the
3 math. Other times we make decisions like the plus
4 five capping was a decision, the deductible was a
5 decision for affordability.

6 MR. TODD ANDRES: Thank you. Now
7 customers can opt out. Customers can opt out of the
8 rate increase of 2.07 percent. Essentially, they can
9 opt to accept the 2.07 percent and pay the additional
10 amount for the premium at seven-fifty (750).

11 Correct?

12 MS. CARA LOW: Correct. They can
13 choose to buy Extension policy.

14 MR. TODD ANDRES: Or they can continue
15 with -- so -- so, if they continue with their former
16 product at seven hundred and fifty dollars (\$750)
17 deductible, their effective rate increase is 5.01
18 percent. Correct?

19 MS. CARA LOW: Yes, on average. On
20 average.

21 MR. TODD ANDRES: So, the choice is to
22 pay less at 2.07 percent, but be exposed to greater
23 risk. Is that fair?

24 MS. CARA LOW: Fair. But not everyone
25 has a claim every year, right. So, they can decide

1 their own risk appetite. If they're high in the DSR,
2 they may choose to not have a lower deductible because
3 they don't expect to get in a claim.

4 They can also choose to go to other
5 insurance companies to buy their lower deductible. It
6 doesn't have to be an MPI policy.

7 MR. TODD ANDRES: Thank you for that.
8 Thank you for your patience this morning. Those are
9 my questions.

10 PANEL CHAIRPERSON: Thank you, Mr.
11 Andres. It's quarter after 12:00 right now so I think
12 we'll adjourn for lunch at this point, and come back
13 with CC at 1:15, please.

14

15 --- Upon recessing at 12:16 p.m.

16 --- Upon resuming at 1:14 p.m.

17

18 PANEL CHAIRPERSON: Good afternoon.
19 Ms. Dilay...?

20 MS. KATRINE DILAY: Good afternoon.
21 Thank you.

22

23 CROSS-EXAMINATION BY MS. KATRINE DILAY:

24 MS. KATRINE DILAY: Good afternoon,
25 Mr. Masud and Ms. Low. And we'll start by talking

1 about rate groups. And I know we covered a lot of
2 ground this morning, so I'll -- I'll aim to eliminate
3 any duplication from this morning.

4 Just starting with a bit of context.
5 You'll confirm that MPI categorizes vehicles in
6 different rate groups based on the Canadian loss
7 experience automobile rating, or the CLEAR system,
8 produced by the Insurance Bureau of Canada, correct?

9 MR. KHURRAM MASUD: That is correct.

10 MS. KATRINE DILAY: And the CLEAR
11 system uses actual loss experience data from across
12 Canada to determine relative loss cost indices for
13 specific vehicle descriptions, correct?

14 MR. KHURRAM MASUD: That is correct.

15 MS. KATRINE DILAY: And these indices
16 consider the varying costs of collisions,
17 comprehensive, and injury claims associated with these
18 vehicle descriptions?

19 MR. KHURRAM MASUD: That is correct.

20 MS. KATRINE DILAY: And the Insurance
21 Bureau of Canada uses the expected claims costs for
22 each vehicle description to establish clear rate
23 groups, correct?

24 MR. KHURRAM MASUD: Correct.

25 MS. KATRINE DILAY: And CLEAR rate

1 groups are one (1) of the vehicle rating factors that
2 MPI uses to establish premiums for passenger vehicles
3 and light trucks, correct?

4 MR. KHURRAM MASUD: That is correct.

5 MS. KATRINE DILAY: And MPI's evidence
6 is that the CLEAR system provides incentives in the
7 form of lower premiums to consumers who purchase
8 vehicles that are safer, less susceptible to damage,
9 and/or more resistant to theft, correct?

10 MR. KHURRAM MASUD: Correct. Yes.

11 MS. KATRINE DILAY: So, at a high
12 level, you'll agree it's a system that can assist in
13 lowering claims costs for insurers by encouraging
14 ratepayers to purchase these types of vehicles?

15 MR. KHURRAM MASUD: Yes, I would say
16 so.

17 MS. KATRINE DILAY: And for collision
18 and comprehensive coverages, the CLEAR recommendations
19 range from rate groups 1 to 99?

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

22 MS. KATRINE DILAY: And these CLEAR
23 recommendations are weighted -- are weighed together
24 to obtain the MPI collision and comprehensive combined
25 rate group, correct?

1 MR. KHURRAM MASUD: Adjusted for --
2 for personal injury benefit.

3 MS. KATRINE DILAY: Pardon me?

4 MR. KHURRAM MASUD: Adjusted for the
5 personal injury benefit. So, it is an offset of plus
6 one (1) -- minus one (1) two (2) plus two (2) applied
7 to the weighted average obtained from comp and
8 collision.

9 MS. KATRINE DILAY: Great. Thank you.
10 And for '26/'27, MPI is proposing to expand the rate
11 groups forty-two (42) -- from forty-two (42) rate
12 groups to forty-six (46) rate groups, being rate group
13 zero to 45, correct?

14 MR. KHURRAM MASUD: That is correct.

15 MS. KATRINE DILAY: And with this
16 expansion, MPI is proposing to increase the maximum
17 rate group movement from plus one (1) to plus five
18 (5), correct?

19 MR. KHURRAM MASUD: That's correct.

20 MS. KATRINE DILAY: And just to
21 confirm, when we talk about rate group movement, that
22 is a vehicle's shift into different rate groups per --
23 over time?

24 MR. KHURRAM MASUD: That's correct.

25 MS. KATRINE DILAY: And there's

1 currently a capped on movement to one (1) rate group
2 per year?

3 MR. KHURRAM MASUD: That's correct.

4 MS. KATRINE DILAY: Are you able to
5 indicate -- sorry.

6 MS. CARA LOW: Just to clarify, it's
7 the cap is plus one (1). There is no cap for
8 decreases.

9 MS. KATRINE DILAY: Thank you for
10 that. And in the absence of a rate group expansion,
11 are there any circumstances where a vehicle would move
12 into a higher rate group?

13 MR. KHURRAM MASUD: It is possible
14 because CLEAR updates its CLEAR tables for every
15 vehicle every year. So, it is possible that CLEAR
16 changes a vehicle's rate group with an upward
17 movement, which may be more than plus one (1).

18

19 (BRIEF PAUSE)

20

21 MS. KATRINE DILAY: And would you
22 agree that vehicles would move into lower rate groups
23 over time as they deteriorate?

24 MR. KHURRAM MASUD: That's correct,
25 yes.

1 MS. KATRINE DILAY: And newer vehicles
2 would become progressively more expensive to fix and
3 so may -- newer vehicles may move up in the CLEAR
4 tables as the CLEAR -- as the CLEAR tables are being
5 updated?

6 MR. KHURRAM MASUD: It is possible,
7 yes.

8 MS. KATRINE DILAY: And you'll agree
9 that the expansion of the rate groups and the change
10 in the rate group movement cap reduces MPI's rate
11 indication for this year, correct?

12 MR. KHURRAM MASUD: Correct. The fact
13 that we are not revenue neutralling results in a
14 reduction in rate indication because of a group
15 expansion.

16 MS. KATRINE DILAY: Thank you.

17 MR. KHURRAM MASUD: If you go to
18 revenue neutral, that would not lead to a reduction
19 rate indication.

20 MS. KATRINE DILAY: Thank you very
21 much for that clarification. And because it is not
22 revenue neutral, it reduces the rate indication by
23 approximately 3.1 percent, correct?

24 MR. KHURRAM MASUD: That is correct.

25 MS. KATRINE DILAY: And would it be

1 fair to say that MPI's main reason for this expansion
2 is that a significant proportion of vehicles are
3 concentrated in the highest rate groups currently?

4 MR. KHURRAM MASUD: That is correct.

5 MS. KATRINE DILAY: And it is MPI's
6 evidence that this change aims to ensure that vehicles
7 appropriately classified in higher risk categories are
8 not subsidized by those in lower risk categories --

9 MR. KHURRAM MASUD: That is correct.

10 MS. KATRINE DILAY: -- which MPI would
11 say promotes greater actuarial fairness and rate
12 equity?

13 MR. KHURRAM MASUD: That is right.

14 MS. KATRINE DILAY: And it would be
15 MPI's evidence -- and I believe we heard this morning
16 -- that some of the vehicles in the higher risk
17 categories have been underpaying relative to their
18 risk?

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

21 MS. KATRINE DILAY: And this could
22 have been the case for many years?

23 MR. KHURRAM MASUD: Yes.

24 MS. KATRINE DILAY: And Ms. Dweh, if
25 we could please turn to part 8, risk classification of

1 the GRA pages 25 to 26, please. Thank you.

2 And at a high level, this is where MPI
3 provides the rationale for the expanded -- the
4 expansion in the rate groups and the expansion in the
5 movement?

6 MR. KHURRAM MASUD: Yes, that's right.

7 MS. KATRINE DILAY: So, it's MPI's
8 evidence that there is currently cross-subsidization
9 in the rate groups, correct?

10 MR. KHURRAM MASUD: Yes, particularly
11 the high -- highest rate group.

12 MS. KATRINE DILAY: And that's because
13 some of the vehicles in the highest rate group should
14 be paying more in premiums based on the CLEAR rate
15 groups?

16 MR. KHURRAM MASUD: That's correct.

17 MS. KATRINE DILAY: But under MPI's
18 model to date, they could not pay more because MPI was
19 limited in the extent to which it could reflect
20 vehicles' true costs of repair?

21 MR. KHURRAM MASUD: That's correct,
22 and the fact that it is possible that vehicles in
23 lower than the highest rate group vehicle, for
24 example, in '25, may have an indicated rate group of
25 much higher. But because there's a cap of plus one

1 (1) movement, they'll to pay a lower premium than
2 warranted for several years.

3 So, the plus one (1) cap also
4 introduces some cross-subsidization to some extent.

5 MS. KATRINE DILAY: But even with the
6 plus one (1) cap, a vehicle could have moved five (5)
7 rate groups over five (5) years, for example?

8 MR. KHURRAM MASUD: That is correct,
9 yes. It slows down the process.

10 MS. KATRINE DILAY: And so, MPI's
11 evidence would be that some vehicle owners would be
12 paying more because their cars may be more expensive
13 to fix or replace?

14 MR. KHURRAM MASUD: That is correct.

15 MS. KATRINE DILAY: And it would be
16 fair to say that the higher CLEAR rating groups
17 include cars that are more expensive to purchase?

18 MR. KHURRAM MASUD: That's correct.
19 MSRP or the vehicle -- value of the vehicle is one (1)
20 of the contributory factors to rate group assignment.

21 MS. KATRINE DILAY: And the CLEAR
22 rating groups also considers the cost of replacement
23 parts --

24 MR. KHURRAM MASUD: That's correct.
25 Yes, they do.

1 MS. KATRINE DILAY: -- Which is
2 usually correlated, but not always, to vehicle price,
3 correct?

4 MR. KHURRAM MASUD: Correct. Yes.

5 MS. KATRINE DILAY: And the CLEAR
6 groups also consider the complexity of repairs?

7 MR. KHURRAM MASUD: Correct. They
8 consider the repair costs. So, typically, complex --
9 complexity of repair is a contributing factor to the
10 repair costs, so implicitly, yes.

11 MS. KATRINE DILAY: Thank you. And in
12 terms of complexity of repairs, one (1) example could
13 be where parts are difficult to reach or replace?

14 MR. KHURRAM MASUD: I would say so,
15 yes.

16 MS. KATRINE DILAY: Would another
17 example of complexity be where problems may take time
18 to diagnose and fix because of complexity?

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

21 MS. KATRINE DILAY: And as a result of
22 MPI's proposed change, it is MPI's evidence that the
23 lower risk vehicles would benefit through relatively
24 lower premiums, correct?

25

1 MS. KATRINE DILAY: So, these would be
2 vehicles that are safer, less susceptible to damage,
3 and/or more resistant to theft, correct?

4 MR. KHURRAM MASUD: That is correct.

5 MS. KATRINE DILAY: Ms. Dweh, could we
6 please turn to page 31 of this document. Thank you.

7 And if we look at RC.8.3, we see that
8 MPI indicates that:

9 "To ensure revenue neutrality
10 before the impact of rate group
11 expansion, combined offset
12 adjustments are applied to offset
13 changes in total revenue resulting
14 from both rate group and rate line
15 relativity changes."

16 You see that?

17 MR. KHURRAM MASUD: I see that.

18 MS. KATRINE DILAY: Then MPI explains
19 that:

20 "Due to the expansion of rate
21 groups, the offset calculation was
22 adjusted in two (2) steps."

23 And then we see the two (2) steps
24 before us. You see that?

25 MR. KHURRAM MASUD: I see that.

1 MS. KATRINE DILAY: And so, you'll
2 confirm that what MPI did here means that the increase
3 in revenue from the expanded rate group structure will
4 only affect vehicles within rate groups 42 to 45?

5 MR. KHURRAM MASUD: Right. Yes.

6 MS. KATRINE DILAY: Vehicles in rate
7 groups 41 and below will not see their premiums
8 increase overall or on average as a result of the rate
9 group expansion, correct?

10 MR. KHURRAM MASUD: Correct.

11 MS. KATRINE DILAY: And we say
12 "overall or on average" because while vehicles and
13 rate groups 41 and below may see a premium change
14 resulting from the updated rate groups, those changes
15 are revenue neutralized.

16 So, the overall or average premium from
17 updated rate groups is equal to the current premium,
18 correct?

19 MR. KHURRAM MASUD: Can you repeat
20 that? Yeah.

21 MS. KATRINE DILAY: Yes. And the --
22 the reason we say that the premium increase overall or
23 average will not change is because some vehicles in
24 rate groups 41 or below may see premium changes
25 resulting in the changes to the rate groups, but the

1 changes are revenue neutralized.

2 So, the overall or average premium is
3 equal to the current premium, correct?

4 MR. KHURRAM MASUD: Sorry, just a
5 moment. Yeah, I think you're correct. The average
6 premium will not change.

7 MS. KATRINE DILAY: Thank you. And so
8 effectively, rate groups 42 to 45 will see their
9 premiums increase collectively to make up the decrease
10 in the rate indication of 3.1 percent as a result of
11 the rate group expansion, correct?

12 MR. KHURRAM MASUD: That is correct,
13 yes.

14 MS. KATRINE DILAY: And I'd just like
15 to take you back to your presentation from this
16 morning. So, Exhibit 46, slide 15, please. Thank
17 you, Ms. Dweh.

18 And so, you'll recall in their
19 presentation this morning, and we see it before us,
20 there was reference made to examples of vehicles, like
21 the -- the Rolls Royce Cullinan, the Ferrari,
22 California, and this Chevrolet Blazer LT, and the
23 Dodge Charger.

24 You see that on the screen?

25 MR. KHURRAM MASUD: I see that on the

1 screen.

2 MS. KATRINE DILAY: And in terms of
3 the examples of the -- the Rolls Royce and the
4 Ferrari, you'll agree these are examples of cars which
5 are relatively expensive to purchase?

6 MR. KHURRAM MASUD: I would agree,
7 yes.

8 MS. KATRINE DILAY: And to fix?

9 MR. KHURRAM MASUD: Yes.
10 MS. KATRINE DILAY: And you'll agree

11 MPI has only provided a few examples of specific
12 vehicle types in this slide, correct?

13 MR. KHURRAM MASUD: That is correct,
14 yes.

15 MS. KATRINE DILAY: And, Ms. Dweh, if
16 we could please turn to part 8, RC passenger vehicles,
17 part 1A, which should be an Excel spreadsheet.

18

19 (BRIEF PAUSE)

20

21 MS. KATRINE DILAY: Great. Thank you.
22 And so, if we look at this -- this appendix on the
23 screen before us, the two (2) columns to the left of
24 the spreadsheet include the make and models of
25 specific vehicles, correct?

1 MR. KHURRAM MASUD: Yes, I can see
2 that.

3 MS. KATRINE DILAY: Then if we look at
4 sort of the middle approximately six (6) to seven (7)
5 rows, we see additional information relating to the
6 vehicles, correct?

7 MR. KHURRAM MASUD: Correct, yes.

8 MS. KATRINE DILAY: And then if we
9 look at approximately the ten (10) columns at the end,
10 which are the columns 26 all the way to 06, those
11 would be the model years of the vehicles in question?

12 MR. KHURRAM MASUD: Yes.
13 MS. KATRINE DILAY: And then for each
14 model year MPI has filled in the expected rate group
15 for the 2026/'27 rating year?

16 MR. KHURRAM MASUD: Yes.
17 MS. KATRINE DILAY: And I'd just like
18 to go through a couple of the examples that you gave
19 this morning as well as a few more. So, Ms. Dweh, if
20 we could turn to rows -- to row 3,991 of this
21 spreadsheet. And -- and just in case it helps, it is
22 an alphabetical order, and we're -- we're looking for
23 the Ferrari California, so it'll be row 3,991. And I
24 think We have to go back up to 3 9 9 1, please.

25

1 (BRIEF PAUSE)

2

3 MS. KATRINE DILAY: Thank you. And
4 so, you'll confirm there in row 3991 and row 3992, we
5 see the Ferrari, California that was referred to in
6 your presentation this morning?

7 MR. KHURRAM MASUD: I can see that,
8 yes.

9 MS. KATRINE DILAY: And if we look to
10 the right-hand side, we see indeed that the projected
11 rate group is 45 for that particular car, correct?

12

13 MR. KHURRAM MASUD: Yes.
14 MS. KATRINE DILAY: Great. Ms. Dweh,
15 if we could go up to row 3426, please. Thank you.

16 And so, if we look at rows 3426 and row
17 3427, you see those two (2) rows there?

18

19 MR. KHURRAM MASUD: Yes.
20 MS. KATRINE DILAY: And both of those
21 are Dodge Charger GTs?

22 MR. KHURRAM MASUD: Correct.

23 MS. KATRINE DILAY: Which were
24 referred to in your presentation this morning?

25 MR. KHURRAM MASUD: Correct.

MS. KATRINE DILAY: And if we go
towards the -- the right-hand side, we'll see that the

1 first Dodge Charger GT is projected to be rated in
2 groups 41, 42, 43, depending on the rating year.

3 You see that?

4 MR. KHURRAM MASUD: I see that.

5 MS. KATRINE DILAY: And just under, we
6 do see another Dodge Charger GT that is projected to
7 move up to rate group 45, correct?

8 MR. KHURRAM MASUD: I see that.

9 MS. KATRINE DILAY: For a number of
10 models?

11 MR. KHURRAM MASUD: Yes.

12 MS. KATRINE DILAY: Thank you. I'd
13 just like to bring you to two (2) more examples. If
14 we could go down to row 5802.

15

16 (BRIEF PAUSE)

17

18 MS. KATRINE DILAY: Thank you. And
19 I'm wondering if it would be possible to make it just
20 a little bit bigger on the screen. Thank you. And,
21 Ms. Dweh, are you able to highlight the row -- just
22 for sake of -- of clarity, are you able to highlight
23 the row 5802 that will just be walking through?

24

25 (BRIEF PAUSE)

1

2 MS. KATRINE DILAY: Great. Thank you.

3 And so, you'll agree what we see in row

4 5802 is the Honda Civic LX?

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

6 MS. KATRINE DILAY: And if we walk all

7 the way towards the right, we see that, for certain

8 models, including the five (5) -- five (5) or six (6)

9 most recent model years, this particular vehicle is

10 projected to be in rate group 45?

11 MR. KHURRAM MASUD: That is correct.

12 And thanks for bringing that example up. It

13 reinforces the fact that vehicle value is not the only

14 contributing factor to risks being higher or lower

15 risk for insurance companies.

16 MS. KATRINE DILAY: Thank you. And

17 you are aware that the Honda Civic is a relatively

18 common car?

19 MR. KHURRAM MASUD: That's correct,

20 yes.

21 MS. KATRINE DILAY: And you'll agree,

22 as I think you just alluded to, that the Honda Civic

23 is not a particularly expensive car compared to some

24 of the examples you provided this morning such as the

25 Ferrari or the Rolls Royce?

1 MR. KHURRAM MASUD: That is -- that is
2 correct, yes.

3 MS. KATRINE DILAY: And just one last
4 example that we'd like to bring to -- to your
5 attention, if we could go to row 12,781.

6

7 (BRIEF PAUSE)

8

9 MS. KATRINE DILAY: Thank you. And
10 you'll agree we see there the Toyota Camry LE?

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

12 MS. KATRINE DILAY: And again, looking
13 towards the right, we can see there that, for at least
14 two (2) of the more recent models at 2024 and 2025,
15 this particular vehicle is projected to be in rate
16 group 45?

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

18 MS. KATRINE DILAY: And similarly,
19 you're aware that the Toyota Camry is a relatively
20 common car?

21 MR. KHURRAM MASUD: That is correct.
22 I do agree.

23 MS. KATRINE DILAY: And you'll agree
24 that the Toyota Camry would not be a particularly
25 expensive car compared to some of the other examples

1 such as a Rolls Royce or a Ferrari.

2 MR. KHURRAM MASUD: Correct. Correct.

3 MS. KATRINE DILAY: Okay.

4 MR. KHURRAM MASUD: And there are
5 several factors that contribute to a rating -- rating
6 group being assigned. And Toyota Camry is one of the
7 vehicles that are subject to theft, and it is a
8 commonly -- it's a common vehicle that's generally
9 considered high frequency of theft, which may be the
10 reason why it's considered rate group 45 and it's
11 considered a high risk vehicle to ensure.

12

13 (BRIEF PAUSE)

14

15 MS. KATRINE DILAY: Thank you, Mr.
16 Masud. And thank you for your patience as we walked
17 through this -- this lengthy Excel spreadsheet.

18 If we could please turn to CC/MP1-58,
19 Appendix 1. Thank you.

20 And you'll confirm this table shows the
21 impact of the rate group movement on premiums,
22 including with the impact of the 2026 DSR level
23 discounts and the 2026 rates, correct?

24

25 MR. KHURRAM MASUD: Yes.
MS. KATRINE DILAY: And if we look to

1 the complete left-hand side, so the left-hand column,
2 we see there the rate group movement?

3 MR. KHURRAM MASUD: I see that.

4 MS. KATRINE DILAY: So, this tells us
5 by how many rate groups the vehicles in question will
6 move?

7 MR. KHURRAM MASUD: That is correct,
8 yes.

9 MS. KATRINE DILAY: And looking at the
10 rate group movement five (5), so that first row, these
11 are vehicles that will move by the maximum of five
12 (5) rate groups?

13 MR. KHURRAM MASUD: Correct. And
14 these may not be the ones who are going from 41 to 45,
15 highest to highest, because that's plus four (4).
16 That's why you see the highest number of vehicles in
17 plus four.

18 So, these five (5) are essentially
19 those vehicles that are not in 41 or not going to 40,
20 not essentially. Some of them might be moving to 45,
21 but they're not moving from the highest rate group now
22 to highest rate group we are proposing.

23 MS. KATRINE DILAY: And so, what
24 you're telling us is some of these vehicles moving by
25 five (5) could be lower down the rate groups?

1 MR. KHURRAM MASUD: Lower rate. Yes,
2 lower than 41.

3 MS. KATRINE DILAY: And vehicles that
4 are projected to be moving by five (5) rate groups are
5 forty-four thousand and one hundred (44,100) under
6 that next column?

7 MR. KHURRAM MASUD: That is correct.

8 MS. KATRINE DILAY: And then if we
9 move to -- and pardon me. We should have gone to page
10 2 of this document. My apologies for that. And so --
11 so the difference here, just to clarify, is that these
12 are the 2026 DSR level discounts, and I believe the
13 previous page were the 2025 DSR level discounts.

14 So, you'll agree this page is the 2026
15 DSR level discounts?

16 MR. KHURRAM MASUD: Right.

17 MS. KATRINE DILAY: You see that?

18 MR. KHURRAM MASUD: I see that.

19 MS. KATRINE DILAY: And again, looking
20 to the rate group movement of five (5), we see that
21 the number of vehicles is forty-four thousand one
22 hundred (44,100), correct?

23 MR. KHURRAM MASUD: Correct.

24 MS. KATRINE DILAY: And if we go to
25 the complete right-hand side of this table under

1 'Premium Change', we see that these vehicles will
2 experience just over a 24 percent premium change?

3 MR. KHURRAM MASUD: That's correct.

4 MS. KATRINE DILAY: And then moving
5 down to rate group movement four (4), we see there --
6 and I believe you pointed this out -- we see the large
7 number of a hundred and twenty-eight thousand two
8 hundred and fifty-nine (128,259) vehicles?

9 MR. KHURRAM MASUD: I see that.

10 MS. KATRINE DILAY: And looking again
11 at the far right column, these vehicles will
12 experience a premium change of over 19 percent?

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

14 MS. KATRINE DILAY: And moving down to
15 the vehicles that will move by three (3) rate groups,
16 so just under that hundred and twenty-eight thousand
17 (128,000) figure we saw, vehicles moving by three (3)
18 rate groups would be forty-five thousand and sixty-
19 three (45,063)?

20 MR. KHURRAM MASUD: Right. Yes.

21 MS. KATRINE DILAY: And again, looking
22 to the far right side, in terms of premium change,
23 these vehicles would experience an over 16 percent
24 increase in premiums, correct?

25

1 MS. KATRINE DILAY: And then finally
2 rate group 2 -- rate group movement two (2) rather --
3 we see forty-nine thousand four hundred and forty-four
4 (49,444) vehicles, correct?

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

6 MS. KATRINE DILAY: And again, looking
7 to the far right column, they would experience over 12
8 percent in premium increases, correct?

9

MR. KHURRAM MASUD: Yes.

10 MS. KATRINE DILAY: And the vehicles
11 who move by one rate group would be fifty-six thousand
12 and forty-eight (56,048)?

13 MR. KHURRAM MASUD: That's correct.

14 MS. KATRINE DILAY: And these vehicles
15 would experience an over 8.5 percent premium increase,
16 correct?

17

MR. KHURRAM MASUD: Yes.

18 MS. KATRINE DILAY: Thank you. And
19 so, based on my math, in terms of the numbers we just
20 looked at, over three hundred thousand (300,000)
21 vehicles will experience premium increases of over 5
22 percent as a result of the rate group changes,
23 correct?

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

1 MS. KATRINE DILAY: And you'll agree,
2 but I might ask you to confirm, that the premium
3 increases we see in this IR would not include any
4 additional premiums from purchasing a deductible
5 buydown from Extension, correct?

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

8 MS. KATRINE DILAY: Ms. Dweh, if we
9 could turn briefly to the 2025 GRA, Part 7, RC
10 Appendix 6, please. Thank you. And page nine. We'll
11 just go down the page a little bit, please. Thank
12 you.

13 You'll agree that in last year's GRA,
14 MPI proposed no changes to the DSR discounts?

15 MR. KHURRAM MASUD: I remember.

16 MS. KATRINE DILAY: And as you'll see
17 on this page, the primary reason for proposing no
18 changes to the DSR discounts in last year's GRA was to
19 achieve a lower rate indication, correct?

20 MR. KHURRAM MASUD: Not the rate
21 indication, but a premium increase for those who are
22 on the lower end of the DSR scale because the rate
23 indication was already too high last year.

24 MS. KATRINE DILAY: Thank you. And in
25 particular, as we see there, MPI indicated that if it

1 were to implement the PUB order discounts and adjusted
2 the base rate to off balance the impact from these
3 changes, the total combined base rate change would be
4 an increase of 12.6 percent, correct?

5 MR. KHURRAM MASUD: Correct, yes.

6 MS. KATRINE DILAY: Thank you. And if
7 we could turn to PUB/MPI-2-11B, please. And we'll go
8 to page 3 towards the bottom of that page and going
9 onto page 4.

10 So, does this Information Request show
11 us the impact on the overall premiums collected by MPI
12 of scenarios in which either less or no rate groups
13 would be added and the cap on the rate group movement
14 was different?

15 MR. KHURRAM MASUD: Yes.

16 MS. KATRINE DILAY: So, under
17 scenarios A and B, which is essentially the status quo
18 with no new groups added, the impact on the premium is
19 zero percent?

20 MR. KHURRAM MASUD: Correct.

21 MS. KATRINE DILAY: So, essentially,
22 what MPI is saying is that there would be no reduction
23 to the overall rate indication because no additional
24 premiums would be collected as a result of changes to
25 rate groups?

1 MR. KHURRAM MASUD: Correct, yes.

2 MS. KATRINE DILAY: And looking at
3 scenario C, this is where there would be one new rate
4 group added and the cap on movement would be one rate
5 group, correct?

6 MR. KHURRAM MASUD: Yes.
7 MS. KATRINE DILAY: And the premium
8 difference is 0.7 percent?

9 MR. KHURRAM MASUD: Correct.

10 MS. KATRINE DILAY: Meaning that it
11 would reduce the rate indication by 0.7 percent?

12 MR. KHURRAM MASUD: Yes.

13 MS. KATRINE DILAY: Now, scenario 'D'
14 at the top of page 4 refers to three (3) new groups
15 being added with 2 percent capping. You see that?

16 MR. KHURRAM MASUD: Yes. With
17 (INDISCERNIBLE) capping, correct.

18 MS. KATRINE DILAY: And I am wondering
19 if we'd be able to -- sorry. And the total premium
20 difference there is plus 1 percent -- plus 1.4
21 percent?

22 MR. KHURRAM MASUD: Correct, yes.

23 MS. KATRINE DILAY: And I'm wondering
24 if we could compare this to -- Ms. Dweh, if we could
25 pull up PUB/MPI-1-2, please.

1

2

(BRIEF PAUSE)

3

4

MS. KATRINE DILAY: And could we look

5 at page 25 of this document?

6

And is it your understanding that the

7 scenario 'D' that we had just been looking at in PUB2-

8 11 refers to scenario 'D' from PUB/MPI-1-2?

9

MR. KHURRAM MASUD: Correct, yes.

10

MS. KATRINE DILAY: And here we see

11 that scenario 'D' assumes the deductible increase of

12 one thousand (1,000) and rate groups 42 through 45

13 being added?

14

MR. KHURRAM MASUD: Yes.

15

MS. KATRINE DILAY: And confirm me if

16 I'm wrong, but that would be four (4) rate groups

17 being added?

18

MR. KHURRAM MASUD: Correct.

19

MS. KATRINE DILAY: And if we go to

20 the next page, please.

21

And so, this is once again scenario 'D'

22 with 4 rate groups being added?

23

MR. KHURRAM MASUD: Yes.

24

MS. KATRINE DILAY: And if we look at

25 row 15 of this particular figure, we see there the 1.4

1 percent rate group increase impact?

2 MR. KHURRAM MASUD: I see that.

3 MS. KATRINE DILAY: So, Ms. Dweh, we
4 could go back to PUB-2-11, please.

5 Should scenario D at the top of this
6 page refer to four (4) new groups being added --
7 namely, rate group 42 to 45?

8 MR. KHURRAM MASUD: It wouldn't matter
9 if you even added ten (10) new rate groups. As long
10 as the rate group gap is two (2), nobody from the
11 current existing population can go up to 45 or more.

12 MS. KATRINE DILAY: Thank you. So' I
13 think what you're telling me is, perhaps yes, it
14 should say four (4) new rate groups, but the 1.4
15 percent would not change.

16 MR. KHURRAM MASUD: Would not change
17 even if you added as many rate groups as you wanted.
18 As long as you have the plus two (2) capping, nobody
19 would -- nobody can be promoted to rate group 45 and
20 above.

21 MS. KATRINE DILAY: Thank you. Thank
22 you. And then looking at the GRA scenario, so the
23 next bullet on page 4 before us, that's the GRA
24 scenario that MPI is proposing -- namely, the addition
25 of four (4) regroupings and a cap of five (5) rate group

1 movements, correct?

2 MR. KHURRAM MASUD: That's correct.

3 MS. KATRINE DILAY: Where we see
4 there, the premium difference of 3.1 percent.

5 MR. KHURRAM MASUD: Yes.

6 MS. KATRINE DILAY: And so, this
7 particular scenario reduces the rate indication by 3.1
8 percent, correct?

9 MR. KHURRAM MASUD: That is correct.

10 MS. KATRINE DILAY: So, what this
11 response tells us is that, if that MPI were to reduce
12 the cap on rate group movement, it would essentially
13 increase the rate indication, correct?

14 MR. KHURRAM MASUD: Correct.

15 MS. KATRINE DILAY: And similarly, if
16 MPI were to add fewer rate groups than it is
17 proposing, it would increase the rate indication,
18 correct?

19 MR. KHURRAM MASUD: You have a rate
20 group. Again, the cap also matters because, as I
21 said, if you added three (3) more rate groups with a
22 plus two (2) cap, it doesn't matter if you added three
23 (3) or four (4) or more rate groups, although new
24 vehicles could still qualify for rate groups 45 and
25 above in that case.

1 MS. KATRINE DILAY: Thank you. And if
2 -- if MPI were to put a cap on rate group movement of
3 plus three (3) or plus four (4), for example, there
4 would be a reduction in the rate indication and we
5 would see that it would fall somewhere between the 1.4
6 percent and the 3.1 percent, correct?

7 MR. KHURRAM MASUD: That's correct.

8 MS. KATRINE DILAY: With the plus
9 three (3) rate cap being slightly lower than a plus
10 four (4) rate cap, correct?

11 MR. KHURRAM MASUD: Yes. Yes.

12 MS. KATRINE DILAY: Thank you. I will
13 now have a few questions relating to the driver
14 premium, and we'll go back to the document that Mr.
15 Andres referred to this morning. If we could turn to
16 Part 2, compliance filing COM, Appendix 2.

17

18 (BRIEF PAUSE)

19

20 MS. KATRINE DILAY: Thank you. You'll
21 agree that this is where MPI responds to the PUB
22 directive regarding the driver premiums from Order 2
23 of 25, varied by Order 29 of 25?

24 MS. CARA LOW: I agree.

25 MS. KATRINE DILAY: And if we look on

1 page 2. Thank you. MPI submits that driver premiums
2 serve three (3) primary purposes that we see listed
3 here.

4 MS. CARA LOW: Yes.

5 MS. KATRINE DILAY: And you recall
6 going through those with Mr. Andres this morning?

7 MS. CARA LOW: I do.

8 MS. KATRINE DILAY: And if we look at
9 page 6 of this document, towards the bottom, this is
10 where MPI discusses the \$10 increase to the driver
11 premium from last year's GRA. Correct?

12 MS. CARA LOW: I see that. Yes.

13 MS. KATRINE DILAY: And MPI states to
14 about one third (1/3) from the bottom of this page:

15 "This parody was intended to
16 distribute the financial burden
17 more equitably between all drivers
18 and vehicle owners, recognizing
19 that not every licensed driver
20 owns a vehicle, yet all benefit
21 from the insurance system."

22 You see that reference?

23 MS. CARA LOW: I do see that.

24 MS. KATRINE DILAY: And if we look at
25 page 9 of this document, in the second paragraph, MPI

1 says that:

2 "In essence, the driver premium
3 underscores the principle of
4 collective responsibility. It
5 ensures that all drivers,
6 regardless of vehicle ownership,
7 contribute to the shared costs of
8 road safety and accident coverage
9 in Manitoba."

10 You see that?

11 MS. CARA LOW: I do see that.

12 MS. KATRINE DILAY: You'll agree that
13 in the event that a licensed driver who does not own a
14 car, but decides to rent a car, they would have to
15 purchase rental car insurance. Correct?

16 MS. CARA LOW: Yes.

17 MS. KATRINE DILAY: In the event that
18 the licensed -- that a licensed driver who does not
19 own a car, uses a car co-op, that car would already be
20 insured through the car co-op. Correct?

21 MS. CARA LOW: It would. One minute
22 please.

23

24 (BRIEF PAUSE)

25

1 MS. CARA LOW: Could you repeat the
2 question?

3 MS. KATRINE DILAY: Of course. In the
4 event that a licensed driver who does not own a car
5 uses a car co-op, that car would already be insured
6 through the car co-op. Correct?

7 MS. CARA LOW: Correct.

8 MS. KATRINE DILAY: In the event that
9 a licensed driver who does not own a car, borrows a
10 car from a friend or a family member, that car would
11 already be insured through the owner of the car.

12 Correct?

13 MS. CARA LOW: It should be. Yes.

14 MS. KATRINE DILAY: It should be.

15 Thank you.

16 MS. CARA LOW: But, otherwise, your
17 driver premium does cover that if you believe the car
18 to be insured and it's not.

19 MS. KATRINE DILAY: And that was the,
20 I believe the Non-Vergata coverage that we saw
21 earlier?

22 MS. CARA LOW: Correct.

23 MS. KATRINE DILAY: You'll confirm
24 that a licensed driver who does not own a vehicle and
25 who gets hit by a car -- car and gets injured, would

1 benefit from the insurance through PIPP benefit?

2 MS. CARA LOW: Correct. All

3 Manitobans can have PIPP benefits.

4 MS. KATRINE DILAY: You'll confirm

5 that, and I believe you just alluded to this, a

6 Manitoban who does not have a driver's license and who

7 gets hit by a car and gets injured, would also access

8 PIPP benefits in the event of injury. Correct?

9 MS. CARA LOW: Correct.

10 MS. KATRINE DILAY: And you'll agree

11 that PIPP benefits are only available for injuries

12 where an automobile is involved?

13

14 (BRIEF PAUSE)

15

16 MR. STEVE SCARFONE: Ms. Dilay, that

17 is generally correct, but of course it -- it -- use of

18 a vehicle or a -- of an automobile will be interpreted

19 in different ways in different scenarios. So, what

20 constitutes use of -- of an automobile will -- will

21 determine coverage.

22 MS. KATRINE DILAY: Thank you, Mr.

23 Scarfone.

24

25 CONTINUED BY MS. KATRINE DILAY:

1 MS. KATRINE DILAY: And you'll agree
2 that all automobiles in Manitoba must or should be
3 insured?

4 MS. CARA LOW: Yes, I agree.

5 MS. KATRINE DILAY: If we could turn
6 to page 7 of this document. And just staying at the
7 top of the page there, MPI states another factor was
8 the passage of time since the last adjustment to the
9 driver premium, which had remained unchanged since
10 1988. Over that period, vehicle premiums had risen
11 significantly applying a comparable rate of increase
12 to the driver premium suggested that a ten (10) to \$15
13 adjustment was reasonable and overdue.

14 You see that reference?

15 MS. CARA LOW: I do see that.

16 MS. KATRINE DILAY: And you'll agree
17 that MPI provides detailed evidence, including
18 actuarial evidence and financial forecasts to justify
19 its vehicle premium increases. Correct?

20 MS. CARA LOW: Correct.

21 MS. KATRINE DILAY: And MPI did not
22 provide such detailed evidence to justify the driver
23 premium increase. Correct?

24 MS. CARA LOW: Correct.

25 MS. KATRINE DILAY: And just one last

1 question on this topic. If we could turn to page 10,
2 please, of this document.

3 And looking at the last sentence on
4 this page, MPI indicates there that while driver
5 premiums have been contributing to the personal injury
6 protection plan, Vergata and Non-Vergata liability
7 coverages and related administrative expenses, there
8 is currently no detailed breakdown of how these costs
9 are attributed to driver premiums versus vehicle
10 premiums. You see that?

11 MS. CARA LOW: Sorry. Is that in the
12 first paragraph?

13 MS. KATRINE DILAY: Sorry, the -- the
14 very last sentence of --

15 MS. CARA LOW: Oh, the last sentence --

16 MS. KATRINE DILAY: -- on this page.

17 MS. CARA LOW: -- okay, yes, I do see
18 that.

19 MS. KATRINE DILAY: And looking at the
20 reference, there is currently no detailed breakdown of
21 how these costs are attributed.

22 Does MPI mean by this that the required
23 -- the required data is not available to do such an
24 analysis or is there just currently no breakdown
25 available, but it could become available?

1 MS. CARA LOW: It's impossible to
2 determine which PIPP claims are attached to driver
3 premium or vehicle premium. So, the data, we know who
4 is on a PIPP claim and who gets coverage through the
5 PIPP benefits, but we can't assign it to driver
6 premium versus vehicle premium.

7 MS. KATRINE DILAY: Thank you. And
8 just one last area of questions for this panel
9 regarding the Driver's Safety Rating.

10 If we could turn to part 8 RC Appendix
11 6. And if we could turn to page 4 of this document.

12 You'll agree that MPI calculates the
13 driver's safety rating level loss cost relativities
14 using the minimum bias procedure?

15 MR. KHURRAM MASUD: Yes. That's the
16 current process right now.

17 MS. KATRINE DILAY: And looking at the
18 last paragraph on this page, MPI states that in the
19 2026 GRA, MPI is complying with PUB Order 2 of 25,
20 Directive 13, by fitting two (2) contiguous straight
21 lines from DSR zero (0) to plus twenty (20).

22 You see that?

23 MR. KHURRAM MASUD: I see that.

24 MS. KATRINE DILAY: And turning to
25 page 5, you agree that the DSR premiums are based on

1 the blue fitted relativity line we see here?

2 MR. KHURRAM MASUD: That's correct.

3 DSR discounts are based on the blue fitted lines.

4 Yes.

5 MS. KATRINE DILAY: And in this figure

6 you'll agree that the independent variable is the DSR

7 level. Correct?

8 MR. KHURRAM MASUD: That's correct,

9 yes.

10 MS. KATRINE DILAY: Which we see at

11 the bottom of this figure. And just backing up a

12 step, you'll agree that some independent variables are

13 numerical?

14 MR. KHURRAM MASUD: You mean in

15 general?

16 MS. KATRINE DILAY: Yes.

17 MR. KHURRAM MASUD: Yes, of course.

18 MS. KATRINE DILAY: And sometimes that

19 is also referred to as Cardinal?

20 MR. KHURRAM MASUD: Yes.

21 MS. KATRINE DILAY: And other

22 variables are categorical and general?

23 MR. KHURRAM MASUD: Yes.

24 MS. KATRINE DILAY: Which means that

25 the variable can be organized in categories or levels?

1 MR. KHURRAM MASUD: Correct. Yes. An
2 example of that is a territory.

3 MS. KATRINE DILAY: Is what? Sorry.

4 MR. KHURRAM MASUD: Territory --
5 territory that we use in our rating framework that is
6 not treated as a numeric variable.

7 MS. KATRINE DILAY: Thank you. And
8 sometimes categorical variables are ordinal, meaning
9 that they have an order, such as small, medium, large
10 sizes or one (1) star, two (2) star, three (3) star
11 ratings, for example?

12 MR. KHURRAM MASUD: That is correct.
13 Yes.

14 MS. KATRINE DILAY: And if we turn to
15 page 7 of this document, please, in figure RC App 6-2,
16 this is where we see the overall relativities by DSR
17 levels?

18 MR. KHURRAM MASUD: Correct. Yes.

19 MS. KATRINE DILAY: And looking at the
20 fitted relativity column of this figure, you'll
21 confirm that for most of the levels, the differences
22 between DSR levels are constant at about 0.048,
23 subject to check?

24 MR. KHURRAM MASUD: Subject to check.
25 Yes.

1 MS. KATRINE DILAY: And again, subject
2 to check, you'll agree that they're relatively
3 constant from about DSR plus level plus five (5) to --
4 about plus twenty (20). Correct?

5 MR. KHURRAM MASUD: To plus -- subject
6 to check. Yes.

7 MS. KATRINE DILAY: And you'll confirm
8 that the percentage change from moving from DSR level
9 twenty (20) to nineteen (19) is minus 8 percent, while
10 moving from plus seven (7) to plus eight (8) is minus
11 4 percent.

12 MR. KHURRAM MASUD: Yes.

13 MS. KATRINE DILAY: And so, you'll
14 confirm that MPI treats the DSR level as a numerical
15 variable. Correct?

16 MR. KHURRAM MASUD: Correct. Yes.

17 MS. KATRINE DILAY: And not as a
18 categorical variable. Correct?

19 MR. KHURRAM MASUD: That's correct.

20 MS. KATRINE DILAY: And if we go back
21 to figure -- to page 5, figure RC App 6-1. So, again,
22 we see that blue line of the fitted relativity.

23 Correct?

24 MR. KHURRAM MASUD: Yes.

25 MS. KATRINE DILAY: And the fitted

1 relativity is what MPI then uses to calculate the
2 overall relativity, the average premium and then the
3 overall DSR level of relativities for each DSR level.

4 Correct?

5 MR. KHURRAM MASUD: Yes, that's right.

6 MS. KATRINE DILAY: And if we look at
7 DSR levels 13 to 19, so we see the DSR level at the
8 bottom. We see that the blue line of fitted
9 relativity for those levels is lower than the green
10 line. Correct?

11 MR. KHURRAM MASUD: That is correct.
12 In certain parts of this chart, the line is high and
13 in certain parts of this chart, the line is low which
14 is typically what we see whenever -- sorry.

15 MS. KATRINE DILAY: No, please finish
16 your -- your response.

17 MR. KHURRAM MASUD: Yeah. No, I was
18 saying -- that which is -- typically what we see
19 whenever we fit a curve.

20 MS. KATRINE DILAY: Thank you. But
21 you'll confirm that from thirteen (13) to nineteen
22 (19), the green line is above the blue line. Correct?

23 MR. KHURRAM MASUD: That's correct for
24 that specific part, the green line is above.

25 MS. KATRINE DILAY: And the green line

1 is the balanced relativity -- relativity as we see at
2 the bottom of the chart. Correct?

3 MR. KHURRAM MASUD: Yes.

4 MS. KATRINE DILAY: Thank you very
5 much. Those are my questions. Thank you, Madam
6 Chair.

7 PANEL CHAIRPERSON: Thank you, Ms.
8 Dilay. Ms. Meek...?

9 MS. CHARLOTTE MEEK: Thank you, Madam
10 Chair.

11

12 CROSS-EXAMINATION BY MS. CHARLOTTE MEEK:

13 MS. CHARLOTTE MEEK: Good afternoon to
14 the panel. I just have a -- a few brief questions, so
15 we won't be too long. If we could start off by
16 looking at CMMG/MPI-1-5, please. Okay, thank you.

17 And if we could go to page 2. And if
18 we can zoom out a little bit so we can get the
19 response to answer 'A' on the screen.

20 So, this Information Request was just
21 asking for some background regarding the motorcycle
22 rate indication for this year. And in the answer to
23 number 3, A-3, the last sentence notes that this
24 measure, being the Basic deductible increase, does not
25 reduce the indicated rate increase for the motorcycle

1 rate indication. Do you see that there?

2 MR. KHURRAM MASUD: I see that.

3 MS. CHARLOTTE MEEK: Okay. And I
4 think earlier today, Ms. Low, you had corrected an
5 answer on the record from last week.

6 And I think your evidence was that the
7 motorcycle rate indication was, in fact, decreased by
8 0.9 percent as a result of the deductible change.

9 Is that correct?

10 MR. KHURRAM MASUD: That is correct,
11 yes.

12 MS. CHARLOTTE MEEK: Okay. And so
13 that's different from the answer that was given on the
14 screen in this Information Request.

15 MR. KHURRAM MASUD: I -- I think this
16 paragraph is specific to comprehensive, because
17 comprehensive coverage does not apply to motorcycles,
18 that's why comprehensive coverage or increase of
19 deductible in comprehensive coverage is -- does not
20 reduce the rate indication for motorcycle.

21 MS. CHARLOTTE MEEK: Okay. So, the
22 answer was not intending to say that the product's
23 change does not impact --

24 MR. KHURRAM MASUD: That is correct.

25 MS. CHARLOTTE MEEK: -- the -- the

1 claim for motorcycles?

2 MR. KHURRAM MASUD: Yes. Let me just
3 read through it once again.

4 MS. CHARLOTTE MEEK: Sure. The
5 question -- I can bu -- the question wasn't specific
6 to comprehensive claims.

7 The question was, you know, what
8 factors are creating the motorcycle increase?

9 MR. KHURRAM MASUD: Can I see the
10 question please? If you can scroll up.

11 MS. CHARLOTTE MEEK: Sure, yeah. We
12 can scroll up to the question.

13

14 (BRIEF PAUSE)

15

16 MR. KHURRAM MASUD: Now, if you can
17 scroll back to --

18 MS. CHARLOTTE MEEK: Sure, yeah.
19 Scroll back to the answer in 'A'.

20 MR. KHURRAM MASUD: Thank you very
21 much.

22 From what I understand after reading
23 through this answer, is that, this sentence in
24 particular is specific to comprehensive coverage,
25 because comprehensive is being talked about here.

1 However, I do understand what you're saying.

2 The impact of Basic deductible being
3 increased does apply to motorcycle, but only
4 restricted to the co -- collision coverage and not
5 comprehensive.

6 MS. CHARLOTTE MEEK: Okay. So, the
7 evidence is the motorcycle indication was impacted by
8 0.9 percent.

9 Is MPI be -- able to provide the impact
10 of the deductible change on the rate indication broken
11 down by major class?

12 MR. KHURRAM MASUD: Yes, yes. Yes.
13 We can provide that.

14 MS. CHARLOTTE MEEK: Could we get that
15 by way of undertaking?

16 MR. KHURRAM MASUD: Yes.

17 MR. STEVE SCARFONE: Yes, we can, Ms.
18 Meek. Thank you.

19 MS. CHARLOTTE MEEK: Thank you.

20

21 --- UNDERTAKING NO. 16: MPI to provide the impact of
22 the deductible change on the rate
23 indication broken down by major class

24

25 CONTINUED BY MS. CHARLOTTE MEEK:

1 MS. CHARLOTTE MEEK: And then, if we
2 could go to page 4 of this IR, please.

3 So MPI was giving a rather lengthy
4 response regarding our question about what impact --
5 what factors impacted the -- the motorcycle rate
6 indication. And you can see, if we scroll down a
7 little bit, the middle paragraph here that says, 'the
8 decrease in new money yield'.

9 So MPI is noting that changes in the
10 new money yield is also a contributing factor to the
11 motorcycle rate increase. Is that correct?

12 MR. KHURRAM MASUD: That is correct,
13 yes.

14 MS. CHARLOTTE MEEK: Okay. And so,
15 there was a decrease in the new money yield between
16 the 2025 GRA and the 2026 GRA. Is that correct?

17 MR. KHURRAM MASUD: That is correct,
18 yes.

19 MS. CHARLOTTE MEEK: Okay. And if we
20 could now turn to another IR CMMG/MPI-2-3, please.
21 Thank you. And if we can go to page 2, the answer to
22 question 'A'.

23 And so, MPI was providing a little bit
24 further clarification to the previous question, the
25 previous IR. And in this response, you can see here,

1 that MPI is indicating that the new money yield in
2 2025 was 4.37 percent. Do you see that there?

3 MR. KHURRAM MASUD: I see that.

4 MS. CHARLOTTE MEEK: And the new money
5 yield in 2026 is 4.09 percent. Do you see that there?

6 MR. KHURRAM MASUD: I see that.

7 MS. CHARLOTTE MEEK: Thank you. And
8 so, the decrease in new money yield resulted in the
9 increase in the motorcycle indication, is that
10 correct?

11 MR. KHURRAM MASUD: That is correct.
12 That -- that's one of the contributory factors to the
13 rate indication for motorcycles.

14 MS. CHARLOTTE MEEK: Okay. And so,
15 the answer is saying that all things being equal,
16 where the new money yield from 2025 was used, i.e.,
17 the 4.37 percent, in this year's application the
18 indicated motorcycle rate would've been 4.52 percent.

19 Is that correct?

20 MR. KHURRAM MASUD: Correct.

21 MS. CHARLOTTE MEEK: Okay. But using
22 the new money yield of 4.09 percent, the indicated
23 rate is 5.81 percent. Correct?

24 MR. KHURRAM MASUD: That is correct.

25 MS. CHARLOTTE MEEK: Yes, okay. And

1 so, the fluctuation in motorcycle rates caused by
2 changes in the new money yield since last year, is the
3 1.29 percent.

4 MR. KHURRAM MASUD: Correct, yes.

5 MS. CHARLOTTE MEEK: Thank you. And
6 if we can scroll down to the -- to question -- the
7 answer to question 'D'.

8 And so, we were asking for some
9 information on a historical basis of the impact that
10 investment returns had on the motorcycle class in the
11 last three (3) rate applications.

12 And I just wanted to clarify here, the
13 new money yield that's noted for 2025 is listed at
14 4.61 percent, but we had just discussed that it was
15 4.37 percent. So, are you able to just clarify that
16 number?

17

18 (BRIEF PAUSE)

19

20 MS. CARA LOW: 4.61 percent was a new
21 money yield in the June submission last year in the
22 2025 GRA, and then the October update was 4.25.

23 MS. CHARLOTTE MEEK: Okay. Then I
24 guess I have questions about the responses in the IR,
25 which had said that the 2025 new money yield was 4.37.

1 So maybe we could --

2 MR. KHURRAM MASUD: This is the Board
3 Order. I think the original submission was based on
4 another year. This is after the 4.37 was after the --
5 I believe --

6 MS. CHARLOTTE MEEK: After the Board
7 Order.

8 MR. KHURRAM MASUD: Yes.

9 MS. CHARLOTTE MEEK: Okay, great.
10 Okay. Thank you.

11 MS. CARA LOW: There was a Board Order
12 change where we changed the duration of the assets.
13 The duration to be based on the actual assets held,
14 and not the claims duration. That might be the
15 difference.

16 MS. CHARLOTTE MEEK: Okay, okay. And
17 so aside from that number, generally, what's being
18 provided here, is how much the rate indication changed
19 once investment returns are included in the
20 calculation. That's the response to this IR.

21 I'm wondering if MPI is able to provide
22 a chart that demonstrates how the changes in new money
23 yield each year since 2020 have impacted the
24 motorcycle rate indication.

25 MS. CARA LOW: So basically, going

1 backwards, today's new money yield, and restating
2 previous ones?

3 MS. CHARLOTTE MEEK: Yeah, like
4 looking at how the adjustment in new money yield, how
5 that isolated factor has impacted the motorcycle rate
6 indication over the last few years,

7 MR. KHURRAM MASUD: Would it help if
8 we provided you with a sensitivity analysis off the
9 current GRA? So, how much the rate indication would
10 change for 2026 GRA, if the interest rate was to move,
11 let's say, by fifty (50) basis point or twenty-five
12 (25) basis point increments.

13 MS. CHARLOTTE MEEK: And then I'd be
14 able to apply that to previous new money yields to
15 determine the factor?

16 MR. KHURRAM MASUD: That would -- that
17 would be different then because sensitivity analysis
18 would only apply to the current year GRA. So, I was
19 just wondering if that would provide you with
20 sufficient information.

21 If you wanted to see the sensitivity of
22 rate indication on -- on new money yield, then we
23 could provide you with the sensitivity analysis. But
24 I believe we are looking for historic --

25 MS. CHARLOTTE MEEK: Yeah.

1 historically. Yeah, I'd be looking for historically,
2 how the changes in the new money yield have impacted
3 the motorcycle rate specifically.

4 MR. KHURRAM MASUD: I'm just wondering
5 how do we do that? Could -- we could do scenario
6 testing on historic rate indications?

7 MS. CHARLOTTE MEEK: Sorry, say that
8 again?

9 MR. KHURRAM MASUD: Scenario testing
10 on historic rate indications. If for example, 2023
11 rate indication was to use this year's new money
12 yield, what would the rate indication be? Would that
13 be helpful?

14 MS. CHARLOTTE MEEK: It would be from
15 each year. So, for example, in 2023 versus the 2024,
16 how much has the change in the new money yield between
17 those two (2) years affected the motorcycle rate
18 indication, and then following from that 2024/'25,
19 each year they're moving forward.

20 MR. STEVE SCARFONE: So, Ms. Meek, Mr.
21 Masud is trying to be helpful. I hear the request
22 being made. I'm also aware that there was a round of
23 pre-Asks that was available for all interveners. The
24 purpose of that exercise was to try and avoid these
25 historical type undertakings at this late stage of the

1 hearing.

2 So, unless there's a compelling reason
3 why the CMMG couldn't have sought this information
4 earlier, I'm going to have to take that under
5 advisement. I can't promise that we'll prepare and
6 provide that to you.

7

8 --- UNDERTAKING NO. 17: MPI to provide historically
9 how the changes in the new money yield
10 have impacted the motorcycle rate
11 specifically. (TAKEN UNDER ADVISEMENT)

12

13 MS. CHARLOTTE MEEK: Okay, that's
14 fine. Thank you.

15 Okay, those are my questions. Thank
16 you very much.

17 PANEL CHAIRPERSON: Thank you, Ms.
18 Meek. Mr. Ireland ...? Ms. Sharman ...?

19 BOARD MEMBER SHARMAN: Nothing from
20 me.

21 PANEL CHAIRPERSON: Mr. Scarfone ...?

22 MR. STEVE SCARFONE: Thanks, Madam
23 Chair. Just a couple quick questions of the panel.

24

25 RE-DIRECT EXAMINATION BY MR. STEVE SCARFONE:

1 MR. STEVE SCARFONE: Ms. Dweh, could
2 you please bring before us PUB-1-3(e), please.

3 And, Mr. Masud, you'll recall that
4 questions were put to you earlier about the factors
5 that are considered when determining rate groups for
6 different vehicles?

7 MR. KHURRAM MASUD: Yes, I remember.

8 MR. STEVE SCARFONE: And one of those
9 factors would be the retail price of the vehicle.

10 Is that correct?

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

13 MR. STEVE SCARFONE: And in PUB-1-3
14 reference is made in 'E' to description tables per
15 CLEAR, which includes the MSRP for each vehicle. And
16 -- and if we can go to the Appendix in the response. I
17 believe it was Appendix 3 to this particular response.

18 And what is it, sir, that -- that the
19 Corporation makes use of the retail sale price in
20 determining where the appropriate rate group is for
21 each vehicle?

22 MR. KHURRAM MASUD: So, the rate
23 groups are assigned by an independent industry
24 association, IBC. We use the rate groups that are
25 assigned by IC -- IBC in our ratemaking process. And

1 one of the contributory factors to assignment of rate
2 group is MSRP. And if you could scroll down all the
3 way to the bottom.

4 I remember a reference was made to
5 average vehicle price of sixty-five thousand
6 (\$65,000). And we noticed that for the highest rate
7 group, if we can scroll down to date group 45, I
8 believe there was rate group 45 in this Exhibit.

9 And if my memory serves me, that was
10 sixty thousand (\$60,000), and a comparison was made
11 with the new average, or median new vehicle price of
12 sixty-five thousand (\$65,000).

13 However, if we see the average price of
14 current MPI's fleet, MSRP is thirty-nine thousand
15 (39,000), which is well below the sixty-five thousand
16 (65,000) that was shown.

17 So, in comparison to the average price
18 of an average MPI fleet vehicle, sixty thousand
19 (60,000) is significantly higher as much as 50 percent
20 higher, which is where we see that -- I believe a
21 reference was made for rate group 45, and a comparison
22 was made between sixty thousand (60,000) and sixty-
23 five thousand (65,000), the average price. But the
24 average price of MPI's average vehicle within fleet is
25 forty thousand (40,000), and the rate group 45 is

1 sixty thousand (\$60,000) which is almost 50 percent
2 higher.

3 MR. STEVE SCARFONE: I see. Okay.
4 Okay, thank you for that clarification.

5 And, Ms. Low, Ms. Dilay, for the
6 Consumers Coalition put you through scenarios with
7 respect to coverages available to Manitobans.

8 Do you recall those scenarios?

9 MS. CARA LOW: Yes, I do.

10 MR. STEVE SCARFONE: And with respect
11 to a customer that's licensed, but doesn't own a motor
12 vehicle and renting one, and declining the rental
13 insurance coverage, in that scenario, Ms. Low, are you
14 -- because you agreed that there would be no coverage,
15 are you saying that that vehicle wouldn't have any
16 Basic coverage for collision either?

17 MS. CARA LOW: Sorry. No, there's
18 still insurance. It's purchased by the rental
19 company.

20 MR. STEVE SCARFONE: Okay, thank you.
21 So, the rental insurance is -- is additional insurance
22 on top of the Basic policy that's on the vehicle?

23 MS. CARA LOW: Correct.

24 MR. STEVE SCARFONE: And similarly, if
25 a licensed driver is making use of a car that he or

1 she doesn't own, you indicated there was coverage for
2 that individual. Correct?

3 MS. CARA LOW: For PIPP?

4 MR. STEVE SCARFONE: Or for collision.

5 MS. CARA LOW: As long as they have
6 consent to use a car ...

7 MR. STEVE SCARFONE: By the registered
8 owner.

9 MS. CARA LOW: ... by the registered
10 owner, there's coverage, but all Manitobans have PIPP
11 benefits?

12 MR. STEVE SCARFONE: Yes. But with
13 respect to the collision coverage, if the registered
14 owner has not consented to the use of the vehicle,
15 there would be no coverage for that licensed driver.

16 Is that what --

17 MS. CARA LOW: I believe that's
18 correct.

19 MR. STEVE SCARFONE: Thank you. Those
20 are my questions on redirect. Madam Chair, I just
21 want to before I conclude read into the record Exhibit
22 No. 47, which is the sales of fuel used for road motor
23 vehicles.

24

25 --- EXHIBIT NO. MPI-47: Sales of fuel used for road

1 motor vehicles.

2

3 MR. STEVE SCARFONE: And then I wanted
4 to address what Mr. Andres brought to our attention
5 this morning with respect to an exhibit that was
6 filed, Exhibit No. MPI-43 was filed. It was a black-
7 line version of Exhibit No. 17, I'm to understand.
8 Exhibit No. 17 was the rate update. And so, a black-
9 line version of that was filed for this reason.

10 The Board, as you know, in its
11 procedural Orders will often order a number of
12 documents to be updated, about 25 of them from
13 ratemaking and investments, and the proformas. One of
14 those documents is investment 2, which is a summary of
15 the Basic line of business expense -- or investment
16 forecast.

17 And so, in the rate update investments
18 number 2, and we were looking at it, was not updated
19 and I was like, dear Lord, this thing isn't updated.
20 But, as it turns out, the Board also asked, in its
21 Information Request 2-33, for a breakdown of
22 investment income for each of the portfolios. So, for
23 the Basic claims portfolio, for the RSR, and for the
24 EFB.

25 And what MPI did was, we responded to

1 those three, plus we included the Basic line of
2 business investment summary, and we updated that in
3 the October update.

4 And so, all of that to say, is there
5 was an exchange I'm to understand between Mr. Cathcart
6 and Regulatory Affairs. And so, investments 2, if
7 you're looking at the rate update, is not updated, but
8 it is updated in the response to the Information
9 Request.

10 So, the data is there, the updated rate
11 indication was based on an updated investment
12 forecast. And because the Bank of Canada ten (10)
13 year bond yield had increased, there were changes to
14 the forecast for the Basic line of business, and all
15 of that is, in fact, reflected in the record. But,
16 investments 2 in the rate update is not strictly in
17 compliance with the Board Order because it's not
18 updated.

19 PANEL CHAIRPERSON: Okay, thank you,
20 Mr. Scarfone. And sorry, what IR is it included in
21 now?

22 MR. STEVE SCARFONE: It is included in
23 IR 2-33.

24 PANEL CHAIRPERSON: Okay, thank you.
25 Thank you very much everyone. And thank you for your

1 participation to everyone on the panel. We appreciate
2 evidence this afternoon.

3 We will adjourn, I'm assuming at this
4 point, and start tomorrow with MPI IT benchmarking and
5 roadmap panel. Thank you.

6

7 (PANEL STANDS DOWN)

8

9 --- Upon adjourning at 2:22 p.m.

10

11

12 Certified Correct,

13

14

15 _____

16 Wendy Woodworth, Ms.

17

18

19

20

21

22

23

24

25